



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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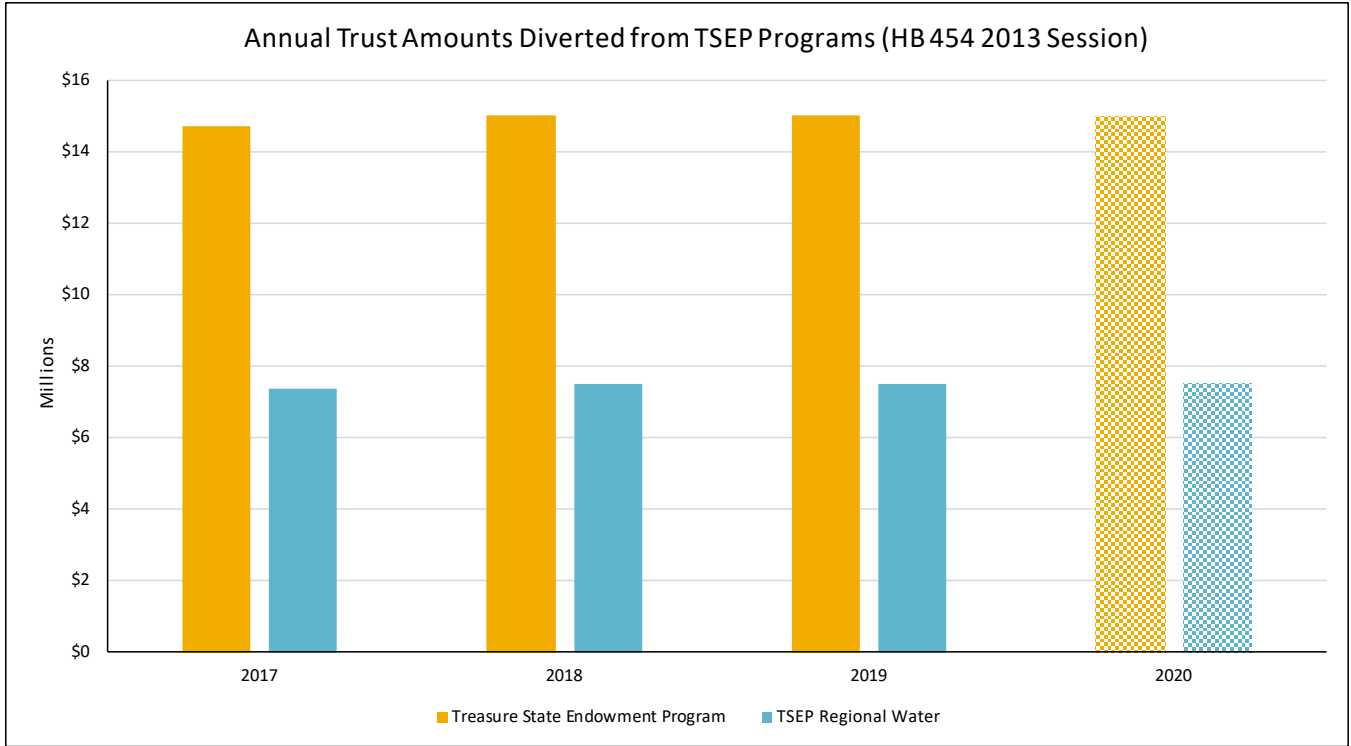
Director
AMY CARLSON

DATE: September 16, 2019
TO: Legislative Finance Committee
FROM: Sam Schaefer
RE: HB 454 (2013 Session)

HB 454, from the 2013 Legislative Session, increased funding to the Public Employees' Retirement System (PERS). The legislation increased employer and employee contributions and diverted general fund revenues to PERS. The newly diverted revenues came from coal severance taxes and interest income from the coal permanent fund. These new general fund contributions became a new ongoing statutory appropriation. Since the passage of HB 454, this supplemental contribution has averaged \$31.4 million per year.

In addition to the increased funding, the sunset dates of coal severance tax dollars to the two Treasure State Endowment sub trusts were expedited. These two funds are the Treasure State Endowment Program (TSEP) Fund and the TSEP Regional Water System Fund. The interest income from these trusts is used for infrastructure grants. While originally set to sunset at the end of FY 2020, coal severance tax deposits into these two sub trusts would end following FY 2016. As a result, the trust balances have not grown since FY 2016 and the interest income has remained relatively flat.

The following two figures illustrate the amounts that have been diverted from both TSEP trusts due to the early sunsets as well as the corresponding lost interest income. Ultimately, the lost interest income would have been used for local infrastructure grants and instead has been used to help fund PERS. Amounts for FY 2020 are forecasted values.



The cumulative diversion of coal severance taxes to the two sub trusts will total approximately \$90 million by the end of FY 2020. The figure below shows the ongoing annual interest income that has been lost since FY 2016. The number will total approximately \$3.1 per year by the end of FY 2020.

