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HOUSE BILL NO. 321

INTRODUCED BY L. REKSTEN, K. REGIER, L. JONES, N. DURAM, G. PARRY, B. BARKER

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATED TO THE COAL TAX TRUST; ESTABLISHING A CONSERVATION DISTRICT FUND AND A COAL BOARD FUND WITHIN THE COAL TAX TRUST; ALLOCATING COAL SEVERANCE TAX FUNDS TO THE CONSERVATION DISTRICT FUND AND THE COAL BOARD FUND; REVISING THE ALLOCATION OF COAL SEVERANCE TAXES; PROVIDING FOR TRANSFERS; TRANSFERRING MONEY FROM THE GENERAL FUND TO THE SCHOOL FACILITY FUND; AMENDING SECTION-SECTIONS 17-5-703, AND 90-6-1001, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

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

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

- (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal severance tax must be deposited;
- (b) a Montana coal endowment fund;
- (c) a Montana coal endowment regional water system fund;
- (d) a coal severance tax permanent fund;
- (e) a coal severance tax income fund;
- (f) a big sky economic development fund; ~~and~~
- (g) a school facilities fund; and
- (h) a conservation district fund; and
- (i) a coal board fund.

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

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1 months and retain that amount in the coal severance tax bond fund.

2 (b) The amount in the coal severance tax bond fund in excess of the amount required in
3 subsection (2)(a) must be transferred from that fund as provided in subsections (4) ~~and (5)~~ through (6).

4 (3) (a) The state treasurer shall monthly transfer from the Montana coal endowment fund to the
5 Montana coal endowment special revenue account the amount of earnings, excluding unrealized gains and
6 losses, required to meet the obligations of the state that are payable from the account in accordance with 90-6-
7 710. Earnings not transferred to the Montana coal endowment special revenue account must be retained in the
8 Montana coal endowment fund.

9 (b) The state treasurer shall monthly transfer from the Montana coal endowment regional water
10 system fund to the Montana coal endowment regional water system special revenue account the amount of
11 earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable
12 from the account for regional water systems authorized under 90-6-715. Earnings not transferred to the
13 Montana coal endowment regional water system special revenue account must be retained in the Montana coal
14 endowment regional water system fund.

15 (4) (a) Starting July 1, ~~2017~~ 2023, the state treasurer shall quarterly transfer to the school facilities
16 fund provided for in 20-9-380(1) ~~75%~~ 10% of the amount in the coal severance tax bond fund in excess of the
17 amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state
18 treasurer when the balance of the school facilities fund is ~~\$200~~ \$300 million. Beginning with the quarter
19 following this certification, the state treasurer shall instead transfer to the coal severance tax permanent fund
20 ~~75%~~ 10% of the amount in the coal severance tax bond fund that exceeds the amount that is specified in
21 subsection (2) to be retained in the fund.

22 (b) The state treasurer shall monthly transfer from the school facilities fund to the account
23 established in 20-9-525 the amount of earnings, excluding unrealized gains and losses, required to meet the
24 obligations of the state that are payable from the account. Earnings not transferred to the account established
25 in 20-9-525 must be retained in the school facilities fund.

26 (5) (a) Starting July 1, 2023, the state treasurer shall quarterly transfer to the conservation district
27 fund provided for in [section 2] 65% of the amount in the coal severance tax bond fund in excess of the amount
28 that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state

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1 treasurer when the balance of the conservation district fund is \$100 million. Beginning with the quarter following
2 this certification, the state treasurer shall instead transfer to the coal ~~severance tax permanent board~~ fund 65%
3 of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to
4 be retained in the fund. ~~The budget director shall certify to the state treasurer when the balance of the coal~~
5 ~~board fund reaches \$150 million. Beginning with the quarter following this certification, the state treasurer shall~~
6 ~~instead transfer to the Montana coal endowment fund 65% of the amount in the coal severance tax bond fund~~
7 ~~that exceeds the amount that is specified in subsection (2) to be retained in the fund.~~

8 (b) The state treasurer shall monthly transfer from the conservation district fund to the account
9 established in 76-15-106 the amount of earnings, excluding unrealized gains and losses, required to meet the
10 obligations of the state that are payable from the account. Earnings not transferred to the account established
11 in 76-15-106 must be retained in the conservation district fund.

12 (c) The state treasurer shall monthly transfer from the coal board fund to the account established
13 in 90-6-1001(2) the amount of earnings, excluding unrealized gains and losses, required to meet the obligations
14 of the state that are payable from the account. Earnings not transferred to the account established in 90-6-
15 1001(2) must be retained in the coal board fund.

16 ~~(5)(6)~~ (a) From July 1, 2005, through June 30, 2025, the state treasurer shall quarterly transfer to the
17 big sky economic development fund 25% of the amount in the coal severance tax bond fund in excess of the
18 amount that is specified in subsection (2) to be retained in the fund.

19 (b) The state treasurer shall monthly transfer from the big sky economic development fund to the
20 economic development special revenue account, provided for in 90-1-205, the amount of earnings, excluding
21 unrealized gains and losses, required to meet the obligations of the state that are payable from the account in
22 accordance with 90-1-204. Earnings not transferred to the economic development special revenue account
23 must be retained in the big sky economic development fund.

24 ~~(6)(7)~~ Any amount in the coal severance tax bond fund in excess of the amount that is specified in
25 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
26 deposited in the coal severance tax permanent fund. (Terminates June 30, 2031--secs. 1 through 3, Ch. 305, L.
27 2015.)

28 **17-5-703. (Effective July 1, 2031) Coal severance tax trust funds.** (1) The trust established under

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1 Article IX, section 5, of the Montana constitution is composed of the following funds:

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

4 (b) a Montana coal endowment fund;

5 (c) a coal severance tax permanent fund;

6 (d) a coal severance tax income fund;

7 (e) a big sky economic development fund; ~~and~~

8 (f) a school facilities fund; ~~and~~

9 (g) a conservation district fund; and

10 (h) a coal board fund.

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

14 (b) The amount in the coal severance tax bond fund in excess of the amount required in
15 subsection (2)(a) must be transferred from that fund as provided in subsections (4) ~~and (5)~~ through (6).

16 (3) The state treasurer shall monthly transfer from the Montana coal endowment fund to the
17 Montana coal endowment special revenue account the amount of earnings, excluding unrealized gains and
18 losses, required to meet the obligations of the state that are payable from the account in accordance with 90-6-
19 710. Earnings not transferred to the Montana coal endowment special revenue account must be retained in the
20 Montana coal endowment fund.

21 (4) (a) Starting July 1, ~~2017~~ 2023, the state treasurer shall quarterly transfer to the school facilities
22 fund provided for in 20-9-380(1) ~~75%-10%~~ of the amount in the coal severance tax bond fund in excess of the
23 amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state
24 treasurer when the balance of the school facilities fund is ~~\$200~~ \$300 million. Beginning with the quarter
25 following this certification, the state treasurer shall instead transfer to the coal severance tax permanent fund
26 ~~75%-10%~~ of the amount in the coal severance tax bond fund that exceeds the amount that is specified in
27 subsection (2) to be retained in the fund.

28 (b) The state treasurer shall monthly transfer from the school facilities fund to the account

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1 established in 20-9-525 the amount of earnings, excluding unrealized gains and losses, required to meet the
2 obligations of the state that are payable from the account. Earnings not transferred to the account established
3 in 20-9-525 must be retained in the school facilities fund.

4 (5) (a) Starting July 1, 2023, the state treasurer shall quarterly transfer to the conservation district
5 fund provided for in [section 2] 65% of the amount in the coal severance tax bond fund in excess of the amount
6 that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state
7 treasurer when the balance of the conservation district fund is \$100 million. Beginning with the quarter following
8 this certification, the state treasurer shall instead transfer to the coal ~~severance tax permanent board~~ fund 65%
9 of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to
10 be retained in the fund. ~~The budget director shall certify to the state treasurer when the balance of the coal~~
11 ~~board fund reaches \$150 million. Beginning with the quarter following this certification, the state treasurer shall~~
12 ~~instead transfer to the Montana coal endowment fund 65% of the amount in the coal severance tax bond fund~~
13 ~~that exceeds the amount that is specified in subsection (2) to be retained in the fund.~~

14 (b) The state treasurer shall monthly transfer from the conservation district fund to the account
15 established in 76-15-106 the amount of earnings, excluding unrealized gains and losses, required to meet the
16 obligations of the state that are payable from the account. Earnings not transferred to the account established
17 in 76-15-106 must be retained in the conservation district fund.

18 (c) The state treasurer shall monthly transfer from the coal board fund to the account established
19 in 90-6-1001(2) the amount of earnings, excluding unrealized gains and losses, required to meet the obligations
20 of the state that are payable from the account. Earnings not transferred to the account established in 90-6-
21 1001(2) must be retained in the coal board fund.

22 (5)(6) (a) From July 1, 2005, through June 30, 2025, the state treasurer shall quarterly transfer to the
23 big sky economic development fund 25% of the amount in the coal severance tax bond fund in excess of the
24 amount that is specified in subsection (2) to be retained in the fund.

25 (b) The state treasurer shall monthly transfer from the big sky economic development fund to the
26 economic development special revenue account, provided for in 90-1-205, the amount of earnings, excluding
27 unrealized gains and losses, required to meet the obligations of the state that are payable from the account in
28 accordance with 90-1-204. Earnings not transferred to the economic development special revenue account

1 must be retained in the big sky economic development fund.

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

6 **NEW SECTION. Section 2. Conservation district fund -- conservation district special revenue**

7 **account.** (1) There is a conservation district fund administered by the department of administration. Pursuant to
8 17-5-703, a percentage of coal severance taxes received by the state must be deposited into this fund.
9 Earnings not transferred to the conservation district account as provided in subsection (2) must be retained in
10 the conservation district fund.

11 (2) The conservation district account established in 76-15-106 receives earnings from the
12 conservation district fund as provided in 17-5-703.
13

14 **NEW SECTION. Section 3. Coal board fund.** (1) There is a coal board fund administered by the
15 department of administration. Pursuant to 17-5-703, a percentage of coal severance taxes received by the state
16 must be deposited into this fund. Pursuant to 17-5-703, a percentage of coal severance taxes received by the
17 state must be deposited in this fund. Earnings not transferred to the coal natural resource account as provided
18 in subsection (2) must be retained in the coal board fund.

19 (2) The coal natural resource account established in 90-6-1001(2) receives earnings from the coal
20 board fund as provided in 17-5-703.
21

22 **Section 4.** Section 90-6-1001, MCA, is amended to read:

23 **"90-6-1001. Oil, gas, and coal natural resource accounts.** (1) There is an oil and gas natural
24 resource distribution account in the state special revenue fund. The collections allocated to the account from
25 15-36-331(2)(b) must be deposited in the account to be used as provided in 15-36-332(7).

26 (2) There is a coal natural resource account in the state special revenue fund. The collections
27 allocated to the account from 15-35-108(9) must be deposited in the account. The account receives earnings
28 from the coal board fund as provided in 17-5-703. The money in the account is allocated to the coal board

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1 provided for in 2-15-1821 and may be used only for local impact grants provided for in 90-6-205 through 90-6-
2 207 and costs related to the administration of the grant awards."

3
4 **NEW SECTION. Section 5. Transfer of funds.** No later than August 15, 2023, there is transferred
5 from the general fund to the school facilities fund established in 20-9-380 the amount necessary to bring the
6 fund balance in the school facilities fund to \$200 million.

7
8 **NEW SECTION. Section 6. Codification instruction.** (1) [Section 2] is intended to be codified as an
9 integral part of Title 76, chapter 15, part 1, and the provisions of Title 76, chapter 15, part 1, apply to [section 2].
10 (2) [Section 3] is intended to be codified as an integral part of Title 90, chapter 6, part 1, and the
11 provisions of Title 90, chapter 6, part 1, apply to [section 3].

12
13 **NEW SECTION. Section 7. Effective date.** [This act] is effective July 1, 2023.

14 - END -