MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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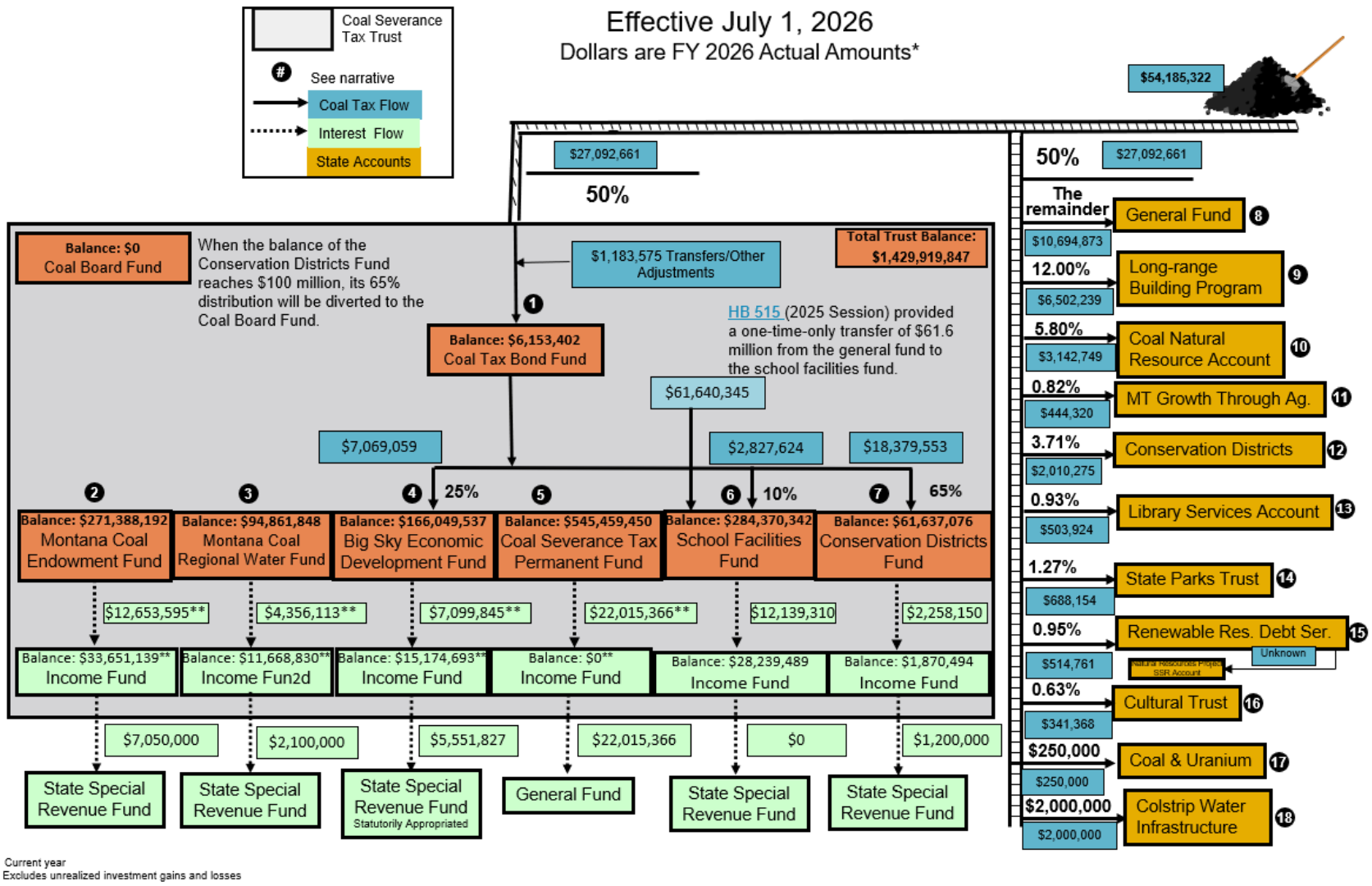
Director
AMY CARLSON

COAL SEVERANCE TAX TRUST FUND



* Current year
** Excludes unrealized investment gains and losses

As directed by Article IX, Section 5 of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through sub-trust funds within the trust. These sub-trusts are:

1) Coal Tax Bond Fund (Title 17, Chapter 5, Part 7)

The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects (Title 85, Chapter 1, Part 6) and local government infrastructure projects (Title 90, Chapter 6, Part 7). A maximum of $250 million in bonds is authorized as loans for renewable resource projects (17-5-719, MCA) to provide:

- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed $30 million (85-1-624, MCA). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources and Conservation (DNRC) in HB 8.

2) Montana Coal Endowment Fund (Title 90, Chapter 6, Part 7)

In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with $10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then through FY 2016, the fund received 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016. In the 2021 Legislative Session, SB 258 changed the name of this fund to the Montana Coal Endowment Fund.

3) Montana Coal Endowment Regional Water System Fund

The treasure state endowment program was established in SB 220 (1999 Session) to fund regional water system projects. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stock water use for communities and rural residences that lie in specific north central and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Natural Resources and Conservation by the legislature in HB 11 as grants for local government infrastructure projects. Until the end of FY 2016, the fund received 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016, and the fund terminates at the end of FY 2031. In the 2021 Legislative Session, SB 258 changed the name of this fund to the Montana Coal Endowment Regional Water Fund.

4) Big Sky Economic Development Fund

The big sky economic development program was established by HB 249 (2005 Session) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue to this fund terminates at the end of FY 2035.

Interest and income from the big sky economic development fund may be used to administer the big sky economic development program and to provide financial assistance for qualified economic purposes under this part.

As used in this part, the following definitions apply:
(a) "Department" means the department of commerce provided for in **2-15-1801**.
(b) "Economic development organization" means:
(i) a private, nonprofit corporation, as provided in Title 35, chapter 2, that is exempt from taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code, 26 U.S.C. 501(c)(3) or 501(c)(6); or
(ii) an entity actively engaged in economic development and business assistance work in a region of the state.
(c) "Eligible business" means a for-profit or nonprofit business or tribally owned business that is engaged in business activities in the state that will provide a significant positive economic impact to the community, region, or state

5) Permanent Fund

Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2006 to FY 2016 no coal severance tax revenue was deposited to the fund. In FY 2017, the permanent fund received 75% of the remaining coal severance tax revenue after deposits in the coal tax bond fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund. The interest income from the permanent fund deposited into the general fund is statutorily appropriated as follows:

- $65,000 to the cooperative development center;
- $900,000 for the growth through agriculture program provided for in Title 90, chapter 9;
- $600,000 for the Montana food and agricultural development program
- to the Department of Commerce for specific projects:
  - $325,000 for a small business development center;
  - $50,000 for a small business innovative research program;
  - $625,000 for certified regional development corporations;
  - $500,000 for the Montana manufacturing extension center at MSU-Bozeman; and
  - $300,000 for export trade enhancement
- After the above payments, the remainder is deposited into the state general fund.

6) School Facilities Fund

The school facilities fund was created with the passage of SB 260 (2017 Session). Interest from the fund may be used only for school facility projects authorized by the legislature. Beginning in FY 2018, the school facilities fund began receiving 75% of the coal tax allocation to the coal trust fund. With the passage of HB 321 (2023 Session), the allocation was reduced to 10% after a general fund transfer was made to the fund to bring the balance to $200 million. The school facilities fund will continue to receive 10% of the coal tax allocation until the fund balance reaches $300 million.

7) Conservation District Fund

HB 321 (2023 Session) created the Conservation Districts Fund. Beginning in FY 2024, this fund began receiving 65% of the coal tax allocation to the coal trust fund. Once the balance of this fund reaches $100 million, the 65% allocation will revert to the Coal Board Fund.

Coal Severance Tax Related Funds

The other 50% of the coal severance tax revenue is distributed to the following funds outside of the coal severance tax trust fund (15-35-108, MCA)

8) General Fund (the remainder after all other allocations)

After allocations are made to the coal trust and state special funds, the remaining coal severance tax collections are distributed to the state general fund.

9) Long-range Building Program Account (12.00%)

Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in HB 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UM pharmacy and psychology, and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

10) Coal Natural Resource Account (5.80%)

Created in HB 758 (2005 Session) and amended by SB 23 (2009 Session), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in HB 2 for local impact grants and administrative costs. Due to SB 100 (2009 Session), the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9% but was routinely increased to 5.80%. The allocation was increased to 5.80% indefinitely with the passage of HB 188 (2023 Session).

11) MT Growth through Agriculture (0.82%)

Beginning in FY 2018, what was formerly known as the coal shared account was divided into three separate funds. One of these funds, MT Growth through Agriculture, loans money to businesses for agricultural development projects that stimulate agriculture.

12) Conservation Districts (3.71%)

Another entity that received funds from the old coal shared account was the Montana Conservation Districts. These funds are used to promote natural resource conservation in Montana.

13) Library Services Account (0.93%)

The third program that received funds from the coal shared account was library services. This portion of coal severance taxes is used to assist local libraries in providing basic services.

14) State Parks Trust (1.27%)

The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks (FWP) by the legislature in HB 2 and HB 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

15) Renewable Resource Debt Service Fund (0.95%)

Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.

16) Cultural Trust (0.63%)
The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in HB 9 for these purposes.

17) Coal and Uranium Mine Permitting and Reclamation Program ($250,000)
Enacted by HB 688 (2007 Session), coal severance tax revenue is deposited to the state special revenue account and appropriated in HB 2 to the Department of Environmental Quality (DEQ) to administer and enforce coal and uranium mine reclamation (82-4-244, MCA).

18) Colstrip Water Infrastructure Mitigation Account ($2,000,000)
HB 368 (2025 Session) created the Town of Colstrip water infrastructure mitigation account. Money deposited in the account must be transferred to the town of Colstrip and may be used to pay for costs to ensure a water supply is available to the town if the proximate coal-fired generating unit closes or retires, and the town is unable to access a water supply.

For more information on the Coal Trust Fund, please contact Sam Schaefer at 406-444-1787.