

# HJ6 - Interim Study of Montana's Coal Severance Tax Trust Fund

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# Constitutional Provisions

## Article VIII, Section 13 provides for the Unified Investment Program

- The UIP is the only state program created in the constitution
- From it come the BOI investment portfolios, including:
  - Short Term Investment Pool (STIP)
  - Trust Fund Investment Pool (TFIP)
  - Consolidated Asset Pension Pool (CAPP)
  - Separately Managed Accounts (SMAs)

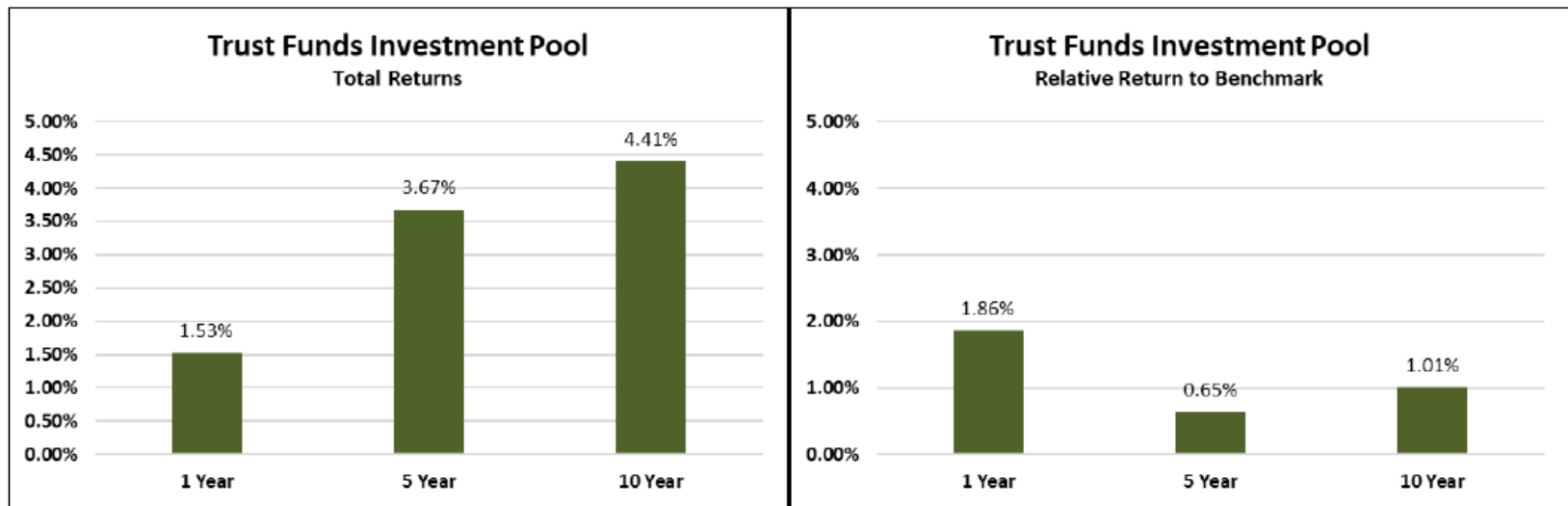
## There is a significant restriction placed on the investment opportunity set for the TFIP:

- “Except as provided in subsections (3) [retirement plans] and (4) [Montana State Fund], no public funds shall be invested in private corporate capital stock.”

# Trust Fund Investment Pool

TFIP performance has beaten its benchmark for the 1, 5 and 10 year timeframe.

- Assets include corporate bonds, commercial mortgage-backed securities, asset backed securities, treasuries, and mortgage-backed securities.
- Over the last year, BOI has added high-yield bonds and real estate to the portfolio.



# Permanent Coal Trust

Coal Trust Fund has policy overlays which impact the performance of the fund.

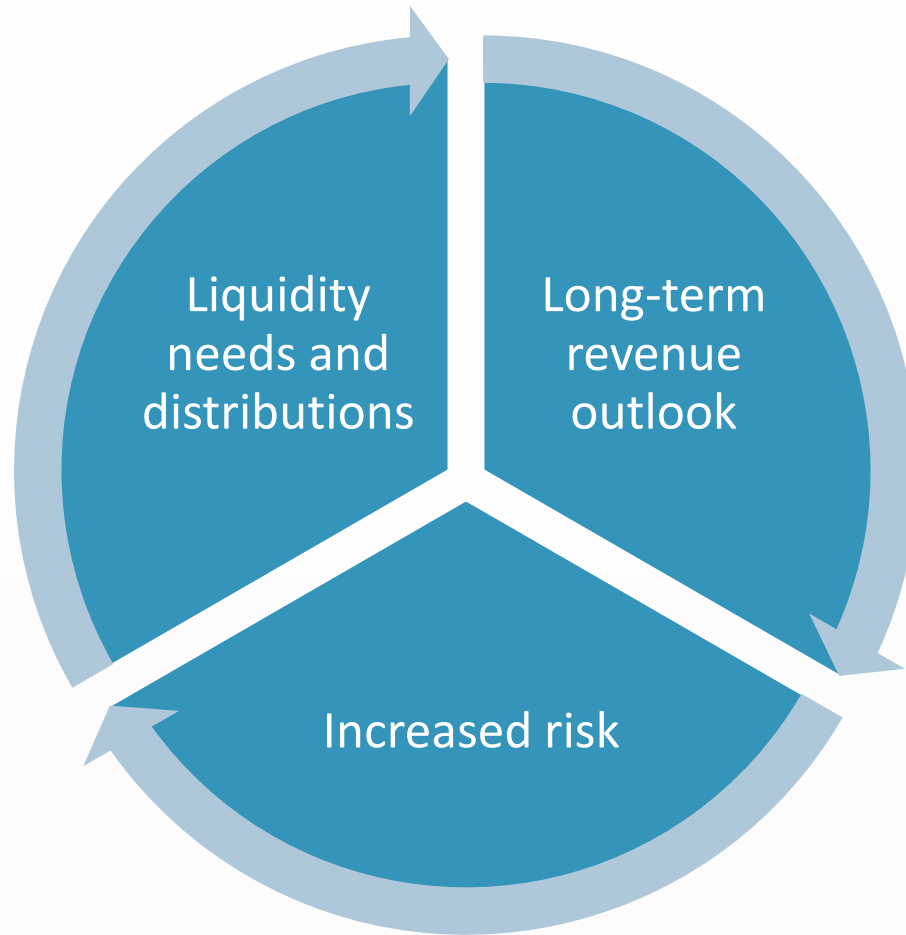
- In addition to the assets of the TFIP, the Coal Trust Fund is used to finance other state policy priorities as set by the Legislature.
- As of 9/30/21, there is currently \$113,452,076.59 in the PERM Coal Trust of other policy decisions which impact performance.
- Some loans yield a market driven rate (ie. in-state loan program) while others have a rate set by the Legislature (ie veterans home loan program, multi-family loan program).

	3 Month	1 Year	3 Year	5 Year	ITD
Coal Severance Tax Permanent Fund	.467	1.601	4.760	3.301	5.618
TFIP	.610	1.275	5.993	3.741	6.040
Difference		.326	(1.233)	(.440)	(.422)

Policy priorities have had an estimated \$14,154,784.39 negative impact to earnings of the Trust over a 10-year period.

Loan Type	Balance as of 9/30/21	Number of Loans	Rate Set by	Current Yield	Program Managed by
FSA	\$89,609.18	1	Market	6.45%	BOI
Infrastructure	\$14,253,689.23	9	Market	3.94%	BOI
IRP	\$4,775,459.20	36	Legislature	2%	BOI
Multi-Family Housing Program	\$5,122,968,81	4	Legislature	2.53%	Board of Housing
MFFA	\$12,982,950.59	14	Market	2.51%	MFFA
MSTA	\$7,979,474.49	3	Legislature	2.78%	*BOI
Participation	\$99,863,723.56	41	Market	2.4%	BOI
RBS	\$700,613.98	1	Market	4.18%	BOI
SBA	\$43,196.18	3	Market	4.38%	BOI
Veterans Home Loan	\$47,995,673.99	275	Legislature	1.69%	Board of Housing
TOTAL	\$193,807,359.20	387	<i>*signifies the program was assigned to BOI after inception and BOI now services the loans.</i>		

# Items to Consider



# Questions?



\*Source: Sovereign Wealth Fund Institute