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Protect Coal Trust Fund from Greedy Politicians

A Montana Public Radio Commentary by Evan Barrett
March 30, 2015

Once again, for the third time, the Montana GOP has trotted out a plan to break and cap the Coal Tax Trust Fund that has been one of Montana's biggest financial and policy success stories. In this attempt to steal your savings, they have demonstrated their lack of prudent money management skills and their propensity for trying to turn your savings account into their political slush fund, with no respect for the visionaries of the past who figured out how to protect our children and grandchildren's future.

A little history is in order, history in which I both observed and participated. When the Coal Trust Fund Constitutional Amendment was proposed to the voters of Montana by the 1975 Legislature, the bill, which put 50% of the coal severance tax into an inviolate trust, was opposed by only 13 of 150 legislators. It was adopted by the people in 1976 with an almost 2-1 majority (63.4%).

The Coal Trust Fund's passage was based on a century of "rip and run" mining in Montana, where the resources were depleted and all the profits ended up out-of-state. According to the late Dr. Ellis Waldron, Trust Fund proponents said "we have very little to show for our [once fabulous] copper resource" and wanted people to receive the benefits from a "fair share of our black gold." Yet they were visionary enough (and understood human nature enough) to know that if money from coal development started to pile up in a state account, it would surely be raided by future legislatures. So they integrated into the Constitution a provision that it would take a $\frac{3}{4}$ vote of each house of the legislature to take any principle from the Trust. In essence, those Legislators back in 1975 were protecting the public from short-sighted legislative greed.

But they also provided for the smart use of the earnings (interest) of the fund by future Legislatures. As a result, the Coal Trust has been a great success, doing what was intended – build a savings account, protect it, let it grow and use the earnings from it forever. It now provides more annual interest for the legislature to spend than the direct coal tax revenues themselves. The Trust is now approaching \$1 billion with over 25% (\$268 million) dedicated directly through the Treasure State Endowment within the Trust to providing interest earnings to support infrastructure investment. And another 25% of the Trust is targeted to provide prudent business development loans to new or expanding locally-owned businesses. Currently \$114 million is out in such loans and it is expected to shortly reach \$160 million for Montana jobs and growth.

But this approach – this success -- hasn't been good enough for Montana's GOP leadership. That's the history. These are the facts.

In 1991, when the Trust was generating interest earnings from \$474 million, Governor Stan Stephens wanted to raid the Trust under what he called the "Big Sky Dividend," diverting all the funds going to the Trust for 10 years into a fund he could spend as

cash. The legislature refused to give his proposed Constitutional Amendment the votes needed to get it onto the ballot, so he raised and paid money to get signatures to put it on the ballot as an initiative. But the voters soundly rejected CI-63 at the polls.

Then, six years later, when we were making money off \$589 million in the Trust, Governor Marc Racicot moved a similar infrastructure effort he called “Today & Tomorrow,” proposing to divert \$20 million a year for 20 years from going into the Coal Trust so he and legislators could spend it as cash. After he couldn’t garner the $\frac{3}{4}$ vote needed to get the diversion done by the Legislature, he tried to get the Legislature to pass it as a Constitutional Amendment requiring only $\frac{2}{3}$ of the Legislature to approve. But he couldn’t get those votes either, so the effort failed.

Here we are 18 years later and it’s *déjà vu* all over again. Senator Rick Ripley is championing a Constitutional Amendment and a companion bill to take 90% of the funds that go into the Trust and use them for, you guessed it, “infrastructure.” He calls it “Build Montana,” ironically the same name as a major and successful economic development initiative by Governor Ted Schwinden back in 1984. Schwinden, by the way, was a major backer of the Coal Tax Trust Fund. Whatever you call it, Senator Ripley’s effort is another case of “stop putting money into your savings account and let us go on a cash spending spree with it.”

Further, the Ripley approach would put into the hands of eight legislators the power to determine where hundreds of millions of dollars will go over the next few years, throwing away over twenty years of scandal-free, politics-free evaluation and funding of infrastructure under a program of established integrity inside the Department of Commerce under both Democratic and Republican Governors. State money for infrastructure right now is not a slush fund, but the Ripley approach would put more back-scratching politics and less integrity into the allocation of your money.

So, the people, through the Legislature, are just going to have to say “no” again to another blatant GOP attempt to rob from our children and grandchildren’s trust funds in the name of infrastructure.

The sad story is that it is not necessary. This drive, like the others before it, is supposed to be about infrastructure investment. But Governor Bullock proposed a sound business-like approach to infrastructure funding that balances cash (from regular state income, not the Coal Trust Fund) and extremely low interest bonding.

The Legislature should get back to that prudent approach to funding needed infrastructure.

This is Evan Barrett in Butte, thinking about protecting our savings account from short-sighted politicians.

Evan Barrett of Butte, has spent the last 45 years at the top level of Montana economic development, government, politics and education. He is currently the Director of Business & Community Outreach and an instructor at Highlands College of Montana Tech. These are his personal views.