



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0615.01: Revise allocations of coal trust revenue

Primary Sponsor: Jerry Schillinger

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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	(\$3,365,000)	(\$3,365,000)	\$0	\$0
State Special Revenue (02)	\$2,000,000	\$2,000,000	\$5,365,000	\$5,365,000
Revenues				
General Fund (01)	(\$19,800,000)	(\$20,300,000)	(\$20,900,000)	(\$20,700,000)
State Special Revenue (02)	\$16,435,000	\$16,935,000	\$20,900,000	\$20,700,000
Net Impact	<u>(\$16,435,000)</u>	<u>(\$16,935,000)</u>	<u>(\$20,900,000)</u>	<u>(\$20,700,000)</u>
General Fund Balance				

Description of fiscal impact

HB 615 revises the distribution of interest generated from the coal severance tax permanent trust fund. Currently, these earnings are deposited into the general fund and a portion is statutorily appropriated through FY 2027. The bill extends the current statutory appropriation through FY 2029 and adds additional transfers. These result is a loss of general fund revenue equal to the entirety of coal permanent trust interest earnings to the benefit of the state special revenue fund.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. HB 615 is effective July 1, 2025.
2. HJ 2 projections for interest income from the coal tax permanent trust fund are \$19.8 million in FY 2026, \$20.3 million in FY 2027, \$20.9 million in FY 2028, and \$20.7 million in FY 2029.
3. Under current law, coal permanent trust fund interest income is directed to the general fund.
4. From the interest income deposited in the general fund, there is statutorily appropriated \$1.565 million to the Department of Agriculture and \$1.8 million to the Department of Commerce, with the remainder staying in the general fund. These appropriations sunset at the end of FY 2027.
5. HB 615 extends the sunset date of the statutory appropriations to the Department of Agriculture and Department of Commerce by two years to the end of FY 2029. It also adds a new statutory appropriation of \$2 million (see technical notes) to the Montana Highway Patrol beginning in FY 2026 and directs the remainder after all statutory appropriations to the Department of Transportation for deposit in the highway restricted account.

6. The bill strikes the language that causes coal permanent trust fund interest earnings to first be deposited into the general fund before any statutory appropriations are made. With the elimination of this language, the fiscal impact of HB 615 on the general fund will be a loss of revenue equal to \$19.8 million in FY 2026, \$20.3 million in FY 2027, \$20.9 million in FY 2028, and \$20.7 million in FY 2029.
7. Expenditure of interest earnings revenue will come directly from the coal severance tax income fund within the permanent fund type (see technical note #3).

Department of Commerce

8. Under current law the department is allocated \$1.8 million of interest income from the coal severance tax permanent fund. This allocation is scheduled to terminate June 30, 2027.
9. HB 615 extends the termination date of the allocation to June 30, 2029.
10. The funding allocated in the 2029 biennium would be expended in the same manner as the current allocation.
 - a. \$325,000 for the small business development centers to be used as required match for the Small Business Administration federal program. T
 - b. \$50,000 for the small business innovation research program administered by MSU Techlink through a memorandum of understanding agreement with the department. T
 - c. \$625,000 for the certified regional development corporation program in MCA 90-1-116 with quarterly distribution of assistance grants that support a regional approach to economic development.
 - d. \$500,000 for the Montana Manufacturing Extension Center at Montana State University.
 - e. \$300,000 for export trade enhancement to be used as required match for the federal state trade expansion program and provide Montanan businesses with technical assistance in market assessment, market development, market access, and funding for international marketing activities.

Department of Transportation

11. The interest income of the coal severance tax permanent fund is projected to be \$19.8 million in FY 2026, \$20.3 million in FY 2027, \$20.9 million in FY 2028 and \$20.7 million in FY 2029.
12. After deductions, the remainder of the interest income shall go to the Montana Department of Transportation (MDT) for the same purposes of the highway restricted account established in 15-70-126, MCA.
13. Total deductions from the interest income of the coal severance tax permanent fund each fiscal year, before MDT's allocation, will be \$5.4 million.
14. Additional revenue to the highway state special restricted account is projected to be \$14.4 million in FY 2026, \$14.9 million in FY 2027, \$15.5 million in FY 2028, and \$15.3 million in FY 2029.

Department of Justice

15. HB 615 would create an annual transfer of \$2 million to the Montana Highway Patrol state special revenue account to fund trooper salaries.

Department of Agriculture

16. The department is currently allocated \$1.565 million of the coal tax permanent fund interest earnings through June 30, 2027. HB 615 extends this allocation through June 30, 2029.
17. The department will use this increase to state special revenue to increase the amount for grants awarded to agriculture-related economic development and for costs to administer the awards.

Statutory Appropriation

17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	Yes	No
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.	X	

Fiscal Note Request - As Introduced

(continued)

e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.		X
h. An expenditure cap and sunset date are excluded.	X	

Fiscal Analysis Table

Department of Agriculture				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$0	\$0	\$565,000	\$565,000
Grants	\$0	\$0	\$1,000,000	\$1,000,000
TOTAL Expenditures	\$0	\$0	\$1,565,000	\$1,565,000
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$0	\$0	\$1,565,000	\$1,565,000
TOTAL Funding of Expenditures	\$0	\$0	\$1,565,000	\$1,565,000
<u>Revenues</u>				
State Special Revenue (02)	\$0	\$0	\$1,565,000	\$1,565,000
TOTAL Revenues	\$0	\$0	\$1,565,000	\$1,565,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Department of Commerce				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
FTE	0.00	0.00	3.00	3.00
TOTAL Fiscal Impact	0.00	0.00	3.00	3.00
<u>Expenditures</u>				
Personal Services	\$0	\$0	\$275,179	\$279,306
Operating Expenses	\$0	\$0	\$899,821	\$895,694
Grants	\$0	\$0	\$625,000	\$625,000
TOTAL Expenditures	\$0	\$0	\$1,800,000	\$1,800,000
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$0	\$0	\$1,800,000	\$1,800,000
TOTAL Funding of Expenditures	\$0	\$0	\$1,800,000	\$1,800,000
<u>Revenues</u>				
State Special Revenue (02)	\$0	\$0	\$1,800,000	\$1,800,000
TOTAL Revenues	\$0	\$0	\$1,800,000	\$1,800,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Department of Justice

	<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>				
Personal Services	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
TOTAL Expenditures	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
TOTAL Funding of Expenditures	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<u>Revenues</u>				
State Special Revenue (02)	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
TOTAL Revenues	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$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>				
Transfers	(\$3,365,000)	(\$3,365,000)	\$0	\$0
TOTAL Expenditures	(\$3,365,000)	(\$3,365,000)	\$0	\$0
<u>Funding of Expenditures</u>				
General Fund (01)	(\$3,365,000)	(\$3,365,000)	\$0	\$0
TOTAL Funding of Expenditures	(\$3,365,000)	(\$3,365,000)	\$0	\$0
<u>Revenues</u>				
General Fund (01)	(\$19,800,000)	(\$20,300,000)	(\$20,900,000)	(\$20,700,000)
TOTAL Revenues	(\$19,800,000)	(\$20,300,000)	(\$20,900,000)	(\$20,700,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$16,435,000)	(\$16,935,000)	(\$20,900,000)	(\$20,700,000)

Department of Transportation

	<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>				
State Special Revenue (02)	\$14,435,000	\$14,935,000	\$15,535,000	\$15,335,000
TOTAL Revenues	\$14,435,000	\$14,935,000	\$15,535,000	\$15,335,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				

Fiscal Note Request - As Introduced*(continued)*

State Special Revenue (02)	<u>\$14,435,000</u>	<u>\$14,935,000</u>	<u>\$15,535,000</u>	<u>\$15,335,000</u>
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STATEWIDE SUMMARY

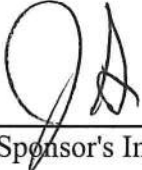


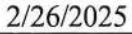
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
FTE	0.00	0.00	3.00	3.00
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>3.00</u>	<u>3.00</u>
<u>Expenditures</u>				
Personal Services	\$2,000,000	\$2,000,000	\$2,275,179	\$2,279,306
Operating Expenses	\$0	\$0	\$1,464,821	\$1,460,694
Transfers	(\$3,365,000)	(\$3,365,000)	\$0	\$0
Grants	\$0	\$0	\$1,625,000	\$1,625,000
TOTAL Expenditures	<u>(\$1,365,000)</u>	<u>(\$1,365,000)</u>	<u>\$5,365,000</u>	<u>\$5,365,000</u>
<u>Funding of Expenditures</u>				
General Fund (01)	(\$3,365,000)	(\$3,365,000)	\$0	\$0
State Special Revenue (02)	\$2,000,000	\$2,000,000	\$5,365,000	\$5,365,000
TOTAL Funding of Expenditures	<u>(\$1,365,000)</u>	<u>(\$1,365,000)</u>	<u>\$5,365,000</u>	<u>\$5,365,000</u>
<u>Revenues</u>				
General Fund (01)	(\$19,800,000)	(\$20,300,000)	(\$20,900,000)	(\$20,700,000)
State Special Revenue (02)	\$16,435,000	\$16,935,000	\$20,900,000	\$20,700,000
TOTAL Revenues	<u>(\$3,365,000)</u>	<u>(\$3,365,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$16,435,000)	(\$16,935,000)	(\$20,900,000)	(\$20,700,000)
State Special Revenue (02)	\$14,435,000	\$14,935,000	\$15,535,000	\$15,335,000

Technical Concerns**Department of Transportation**

1. Section 1, 15-35-108, MCA (temporary) includes that the funds are statutorily appropriated as provided in 17-7-502 (section 11(a)), beginning July 1 each year and terminates June 30, 2029.
2. Section 1, 15-35-108, MCA (Effective July 1, 2029) does not include a statutory appropriation (section 11(a)).

Office of Budget and Program Planning

3. The current law statutory appropriations in 15-35-108(11), MCA, are made from the general fund once coal permanent trust fund earnings are deposited. HB 615 strikes the language in 15-35-108, MCA, that causes coal permanent trust fund earnings to first be deposited into the general fund. Without this specification, it is assumed that the statutory appropriations and transfers provided for in 15-35-108(11), MCA, will come directly from the coal severance tax income fund, which is an account in the permanent fund type where coal permanent trust earnings are held before being deposited into the general fund. Appropriations from the coal permanent trust are not allowable unless appropriated by a 3/4 vote of the legislature.

			
_____ Sponsor's Initials	_____ Date	_____ Budget Director's Initials	_____ Date