

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION



STEVE BULLOCK, GOVERNOR

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STATE OF MONTANA

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Memorandum

To: Leo Berry
Browning, Kaleczyc, Berry & Hoven P.C.

From: Anna M. Miller
Department of Natural Resources and Conservation

Date: March 9, 2016

Re: Coal Tax Fund Uses

The Conservation and Resource Development Division (CARDD) at the Department of Natural Resources and Conservation (DNRC) uses Coal Tax Funds directly and indirectly. These funds are used by several programs. The use of these funds has proved to be a tremendous benefit to the state.

1) Regional Water Program

Coal Tax Funds are put in the regional Water Trust. The interest earnings are used to provide funding for Regional Water projects. See the list of projects. Note the \$37,000,000 of funds have been used for facility project work. See Exhibit A.

2) Conservation District Program

Conservation Districts (CDs) use funds for the 223 grant program. They are for CD projects. These are projects for everything from a stream bank stabilization, monitoring a stream to study problems, and many other projects. Some Coal Tax funds are used to provide administrative funds for a district to try to complete other activities. Note of the last 10 years, more than \$3 million has gone to help CDs do work as directed by state law.

A list of sample projects is attached. See Exhibit B.

3) Coal Tax Loans

Coal Tax Bonds are issued. These bond proceeds provide funding for irrigation projects to support the state agriculture industry. It also allows cities and towns to fund other Natural resource projects such as rehabilitation of Water and Sewer systems. Note over the years, more than \$115 million in loans have been made to benefit communities in the state. See Exhibit C.

4) Coal Tax Funds Plan

I have also attached a copy of the flow of funds for the Coal Tax money. See Exhibit D.

Please let me know if you need something else or have questions.

Cc: Ray Beck, DNRC Dep Dir w/

AMM:dc

Regional Water Projects

Fiscal Year	Project	Dollar Amount
2004	Dry Prairie Rural Water	\$826,380
2004	McCone County CD	\$30,000
2005	Dry Prairie Rural Water	\$668,603
2006	Central MT Regional Water	\$210,000
2006	Dry Prairie Rural Water	\$276,000
2006	Dry Red Water Regional Water	\$78,000
2006	Dry Prairie Rural Water	\$1,173,100
2008	Dry Prairie Rural Water	\$284,000
2008	Dry Red Water Regional Water	\$128,000
2008	Central MT Regional Water	\$298,000
2008	North Central Regional Water Authority	\$376,000
2009	North Central Regional Water Authority	\$1,000,000
2010	Dry Red Water Regional Water	\$168,000
2010	North Central Regional Water Authority	\$1,000,000
2010	Dry Prairie Rural Water	\$372,000
2010	Dry Prairie Rural Water	\$1,892,000
2010	Central MT Regional Water	\$298,000
2010	North Central Regional Water Authority	\$376,000
2010	North Central Regional Water Authority	\$3,100,000
2011	Dry Prairie Rural Water	\$3,975,230
2011	North Central Regional Water Authority	\$2,491,370
2011	Dry Prairie Rural Water	\$2,491,385
2012	Central MT Regional Water	\$286,000
2012	North Central Regional Water Authority	\$980,000
2012	Dry Red Water Regional Water	\$167,000
2012	Dry Prairie Rural Water	\$356,000
2012	North Central Regional Water Authority	\$360,000
2012	Dry Prairie Rural Water	\$722,217
2012	Dry Prairie Rural Water	\$257,783
2013	Dry Prairie Rural Water	\$880,000
2013	North Central Regional Water Authority	\$980,000
2014	Central MT Regional Water	\$300,000
2014	Dry Red Water Regional Water	\$200,000
2014	Dry Prairie Rural Water	\$372,000
2014	North Central Regional Water Authority	\$376,000
2014	Dry Prairie Rural Water	\$4,320,000
2014	North Central Regional Water Authority	\$645,000
2015	North Central Regional Water Authority	\$801,305
2015	North Central Regional Water Authority	\$580,000
2016	Central MT Regional Water	\$300,000
2016	Dry Prairie Rural Water	\$372,000
2016	Dry Red Water Regional Water	\$360,000
2016	North Central Regional Water Authority	\$400,000
2016	Central MT Regional Water	\$441,848
2016	Dry Prairie Rural Water	\$600,000
2016	Dry Red Water Regional Water	\$400,000

Total

\$36,969,221

Table 3
FY 2010 Conservation Education Mini-Grants Awarded

Conservation District	Project	Amount
Carbon CD	Carbon Conservation Days	\$ 316
Cascade County CD	Alternative Energy Project	500
Cascade County CD	Forestry	500
Cascade County CD	Central Catholic Meditation Garden	498
Deer Lodge Valley CD	Farm to School Connections	95
Judith Basin CD	Natural Resource Day Project	500
Judith Basin CD	Range School/On the Cutting Edge	500
Lewis and Clark CD	Montana Youth Restoration	500
Liberty County CD	Sage Creek Watershed Alliance	313
Petroleum CD	Sportsmen's Education	295
Petroleum CD	Winnett School Ag/Conservation	339
Petroleum CD	Montana Agriculture and Wind Energy Book	500
Pondera County CD	4th-Grade Classroom	500
Stillwater CD	Conservation Day	189
Teton County CD	Biodiesel/Environment Research	500
Valley County CD	5th-Grade Classroom	417
Yellowstone CD	Annual Weed Pull	314
		Total \$ 6,776

control, new conservation technology demonstrations, soil and water conservation projects, youth and adult educational activities, and conservation equipment rental programs. In FY 2010, \$434,439 was contracted to CDs for various projects. All projects in FY 2010 are listed in Table 4. The amount shown is the amount approved, not

necessarily the amount spent. The allocation of funds is shown in Figure 4.

Administrative Grants

In FY 2010, the CDB distributed \$320,000 from the General Fund and the Coal Tax Fund as grants to 37 CDs where county mill levies were inadequate to support district operations. These funds are for administrative purposes only and cover mostly salaries for CD employees in some of the smallest communities in Montana. Funding can also be used for other general operating expenses. Information on the Coal Severance Tax and Resource Indemnity Tax (RIT) is presented in Appendix A.

Resource Conservation and Development Areas (RC&D)

In a cooperative effort with U.S. Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS), the bureau has taken a lead role in assisting activities of the NRCS partnership coordinator and the Central Montana RC&D area. The partnership coordinator is helping to develop key issues and providing assistance to RC&Ds in Montana.

Figure 4
FY 2010 Allocation of Grant Funds for Conservation District Projects

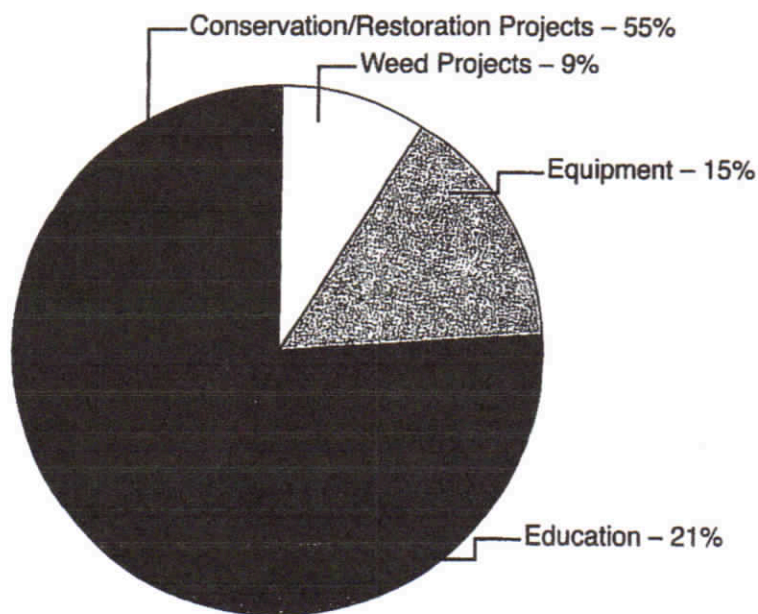


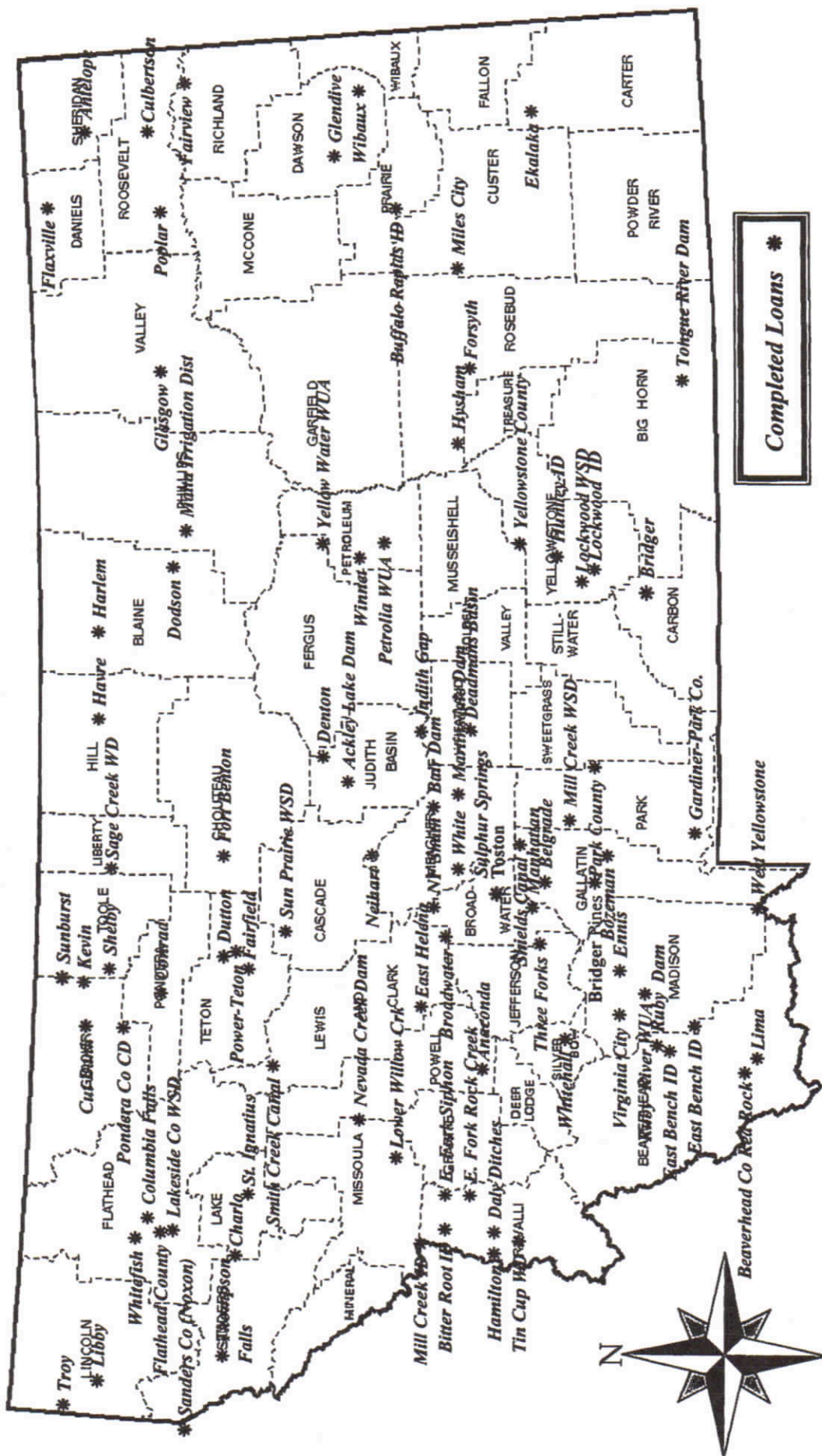
Table 4
FY 2010 Conservation District Project Grants Awarded

Conservation District	Project	Amount
Beaverhead CD	Blacktail Meadows Tree Project	\$ 9,742
Broadwater CD	Solar Panel and Education Project	14,995
Broadwater CD	Cobban/Robertson Diversion	12,033
Carbon CD	Connection Education Program	15,000
Cascade County CD	High School Conservation Ecology Education	12,369
Cascade County CD	Whitmore Ravine Engineering	20,000
Chouteau County CD	Biomass Power Generation Project	15,000
Dawson County CD	Old West Regional Range Judging Contest	6,350
Deer Lodge Valley CD	Range Camp 2010	4,318
Eastern Sanders County CD	Sanders County Water Festival	3,326
Fergus CD	Cows Eating Weeds	4,524
Flathead CD	Haskill Creek Restoration	10,000
Gallatin CD	Eagle Mount Stormwater Reduction	15,000
Garfield County CD	Canada Thistle and Stem Mining Weevil	6,996
Green Mountain CD	Building Stabilization and Public Safety	14,552
Hill County CD	2010 Winter Grazing Seminar	7,560
Hill County CD	Car Body Removal	6,050
Lewis and Clark CD	Lake Helena Shoreline Erosion Control	6,500
Lewis and Clark CD	Lake Helena Watershed Riparian Planting	3,000
Lincoln CD	Grass Roots Recycling	10,300
Little Beaver CD	Soil Health through Cover Crops	15,000
Madison CD	Range Rider	14,500
McCone CD	Land Ownership Maps	5,200
Missoula CD	Weed Control around Water Tank/Revegetation	4,500
Petroleum County CD	Mosby/Musselshell Watershed Group	14,995
Petroleum County CD	Salinity Control and Agronomy Field Demo/Ed	5,742
Petroleum County CD	Travel for MRRIC	15,000
Pondera County CD	Soil Health-Cover Crop Cocktail Demo	5,500
Prairie County CD	Rangeland Monitoring	6,500
Richland County CD	Rolling Rivers Trailers Maintenance Funds	6,985
Rosebud CD	NACD Scholarship	3,000
Ruby Valley CD	North Trout Creek Solar Stock Well	10,100
Ruby Valley County CD	Watershed Symposium Coordinator	10,000
Sheridan County CD	Aquifer Monitoring Equipment	15,000
Sweet Grass CD	Big Timber Creek Canal Assessment	6,250
Sweet Grass CD	Big Timber Creek Hydrology/Geomorphology	15,000
Toole County CD	North Valley Hydrant	13,000
Toole County CD	Shelby Health and Nutrition Green House	14,500
Upper Musselshell CD	Governor's Range Tour	6,638
Valley County CD	Noxious Weed Control/Mapping	6,000
Various CDs	Administrative Grants	383
Various CDs	Annual Meeting Expense	10,655
Various CDs	Computer Equipment Upgrades	5,000
Various CDs	Education Mini-Grants	6776
Wibaux CD	Cattleman's Workshop	5,600
Yellowstone CD	Salt Cedar Management 2010	15,000
Total		\$ 434,439

CONSERVATION GRANTS FY 2016
February 2016

ORG	AGREEMENT	223 GRANTS PROJECT SPONSOR	PROJECT TITLE	3005 AGREEMENT AMOUNT	3010 AGREEMENT AMOUNT	3005 AMOUNT DISBURSED	3010 AMOUNT DISBURSED	AMOUNT RELEASED	AGREEMENT AMOUNT REMAINING	AGREEMENT DATE	GRANT MGR
3005	223-12-3211	Judith Basin CD	amend 5 - Range program envirothion	10,000.00		4,896.59			5,300.41	12/31/2016	lb
3005	223-14-3363	Pondera County CD	amend 1	5,018.00		3.74			5,014.26	9/30/2016	lb
3005	223-15-3379	Broadwater CD	amend 2	20,000.00	10,000.00				20,000.00	12/31/2019	lb
3005	223-15-3414	Deer Lodge CD	Clark Fork River Diversion	10,000.00					10,000.00	12/31/2016	lb
3005	223-15-3415	Beaverhead CD	Boeingengineering & Willow Planting	6,000.00					6,000.00	12/31/2016	lb
3005	223-15-3417								-		lb
3005	223-15-3418								-		lb
3005	223-15-3419								-		lb
3010	223-15-3420								-		lb
3005	223-15-3421								-		lb
3005	223-15-3422								-		lb
3005	223-15-3423								-		lb
3005	223-15-3424								-		lb
3005	223-15-3425								-		lb
3005	223-15-3426								-		lb
3005	223-15-3427								-		lb
3005	223-16-3428	Judith Basin CD	Natural Resources Day	500.00		500.00			500.00	completed	lb
3005	223-16-3429	Madison CD	Great Thymes Camp	500.00					-	4/30/2016	lb
3005	223-16-3430								-		lb
3005	223-16-3431	Fergus CD	Plant Growth Station	338.00					338.00	5/31/2016	lb
3005	223-16-3432	Fergus CD	Weather Station	209.99					209.99	5/31/2016	lb
3005	223-16-3433	Ruby Valley CD	Smith Slough Fisheries Enhancement	20,000.00					20,000.00	12/31/2016	lb
3005	223-16-3434	Yellowstone CD	Bank Stabilization Demo	20,000.00					20,000.00	3/31/2016	lb
3005	223-16-3435	McCone CD	Tools to Cope with ESA	10,000.00					10,000.00	12/31/2016	lb
3005	223-16-3436	Ruby Valley CD	Project & Professional Devel	20,000.00					20,000.00	12/31/2016	lb
3005	223-16-3437	Valley County CD	No Till Drill	20,000.00	20,000.00				-	completed	lb
3005	223-16-3438	Lake County CD	2016 Winter Grazing Seminar	9,885.00		20,000.00			9,885.00	4/30/2016	lb
3005	223-16-3439	Teton CD	Creek North Critters Outdoor Class	443.20					443.20	7/31/2016	lb
3005	223-16-3440	Lake County CD	Greenhouse Project	500.00		500.00			-	completed	lb
3005	223-16-3441	Lincoln CD	Mud Creek Restoration Conceptual	15,700.00					15,700.00	12/31/2016	lb
3005	223-16-3442	Glacier County CD	Montana Ranch Women	20,000.00					20,000.00	12/31/2017	lb
3005	223-16-3443	Deer Lodge CD	John Deer No Till Drill	20,000.00					20,000.00	7/31/2016	lb
3005	223-16-3444	Stillwater CD	PER for West Fork Stillwater River Avulsion	11,550.00	11,550.00				11,550.00	8/31/2016	lb
3005	223-16-3445	Valley County CD	Plot and windbreak prep tillage Equipment	18,025.00	18,025.00				13,721.07	9/30/2016	lb
3005	223-16-3446	Valley County CD	2nd annual Arbor Day Outreach project	500.00		4,303.93			500.00	7/31/2016	lb
3005	223-16-3447	Valley County CD	23rd Annual Outdoor Classroom	500.00					500.00	7/31/2016	lb
3005	223-16-3448	Valley County CD	Hinsdale Outdoor Classroom	500.00					500.00	5/30/2016	lb
3005	223-16-3449	Dawson County CD	Soil Health for Gardeners workshop	415.00					415.00	5/31/2016	lb
3005	223-16-3450	Pondera County CD	Outdoor Classroom	460.00					460.00	8/31/2016	lb
3005	223-16-3451	Pondera County CD	Youth & Adult Garden Grant PMC project	500.00					500.00	8/31/2016	lb
3005	223-16-3452								-		lb
3005	223-16-3453	Glacier County CD	Ag Days in the Schools	500.00					500.00	7/31/2016	lb
3005	223-16-3454	Glacier County CD	Women and Ag High Tea project	500.00					500.00	7/31/2016	lb
3005	223-16-3455			213,144.19	59,575.00	30,007.28			197,836.52		
	Grant Total										
3005		Blaine County CD	MACD Travel	670.89		670.89			0.00		
3005		Broadwater CD	MACD Travel	480.00		480.00			0.00		
3005		Fergus CD	MACD Travel	835.25		835.25			0.00		
3005		Glacier County CD	MACD Travel	1,127.05		1,127.05			0.00		
3005		Little Beaver CD	MACD Travel	995.20		995.20			0.00		
3005		Lower Musselshell CD	MACD Travel	1,085.50		1,085.50			0.00		
3005		Madison CD	MACD Travel	540.85		540.85			0.00		
3005		McCone CD	MACD Travel	938.85		938.85			0.00		
3005		Roosevelt CD	MACD Travel	845.55		845.55			0.00		
3005		Stillwater CD	MACD Travel	683.55		683.55			0.00		
3005		Sweet Grass CD	MACD Travel	439.45		439.45			0.00		
3005		Teton CD	MACD Travel	512.20		512.20			0.00		
3005		Valley CD	MACD Travel	795.10		795.10			0.00		
3005		Big Horn CD	MACD Travel	762.33		762.33			0.00		
3005		Chouteau County CD	MACD Travel	547.85		547.85			0.00		
3005		Beaverhead CD	MACD Travel	855.34		855.34			0.00		
3005		Lake County CD	MACD Travel	708.15		708.15			0.00		
3005		Powell County Treas	MACD Travel	823.30		823.30			0.00		
3005		Toole County CD	MACD Travel	620.30		620.30			0.00		
3005		Pondera County CD	MACD Travel	842.70		842.70			0.00		
3005		Carbon County CD	MACD Travel	594.50		594.50			0.00		
3005		Yellowstone CD	MACD Travel	644.30		644.30			0.00		
				15,838.31		15,838.31					

Water Development Loans Coal Severance Tax



PUBLIC WATER DEVELOPMENT LOANS

Completed Loans	Loan Amount	Completed Loans (cont'd)	Loan Amount	Completed Loans (cont'd)	Loan Amount
Anaconda-Deer Lodge County	\$ 500,000	DNRC-Upper Musselshell WUA	\$ 90,000	Manhattan, Town of	\$ 1,215,000
Antelope County WSD	\$ 84,000	Yellow Water WUA	\$ 32,000	Miles City, City of	\$ 1,532,910
Beaverhead Co/Red Rock WSD	\$ 2,600,000	Dodson, Town of	\$ 35,000	Mill Creek Irrigation District	\$ 600,000
Belgrade, City of	\$ 825,000	Dutton, Town of	\$ 175,000	Mill Creek WSD	\$ 950,000
Bitterroot Irrigation District	\$ 1,180,000	Dry Prairie Regional Water Auth	\$ 288,400	Neilhart, Town of	\$ 150,000
Bitterroot Irrigation District	\$ 508,000	East Bench Irrigation District	\$ 757,297	Park County	\$ 153,708
Bozeman, City of	\$ 726,079	East Helena, City of	\$ 434,434	Pondera County CD	\$ 555,000
Bozeman, City of	\$ 352,715	Ekalaka, Town of	\$ 195,000	Pondera County CD	\$ 341,413
Brady County WSD	\$ 130,550	Ennis, Town of	\$ 180,000	Poplar, City of	\$ 477,260
Broadwater Hydropower Project	\$ 21,450,000	Ennis, Town of	\$ 750,000	Power-Teton County WSD	\$ 121,370
Broadwater Hydropower Project	\$ 3,800,000	Fairfield, Town of	\$ 141,000	Sage Creek County Water District	\$ 623,000
Bridger, Town of	\$ 91,198	Fairview, City of	\$ 250,502	Sanders County WD at Noxon	\$ 151,000
Bridger Pines WSD	\$ 1,310,000	Flathead County-Evergreen WSD	\$ 4,000,000	Shelby, City of	\$ 592,000
Buffalo Rapids Irrigation District #1	\$ 855,000	Flaxville, Town of	\$ 44,000	St. Ignatius, Town of	\$ 226,500
Charlo Water District	\$ 34,500	Forsyth, City of	\$ 405,000	Sun Prairie Village County WSD	\$ 584,014
Columbia Falls, City of	\$ 1,163,720	Forsyth, City of	\$ 325,000	Sun Prairie Village County WSD	\$ 200,000
Conrad, City of	\$ 250,000	Fort Benton, City of	\$ 753,060	Sun Prairie Village County WSD	\$ 266,200
Culbertson, City of	\$ 704,000	Fort Benton, City of	\$ 520,480	Sunburst, Town of	\$ 230,000
Culbertson, City of	\$ 100,000	Four Corners County WSD	\$ 3,060,000	Sunburst, Town of	\$ 36,289
Cut Bank / N. Glacier County	\$ 85,000	Gardiner-Park City Water District	\$ 360,500	Ten Mile Creek Estates	\$ 240,000
Daly Ditches Irrigation District	\$ 364,000	Glasgow, City of	\$ 3,200,000	Three Forks, City of	\$ 163,000
Daly Ditches Irrigation District	\$ 350,000	Glendive, City of	\$ 1,834,238	Three Forks, City of	\$ 206,155
Denton, Town of	\$ 185,000	Hamilton, City of	\$ 124,568	Thompson Falls, City of	\$ 304,204
DNRC -		Harlem, City of	\$ 403,125	Tin Cup Water District	\$ 11,300,000
Ackley Lake Rehab	\$ 200,000	Havre, City of	\$ 2,590,000	Tongue River Dam	\$ 1,945,481
Bair Dam	\$ 988,772	Huntley Irrigation District	\$ 1,775,348	Troy, City of	\$ 30,000
Broadwater-Missouri Pipespan	\$ 410,000	Huntley Irrigation District	\$ 300,000	Troy, City of -refinance	\$ 1,945,481
Cottonwood-Middle Ck WUA	\$ 800,000	Huntley Irrigation District	\$ 100,348	Virginia City, Town of	\$ 515,000
Deadman's Basin	\$ 350,000	Huntley Irrigation District	\$ 250,000	West Yellowstone, City of	\$ 650,000
Deadman's Basin	\$ 55,000	Hysham, Town of	\$ 200,000	West Yellowstone, City of	\$ 400,000
Deadman's Basin	\$ 400,000	Judith Gap, Town of	\$ 24,000	White Sulphur Springs, City of	\$ 500,000
Deadman's Basin WUA-2015	\$ 500,000	Judith Gap, Town of	\$ 100,000	Whitefish, City of	\$ 144,171
East Fork-Rock Creek	\$ 1,000,000	Kevin, Town of	\$ 175,000	Whitehall, Town of	\$ 258,300
East Fork-Siphon Replacement	\$ 400,000	Lakeside County Sewer District	\$ 431,838	Wibaux, Town of	\$ 100,000
Nevada Creek Dam	\$ 494,041	Lakeside County Sewer District	\$ 758,162	Winnet, Town of	\$ 482,500
North Fork of Smith River	\$ 425,000	Lakeside County Sewer District	\$ 100,000	Yellowstone County	\$ 758,000
Petrolia WUA	\$ 358,000	Lakeside County Sewer District	\$ 200,000		
Ruby Dam Repairs - 2013	\$ 2,000,000	Libby, City of	\$ 590,500		
Ruby River WUA	\$ 2,000,000	Libby, City of	\$ 253,177		
Ruby River Water Projects	\$ 4,000,000	Libby, City of	\$ 800,000		
Shields Canal WUA	\$ 30,000	Lima, Town of	\$ 250,000		
Smith Crk Canal Seepage Rehab	\$ 50,000	Lockwood Irrigation District	\$ 247,000		
Toston Dam Bladders	\$ 3,000,000	Lockwood Water & Sewer District	\$ 1,078,526		
Upper Musselshell WUA	\$ 222,647	Lower Willow Creek Drainage Dist	\$ 107,000		
		Malta Irrigation District	\$ 2,274,950		
				TOTAL	\$ 115,244,631

WSD - Water & Sewer District
WUA - Water User's Association

MONTANA COAL SEVERANCE TAX



Department of Natural Resources & Conservation
January 2015

MONTANA COAL SEVERANCE TAX



Department of Natural Resources & Conservation
January 2015

Coal Severance Tax

Within 30 days of the end of each calendar quarter, coal severance taxes are paid to the state, and 50% of these are deposited into the **Coal Severance Tax Trust Fund** by the DOR. Six accounts are established within the Trust: (1) the **Coal Severance Tax Bond Fund**, (2) the **Treasure State Endowment Regional Water System Fund**, (3) the **Big Sky Economic Development Fund**, (4) the **Treasure State Endowment Fund**, (5) the **Coal Severance Tax Permanent Fund**, and (6) the **Coal Severance Tax Income Fund** (see Figure attached).

1. Coal tax revenues that flow into the trust are initially deposited into the **Coal Severance Tax Bond Fund** (Bond Fund) and made available for payment of debt service on Coal Severance Tax Bonds. The DNRC informs the DOR, during the state fiscal year, of the amount necessary to meet all principal and interest payments on bonds payable from the Bond Fund. The DOR retains that amount in the Bond Fund.

2. The **Treasure State Endowment Regional Water System Fund** was established to provide state funding for regional water systems. The Rocky Boy's North Central Regional Water Authority and the Fort Peck/Dry Prairie Regional Water System were federally authorized. Two additional regional systems, Dry Redwater and Central Montana have been formed. During the fiscal year, 25% of the amount in excess of what is retained in the Bond Fund is deposited into the Regional Water System Fund.

3. The 2005 legislature created the **Big Sky Economic Development Fund**. This fund provides interest earnings for grants and loans used for economic development projects working with local governments and certified regional development corporations. During the state fiscal year, 25% of the amount in excess of what is retained in the Bond Fund is deposited into the Big Sky Economic Development Fund. The program

is administered by the Department of Commerce.

4. The **Treasure State Endowment Fund** (Endowment Fund) was established when voters approved the ballot measure on June 2, 1992. During the state fiscal year, 50% of the amount in excess of what is retained in the Bond Fund is deposited into the Endowment Fund. The Department of Commerce notifies the DOR when interest earnings are needed to fund local infrastructure projects. The DOR then transfers the interest earnings from the Endowment Fund into the **Treasure State Endowment Special Revenue Account** (Revenue Account). The Department of Commerce then approves disbursement of funds to authorized local governments. Interest earnings not transferred to the Revenue Account for projects are retained in the Endowment Fund.

5. The **Coal Severance Tax Permanent Fund** (Permanent Fund) receives no new tax proceeds. The fund balance within the trust is invested by the Board of Investments. The earnings from the Permanent Fund are deposited into the General Fund. State law allows up to 25% of the Permanent Fund to be invested in the Montana economy.

6. Investment income on the deposits in the Bond Fund, and the Permanent Fund is periodically transferred into the **Coal Severance Tax Income Fund**. The entire balance in the Income Fund is transferred into the General Fund on a monthly basis.

7. Under the Coal Severance Tax Loan Program, the state sells coal severance tax bonds and loans the proceeds to local governments for various infrastructure projects. The borrowers make semiannual or annual loan payments, which upon receipt are credited to a **Debt Service Account**. The terms of the loans vary, but generally involve an interest rate subsidy. The loan

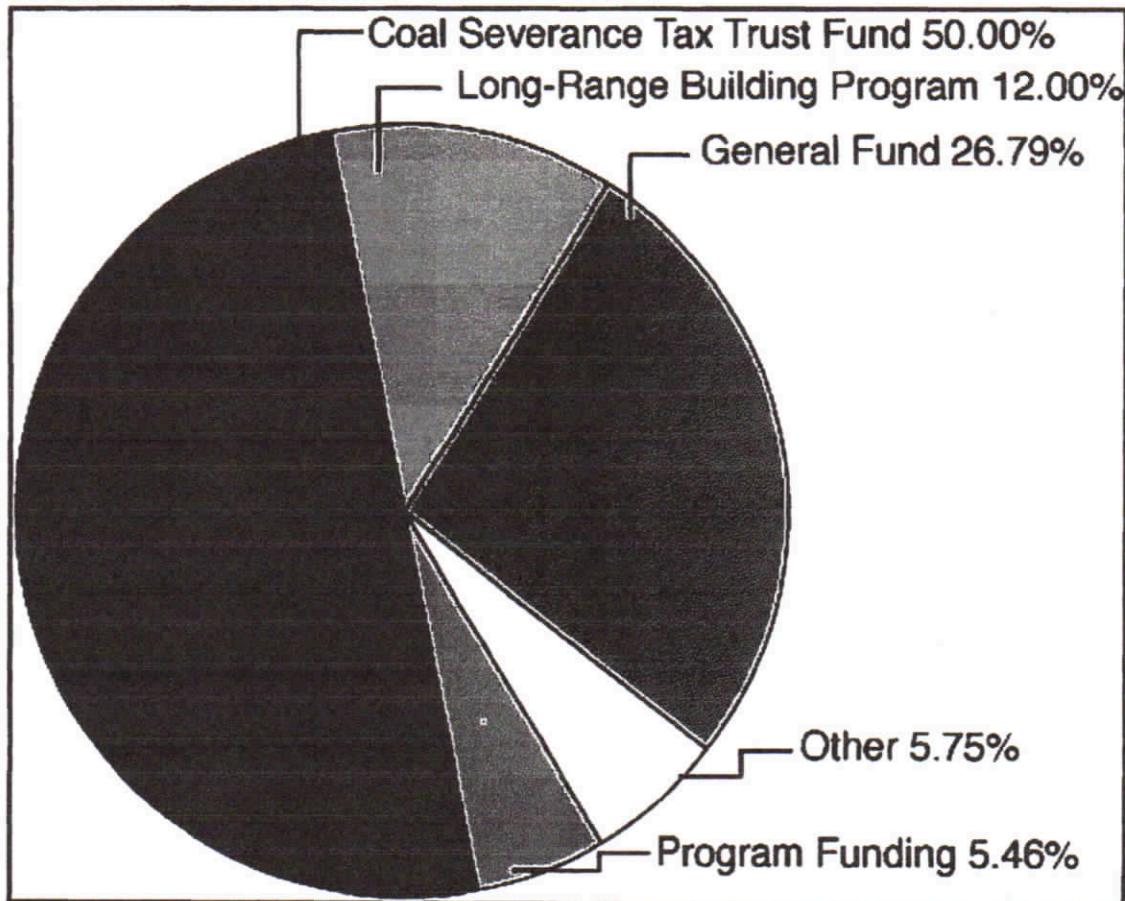
program and debt service accounts are administered by DNRC.

8. Debt service payments on the bonds are due each June 1 and December 1. To the extent that funds on hand in the Debt Service Account are insufficient to pay principal and interest on the bonds when due, funds are transferred into the Debt Service Account from the Bond Fund. On January 1 of each year, funds are transferred into the Debt Service Account from the Bond Fund to the extent necessary to cause the balance in the Debt Service Account to equal one-twelfth of the next two

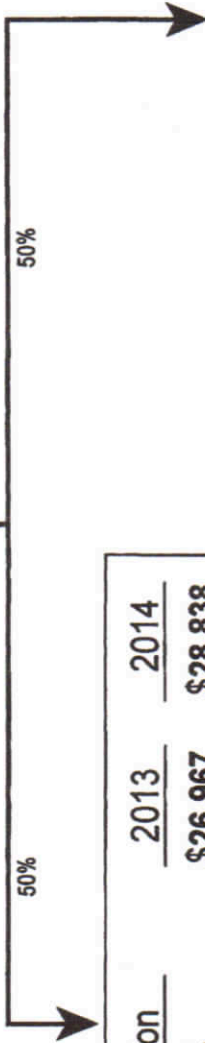
ensuing semiannual debt service payments. DNRC provides written notice to the DOR if funds are needed to pay debt service or to make the required transfer on January 1. On January 1 of each year, DNRC also sweeps the Debt Service Account of funds in excess of one-twelfth of the next two ensuing semiannual debt service payments. The excess is returned to the Bond Fund.

9. On each June 1 and December 1, the state pays debt service on the bonds from amounts on hand in the Debt Service Account. Payments are made by DNRC.

Allocation of Coal Severance Tax - for FY 2014

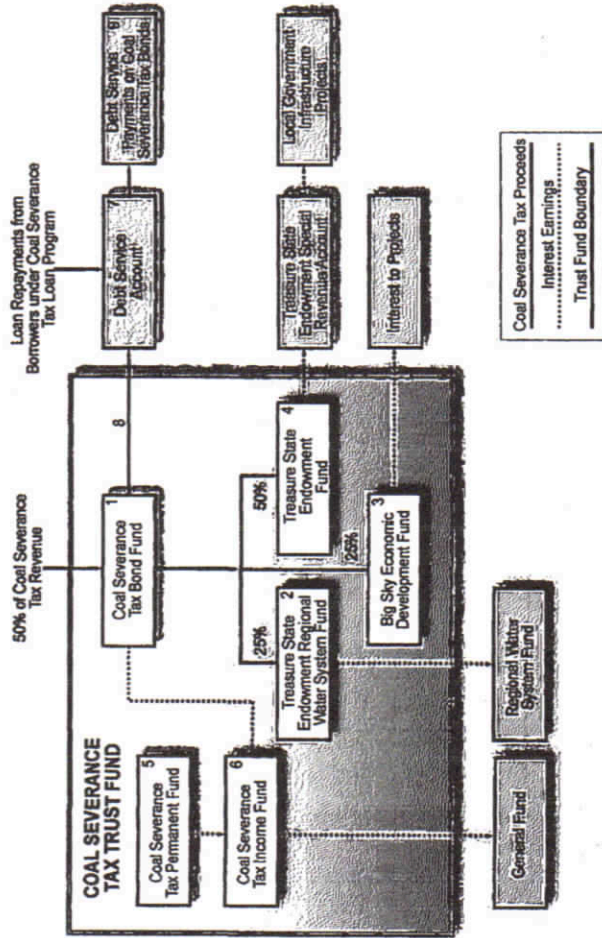


Coal Severance Tax Collections



Account	Allocation	2013	2014
Trust Fund	50%	\$26,967	\$28,838

Coal Severance Tax Trust Fund Flow of Funds Summary



Coal Severance Tax Spendable Allocation

Tax	Allocation	FY 2013 (\$1,000)	FY 2014 (\$1,000)
Coal Severance Tax Collections	100%	\$ 53,934	\$ 57,676
Coal Severance Tax Trust Fund	50.00%	26,967	28,838
General Fund *(23.8% FY13, 26.7% FY 14)	*	12,638	15,203
Long-Range Building Program	12.00%	6,472	6,921
Program Funding	5.46%	2,944	3,149
Other	*	3,128	1,672
Oil, Gas, and Coal Natural Resources *(5.8% FY13, 2.9% FY 14)	*	684	732
Parks Acquisition and Management Trust	1.27%	512	548
Renewable Resource Loan Debt Service	0.95%	339	363
Cultural and Aesthetic Trust and Capitol Art	0.63%	250	250
Coal and Uranium Mine Permit & Reclamation Payment			

*Allocation % change in each year

