

MONTANA COAL ENDOWMENT PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program	Renewable Resource Grant & Loan Program
State Building Energy Conservation Program	Reclamation & Development Grants Program
Long-Range Information Technology Program	Cultural & Aesthetic Grant Program
Montana Coal Endowment Program	Montana Historic Preservation Grant Program
Montana Coal Regional Water Program	

-----Committee Members-----

House

Representative John Fitzpatrick (Chair)
Representative Scott Rosenzweig
Representative Paul Tuss
Representative Mike Vinton

Senate

Senator John Esp (Vice Chair)
Senator Ellie Boldman

-----Fiscal Division Staff-----

Erica Thomas

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Program Budget Comparison

Figure 12 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 12

Executive Budget Comparison - Montana Coal Endowment Program				
Budget Item	Budget	Budget	Biennium	Biennium
	2025 Biennium	2027 Biennium	Change	% Change
Budget Item	<u>Appropriated</u>	<u>Executive Proposal</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	40	40	0	0.0%
Number of Grants Funded (bridge)	11	12	1	9.1%
Infrastructure Grants Cost	\$23,843,500	\$20,287,391	(\$3,556,109)	-14.9%
Bridge Grants Cost	6,176,213	3,544,750	(2,631,463)	-42.6%
Other Grants Cost	1,000,000	1,650,000	650,000	65.0%
Total Costs	\$31,019,713	\$25,482,141	(\$5,537,572)	-17.9%
State Special	31,019,713	25,482,141	(5,537,572)	-17.9%
Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	0	0	0	0.0%
Total Funds	\$31,019,713	\$25,482,141	(\$5,537,572)	-17.9%

Executive Proposal

Figure 12 shows the executive proposal for appropriations of \$25.5 million for the 2027 biennium MCEP grants program, a 17.9% decrease from the appropriations provided for the 2025 biennium. For the 2027 biennium, the MCEP program funding is requested as follows:

- MCEP emergency grants appropriation of \$150,000
- MCEP project planning grants appropriation of \$1.5 million
- MCEP bridge grants appropriation of \$3.5 million
- MCEP infrastructure project grant appropriation of \$20.3 million

A complete list of the requested MCEP bridge and infrastructure projects, including the total project cost, and the recommended grant amount may be seen in appendix A-11 of this report. The details behind the grants requested for the 2027 biennium MCEP program along with a status of grants awarded in the 2025 biennium are presented in Vol. 4 of the Governor’s Executive Budget.

Funding

The MCEP administrative costs and grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The MCEP trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust is fixed at \$268.0 million. The interest earned from the trust is transferred into the state special revenue fund authorized in 90-6-701, MCA.

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Figure 13 shows the projected ending fund balance of the Montana coal endowment state special revenue account for the 2027 biennium. The MCEP account is projected to begin the 2027 biennium with a balance of \$7.4 million. For more information on trust earnings, refer to page F-4 of this report.

MCEP Fund Balance Analysis - 2027 Biennium					
Funds 02270					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balances	\$ 25,613,318	\$ 31,998,822	\$ 7,395,600	\$ (7,036,830)	\$ 7,395,600
Coal SubTrust Earnings ¹	\$ 12,036,439	\$ 11,549,776	\$ 11,853,967	\$ 12,223,374	\$ 24,077,341
Expenditures					
HB 2 MCEP Administration ²	\$ 603,285	\$ 854,437	\$ 804,256	\$ 807,088	\$ 1,683,867
Emergency Grants	\$ 30,000	\$ 70,000	\$ 150,000	\$ -	\$ 150,000
Planning Grants	\$ 40,000	\$ 860,000	\$ 1,500,000	\$ -	\$ 1,500,000
Prior Biennia Grants	\$ 3,533,296	\$ 5,603,202			\$ -
Current Biennium Grants	\$ 1,444,354	\$ 28,765,359	\$ 23,832,141	\$ -	\$ 23,832,141
Total Expenditures/Appropriations	\$ 5,650,935	\$ 36,152,998	\$ 26,286,397	\$ 807,088	\$ 27,166,008
Projected Ending Fund Balance	\$ 31,998,822	\$ 7,395,600	\$ (7,036,830)	\$ 4,379,456	\$ 4,306,933
¹ HJ 2 Projections					
² HB 2					

MCEP interest and earnings are projected to be \$24.1 million in the 2027 biennium. The executive budget proposal recommends several appropriations from the MCEP state special fund. First, there is a recommendation for appropriations of \$1.7 million for the administrative costs of the program in HB 2. Appropriations from the MCEP account that are requested in HB 11 include \$150,000 for the emergency grants program and \$1.5 million for project planning grants. The total account costs of the infrastructure project grants are \$27.2 million. As a result, the fund is estimated to have a fund balance of \$4.3 million at the end of the 2027 biennium.

Revenue Description

For large producers, the coal severance tax is imposed on all coal production, except on tribal reservations, in excess of 20,000 tons per company per calendar year. Producers of 50,000 tons or less in any calendar year are exempt from the tax.

Statutory Reference

Tax Rate – 15-35-103, MCA

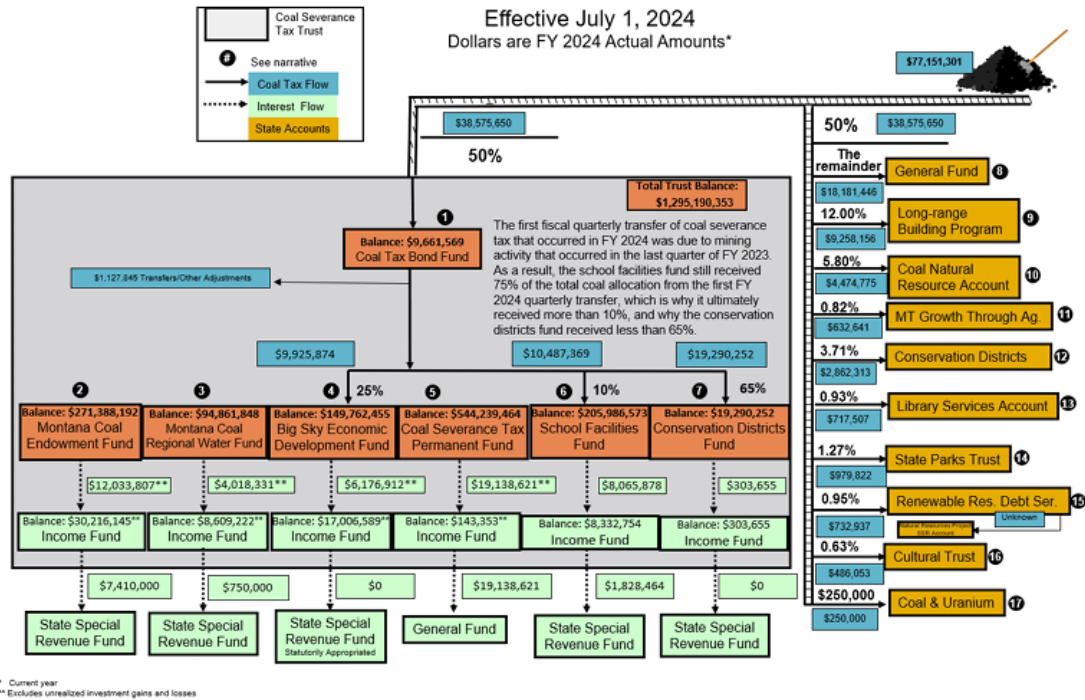
Tax Distribution – Montana Constitution, Article IX, Section 5; 15-35-108, MCA; 17-5-703, MCA

Applicable Tax Rates

- 10.0% on the value of surfaced mined coal with a heating quality < 7,000 BTU
- 15.0% on the value surfaced mined coal with a heating quality ≥ 7,000 BTU
- 3.0% on the value underground mined coal with a heating quality < 7,000 BTU
- 4.0% on the value underground mined coal with a heating quality ≥ 7,000 BTU
- 3.75% on the value of auger mined coal with a heating quality < 7,000 BTU
- 5.0% on the value of auger mined coal with a heating quality ≥ 7,000 BTU

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COAL SEVERANCE TAX TRUST FUND



<https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Special-Topics/Coal-Trust-Brochure-2024.pdf>