



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: SB0159: Establish subtrust within the coal trust to increase educational tax credits

Primary Sponsor: Daniel Emrich Status: As Introduced

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$100,000,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Revenues</b>				
General Fund (01)	\$942,000	\$1,417,000	\$146,000	\$156,000
Other	\$0	\$0	\$0	\$0
Trust Fund (09)	\$100,000,000	\$0	\$0	\$0
<b>Net Impact</b>	<u>(\$99,058,000)</u>	<u>\$1,417,000</u>	<u>\$146,000</u>	<u>\$156,000</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

SB 159 establishes an educational opportunity fund within the coal severance tax trust fund and utilizes a portion of the earnings from the fund to increase the aggregate limits for educational tax credits.

### FISCAL ANALYSIS

#### Assumptions

#### Office of Public Instruction

- SB 159 amends section 15-30-3110, MCA, by removing the temporary status from the tax credit program for donations made to student scholarship organizations and/or the provision of supplemental funding to public schools, also known as the innovative educational program.
- Section 15-30-3110, MCA, is additionally amended, increasing the aggregate amount of tax credits. Under current statute, future years are to be increased by 20% over the prior year if at least 80% of the credits are claimed. SB 159 proposes an additional increase to the credit amount equal to 50% of the earnings transferred to the general fund from the newly created educational opportunity fund within the coal severance tax trust fund.
- Section 17-5-703, MCA, is amended by adding the educational opportunity fund to the list of sub-trust funds within the coal severance tax trust. The state treasurer will be required to annually transfer from the educational opportunity fund to the state general fund 50% of the earnings on the first Monday of December.

**Department of Revenue**

4. Under current law, taxpayers can claim a tax credit that is equal to their contributions to a student scholarship organization (SSO). A similar credit can be claimed for contributions to a public school's innovative educational program. The total credits that can be donated and claimed by taxpayers for each credit is \$6 million for TY 2025. The maximum credit will be increased by 20% each tax year if at least 80% of the maximum number of credits were claimed the previous year.
5. SB 159 creates an educational opportunity trust fund and transfers \$100 million from the general fund into the fund by August 15, 2025. This transfer is assumed to take place on July 1, 2025.
6. On the first Monday of December each year, 50% of the earnings from the fund are transferred to the general fund. The transferred funds are then used to increase the SSO and innovative educational program tax credit caps.
7. Interest earnings from the educational opportunity trust fund will accumulate during the 12-month period between transfer dates. During this time, at the end of each month, 50% of earnings will be retained in the trust fund while the other 50% are transferred to an income fund. The balance in the income fund is invested in the Board of Investment's Short-Term Investment Pool (STIP) and so generates a small amount of additional income over the course of the 12-month period. On the December transfer date, the balance of the income fund will be swept to the general fund.
8. Total distributable earnings from the educational opportunity trust fund (including STIP income on the balance of the income fund) are forecast to be \$0.942 million in FY 2026, \$2.359 million in FY 2027, \$2.505 million in FY 2028 and \$2.661 million in FY 2029.
9. As the funds transferred from the educational opportunity trust fund are used to determine the increased credit cap in the succeeding tax years, it is assumed that the \$0.942 million in FY 2026 will be claimed when taxpayers file their tax returns in FY 2027. The same distribution applies for future tax years, with the cap increasing for the credits by \$2.359 million in FY 2028 and \$2.505 million in FY 2029.
10. As the credit caps for both credits were reached for TY 2025, it is assumed that all the additional credits allowed by the bill will be claimed for FYs 2027, 2028 and 2029.
11. With the new transfer-in from the educational opportunity fund, general fund revenue will increase by \$0.942 million in FY 2026, \$2.359 million in FY 2027, \$2.505 million in FY 2028 and \$2.661 million in FY 2029.
12. To fund the tax credit claims, general fund expenditures will increase by \$0.942 million in FY 2027, \$2.359 million in FY 2028, and \$2.505 million in FY 2029.
13. The general fund fiscal impact of SB 159 for a given fiscal year is determined by taking the revenue received from interest off the educational opportunity trust fund and subtracting the amount sent out for SSO tax credits claimed in the prior tax year, which are assumed to equal interest revenue received in the prior fiscal year.
14. The net effect on the general fund balance from SB 159 is to increase the fund balance by \$0.942 million in FY 2026, \$1.417 million in FY 2027, \$0.146 million in FY 2028, and \$0.156 million in FY 2029.
15. The changes made by SB 159 can be made as part of the DOR annual change process. The department does not expect to incur any significant additional costs because of this bill.

## Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Transfers	\$100,000,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$100,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$100,000,000	\$0	\$0	\$0
<b>TOTAL Funding of Expenditures</b>	<b>\$100,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues</u></b>				
General Fund (01)	\$942,000	\$1,417,000	\$146,000	\$156,000
Other	\$0	\$0	\$0	\$0
Trust Fund (09)	\$100,000,000	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$100,942,000</b>	<b>\$1,417,000</b>	<b>\$146,000</b>	<b>\$156,000</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$99,058,000)	\$1,417,000	\$146,000	\$156,000
Other	\$0	\$0	\$0	\$0
Trust Fund (09)	\$100,000,000	\$0	\$0	\$0

**Technical Concerns**

1. The general fund is part of the treasury cash account, which holds the balances of many state funds and, through short-term investments, earns interest for the benefit of the general fund. To the extent that the change in general fund balance that results from this bill deviates materially from what is contained in the executive budget, there may be an impact to general fund revenue through this treasury cash account channel.

NO SPONSOR SIGNATURE

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Sponsor's Initials\_\_\_\_\_  
Date

1/28/25

\_\_\_\_\_  
Budget Director's Initials

1/26/2025

\_\_\_\_\_  
Date

