



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0343.02 (001): Revert revenue from coal tax to coal trust

Primary Sponsor: Dave Fern Status: As Amended in Senate Committee

☐ 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>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$461,000	\$1,147,000
Other	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	(\$12,490,000)	(\$11,740,000)
State Special Revenue (02)	\$0	\$0	\$516,000	\$1,247,000
Other	\$0	\$0	\$0	\$0
Permanent Trust (09)	\$0	\$0	\$12,490,000	\$11,740,000
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>(\$12,490,000)</u>	<u>(\$11,740,000)</u>
General Fund Balance				

Description of fiscal impact

SB 343, as amended, revises the distribution of coal severance tax collections for fiscal years beginning after June 30, 2027. It revises 15-35-108 (11), MCA, redirecting the general fund share of coal severance tax revenue to the coal severance tax trust fund, where it is distributed to multiple sub-trust funds that earn interest for the benefit of multiple state special revenue accounts. The fiscal impact is a loss of revenue to the general fund and an increase to revenue to the permanent fund and the state special revenue fund.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. SB 343, as amended, diverts the general fund share of coal severance tax revenue to the coal severance tax permanent trust fund beginning July 1, 2027.
2. Using the HJ 2 forecast of coal severance tax revenue to the general fund, there will be \$12.5 million in FY 2028 and \$11.7 million in FY 2029 deposited into coal tax trust fund instead of the general fund.
3. This increase in the balance of the coal tax trust fund will result in higher interest earnings compared to current law.
4. Coal severance tax revenue that is deposited into the coal tax trust fund is first deposited into the coal bond fund, and any amount not needed for payment on coal severance tax bonds is distributed 65% to the

conservation district trust fund (until the balance reaches \$100 million), 25% to the big sky economic development trust fund, and 10% to the school facilities trust fund (until the balance reaches \$300 million).

5. The coal bond fund will not need any of the additional coal severance tax revenue deposited into the coal tax trust fund by SB 343, so the full amount of diverted general fund revenue will be allocated to the various sub-trusts.

School Facilities Trust Fund

6. Per HJ 2, the balance of the school facilities trust fund is estimated to be \$234.1 million in FY 2028 and \$236.4 million in FY 2029, generating interest earnings of \$10.164 million and \$9.771 million, respectively.
7. The provisions of SB 343 will cause the school facilities trust fund balance to grow to \$235.3 million in FY 2028 and to \$238.8 million in FY 2029. Additional interest earnings are projected to be \$54,000 in FY 2028 and \$100,000 in FY 2029, which will benefit the school major maintenance aid account in the state special revenue fund.

Conservation District Trust Fund

8. Per HJ 2, the balance of the conservation district trust fund is estimated to be \$94 million in FY 2028 and \$103 million in FY 2029, generating interest earnings of \$3.8 million and \$4.1 million, respectively.
9. The provisions of SB 343 will cause the conservation district trust fund balance to grow to \$102.1 million in FY 2028. This balance will remain in FY 2029 because once the conservation district trust fund balance eclipses \$100 million, its 65% distribution of coal tax trust fund revenue is moved to the coal board trust fund.
10. Additional interest earnings from the conservation district trust fund are projected to be \$327,000 in FY 2028.
11. There is a slight reduction to interest earnings in FY 2029 because the conservation district trust fund eclipses the \$100 million mark quicker under SB 343 than it does under current law, with the balance freezing at \$102.1 million instead of \$103 million. The fiscal impact is estimated to be a reduction in interest earnings of \$36,000 in FY 2029.

Big Sky Economic Development Trust Fund

12. Per HJ 2, the balance of the big sky economic development trust fund is estimated to be \$175.7 million in FY 2028 and \$179.1 million in FY 2029, generating interest earnings of \$7.6 million and \$7.3 million, respectively.
13. The provisions of SB 343 will cause the big sky economic development trust fund balance to grow to \$178.9 million in FY 2028 and to \$185.2 million in FY 2029. Additional interest earnings are projected to be \$134,000 in FY 2028 and \$247,000 in FY 2029, which will benefit the big sky economic development account in the state special revenue fund.

Coal Board Trust Fund

14. Per HJ 2, the balance of the coal board trust fund is estimated to be \$0 in FY 2028 and FY 2029 while it waits for the conservation district fund to reach its \$100 million threshold, which is anticipated to happen by the end of FY 2029.
15. SB 343 causes the conservation district trust fund to cross the \$100 million threshold at the end of FY 2028, so in FY 2029 the coal board fund will begin to receive the 65% distribution from the coal bond fund previously dedicated to the conservation district trust fund. This amount is estimated to be \$23.266 in FY 2029 and is comprised of \$15.6 million from the normal 50% allocation of coal severance tax to the coal tax trust fund provided for in 15-35-108(1), MCA, plus \$7.4 million from SB 343's diversion of general fund coal severance taxes to the coal tax trust fund. Interest earnings from the coal board fund are estimated to be \$936,000 in FY 2029, which will benefit the coal natural resource account in the state special revenue fund.

Department of Commerce

16. Additional interest earnings of \$134,000 in FY 2028 and \$247,000 in FY 2029 deposited in the big sky economic development account will be given out as grant awards for local economic development projects.

17. The coal natural resource account is administered by the coal board. The \$936,00 of new revenue in FY 2029 will be given out as local impact grants.

Department of Natural Resources and Conservation

18. The Conservation and Resource Development Division (CARDD) will increase the granted amount to conservation districts by \$327,000 in FY 2028, commensurate with the additional interest earned from the conservation district trust fund. The granted amount will decrease slightly by \$36,000 in FY 2029.

Fiscal Analysis Table

Department of Commerce				
	<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>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Grants	\$0	\$0	\$134,000	\$1,183,000
TOTAL Expenditures	\$0	\$0	\$134,000	\$1,183,000
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$0	\$0	\$134,000	\$1,183,000
TOTAL Funding of Expenditures	\$0	\$0	\$134,000	\$1,183,000
<u>Revenues</u>				
State Special Revenue (02)	\$0	\$0	\$134,000	\$1,183,000
TOTAL Revenues	\$0	\$0	\$134,000	\$1,183,000
Other	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<u>Department of Natural Resources and Conservation</u>				
	<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>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Grants	\$0	\$0	\$327,000	(\$36,000)
TOTAL Expenditures	\$0	\$0	\$327,000	(\$36,000)
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$0	\$0	\$327,000	(\$36,000)
TOTAL Funding of Expenditures	\$0	\$0	\$327,000	(\$36,000)
<u>Revenues</u>				
State Special Revenue (02)	\$0	\$0	\$327,000	(\$36,000)
TOTAL Revenues	\$0	\$0	\$327,000	(\$36,000)
Other	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0

Department of Revenue

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
<u>Funding of Expenditures</u>				
<u>Revenues</u>				
General Fund (01)	\$0	\$0	(\$12,490,000)	(\$11,740,000)
State Special Revenue (02)	\$0	\$0	\$55,000	\$100,000
Other	\$0	\$0	\$0	\$0
Permanent Trust (09)	\$0	\$0	\$12,490,000	\$11,740,000
TOTAL Revenues	\$0	\$0	\$55,000	\$100,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	\$0	\$0	(\$12,490,000)	(\$11,740,000)
State Special Revenue (02)	\$0	\$0	\$55,000	\$100,000
Other	\$0	\$0	\$0	\$0
Permanent Trust (09)	\$0	\$0	\$12,490,000	\$11,740,000

STATEWIDE SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
TOTAL Fiscal Impact	0.00	0.00	0.00	0.00
<u>Expenditures</u>				
Grants	\$0	\$0	\$461,000	\$1,147,000
TOTAL Expenditures	\$0	\$0	\$461,000	\$1,147,000
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$0	\$0	\$461,000	\$1,147,000
TOTAL Funding of Expenditures	\$0	\$0	\$461,000	\$1,147,000
<u>Revenues</u>				
General Fund (01)	\$0	\$0	(\$12,490,000)	(\$11,740,000)
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Permanent Trust (09)	\$0	\$0	\$12,490,000	\$11,740,000
TOTAL Revenues	\$0	\$0	\$516,000	\$1,247,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$55,000	\$100,000
General Fund (01)	\$0	\$0	(\$12,490,000)	(\$11,740,000)
Other	\$0	\$0	\$0	\$0
Permanent Trust (09)	\$0	\$0	\$12,490,000	\$11,740,000

DP

Sponsor's Initials

3/26/25

Date

RD

Budget Director's Initials

3/25/2025

Date