

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
49TH LEGISLATURE  
SPECIAL SESSION III  
HOUSE OF REPRESENTATIVES

June 28, 1986 P.M.

The tenth meeting of the taxation committee was called to order in room 312-2 of the capitol at 3:07 p.m. on the above date by chairman Gerry Devlin.

ROLL CALL: All members were present as were Dave Bohyer, researcher for the legislative council, and Alice Omang, secretary.

CONSIDERATION OF SENATE BILL 24: Representative Rainey made a motion that the committee postpone hearing this bill until Monday, June 30.

Chairman Devlin indicated that there were many people that came a great distance for these hearings and he did not believe that it would be fair to those citizens to make them wait until Monday or go all the way home (300 or 400 miles) and then come back. He ruled the motion out of order.

Representative Raney stated that he protested the ruling.

Chairman Devlin said that the protest is noted.

Senator Keating, senate district 44, Billings, testified that what they are addressing in this bill is very critical at this time because they are losing their coal markets in eastern Montana and the coal tax is essential to the people of Montana and to the many programs that they have. He continued that they would like to present something to the people this fall in order to head off total losses or coal exploration and production; this is a referendum to the people and stops the flow of further tax dollars to the permanent trust fund, in essence; and if the constitutional amendment is accepted by the people, it will merely say that the interest in the income of the coal severance tax will be appropriated just as it has been, but the principle will be inviolate unless appropriated by a vote of 3/4ths of the members of each house of the legislature.

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He informed the committee that, at the present time, there is about \$288 million in the trust fund; after this year's contribution, there will be over \$300 million in the trust fund; and this constitutional amendment will merely cap the flow of tax dollars to that trust fund. He advised that continued contributions of the coal tax could be made legislatively.

He stressed that they are losing coal markets left and right; they need to produce coal in this state as a base for jobs and as a source of tax, but they are not competitive with their 30% severance tax.

He explained that he would propose in the next legislative session, that the tax be cut from 30% to 15%; that no more money flow to the permanent fund - that it be capped - except for the 15% of the interest that is returned to the fund to offset inflation. He indicated that the balance of the tax would continue to flow to the general fund to those special earmarked funds for which it is denoted.

He concluded that after hearing the testimony, the committee will realize why it is important that they address the adjustment in the coal tax, so they can compete in the market place to produce more coal, to provide more jobs and to have more revenue for the state being placed in the general fund rather than being directed to an unuseable fund.

PROPONENTS: Representative Asay, house district 27, representing Rosebud and Treasure counties, testified that this is a referendum vote and it is going to be a tremendous job to try and educate and explain this to the people and this is not a matter of trying to cram something down anybody's throat. He asked the committee to not just think of the severance taxes, but they should consider that in the Rosebud area, the 6 mill levy is worth about \$1,257,000. and the 45 mill levy, that goes into the education fund, is worth \$9,562,000. He stressed that there are a number of people who have made a great deal of effort to get here and, in fact, this bill was propelled by these people - they called him and they were the ones who instigated this.

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PROPONENTS: Larry Salmonsens, Hardin, a miner working for Morrison-Knudsen, who is the mine operator for Westmoreland Resources, stated that he was not sent here by Westmoreland Resources or Western Energy, but came on his own free time and on his own money. He informed the committee that their mine was in a grave condition because they have lost to Wyoming coal because of their lower severance tax; last year at this time, they had 116 people working in their mine and it was down to 45 people on Friday, and on Monday, it will be down to 20 people. He said that this was all because Northern States Power is buying coal from Peabody Coal Company in Wyoming because of their lower severance tax.

He advised that last year in 1985, Westmoreland Resources paid approximately \$6.8 million in severance tax and the average from 1974 to 1984 was in excess of \$9.5 million, but this year the projected severance tax off their mine alone is \$2.4 million and this has since been reduced, because of the current situation, that it may be only \$1.4 million.

Thomas Rockroach, Jr. an employee of Western Energy, advised that he is one of the employees that is unemployed at this point, because of the tax situation on the coal. He asked the committee to consider this bill and give the people who are having such a tough time out there a chance to vote on this matter. He contended that, as an Indian, it is a less tough situation, because he can hunt and feed his family, but those other of his friends that are on the other side of the fence are the ones that are suffering the most.

Terry Oslow, operator-laborer employed at the Rosebud Mine, but presently on layoff, stated that she has been laidoff since February 28, and she represents single, sole-supporting parents (women and co-workers of the mining industry). She said that she believes that the 30% severance tax is one of the reasons why the mining industry in Montana are and will be losing more coal contracts to Wyoming, Illinois and Canada; and she felt that the 17% severance tax cut would benefit the mining industries.

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Duane Ankney, employee of Western Energy, testified that he has worked in the past for Peabody Coal, Spring Creek Coal, Peter Kiewit, and other mines, and he has already been through one contract loss at Spring Creek Coal and now he is seeing it all over again at Western Energy. He indicated that he believed that this bill would be a window so that possibly in the next session they could cut the severance tax.

Renee Buckalew, member of the local 400 and a laidoff employee of the Rosebud Mine, stated that she has lived in Colstrip for 17 years and was an operator trainee at the mine until the shipments fell off. She contended that it is not easy for a woman to get a job now that makes her financially independent. She also informed the committee that the loss of contracts has also affected other members of her family - her brother, who is employed at the Big Sky Mine is down to two days a week and her dad is an employee at the Rosebud Mine and his job is in jeopardy if something isn't done.

Thad Turner, a worker at the Colstrip Mine and an auctioneer, stated that he sometimes has the unpleasant job of selling people out when they have to move because of lack of jobs; and he gave examples of different people who were losing their homes.

Dan Stanley, union steward at the mines, and on the training board, advised that right now there are 140 people, who are laid off and all they want is a chance for a job and they are some of the most productive miners in the world and their records will show that.

Representative Hanson, district 100, went on record as a proponent of this bill, stating that they need these jobs and need these people and, for these reasons, she would like to see the people be able to vote on this constitutional amendment.

Jim Mockler, executive director of the Montana coal council, distributed Exhibit 1 to the committee. He called the committee's attention to a placard, which stated, "A tax differential between Montana and Wyoming may shift some new contracts to Wyoming." He asked, as it was

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put before the people in 1975, whether or not the people still want to adopt the provincial attitude of shifting their jobs to Wyoming. He emphasized that they hold out hope that perhaps the citizenry of Montana does not wish to adopt this policy any more that was adopted by the legislature in 1975.

Lorna Frank, representing the Montana farm bureau, stated that they wholeheartedly support senate bill 24.

Jim Murphy, representing Western Energy Company, urged the adoption of this bill as it was the view of his company that it would be desirable and advantageous to have the people vote on the opportunity to cap the severance tax trust fund because of the impact that has on the marketability of Montana coal. The coal industry in Montana, when it reemerged in 1968, experienced phenomenal growth, he advised, from 550,000 tons that were produced in 1968 to 26.2 million tons in 1976, which is an annual compound rate of growth of 62%. He continued that the growth that was experienced from 1976 to 1985, when production capped at 33.1 million tons was only 2.6% per year. He explained that there were lots of reasons for the stagnation of the coal industry in Montana, but it is not mere coincidence that the severance tax that passed in 1975 was the very beginning of the down turn. He emphasized that he does not believe that it is an over statement to say that the state-imposed production taxes have killed Montana's coal industry.

He informed the committee that, in addition to the severance tax, there is a gross proceeds tax, which at the mill levy presently applicable in Rosebud county, adds another 4.5% to the tax loading and there is also resource indemnity trust tax, which adds another 1/2 of 1% so they pay at the Western Energy Mine at Colstrip, Montana a total of 35% in state production taxes. He stated that, additionally, there are two federal taxes - a 3.5% federal reclamation fee and a 4.4% black lung tax, so that the total tax burden borne by Montana coal on production in 1986 is 43% and that is added to the price of Montana coal.

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He continued that in 1976, the United States congress passed the federal coal leasing amendments act, which increased over night the value of western coal in the ground, increasing the royalty rate from 15 cents a ton, which it currently is, to \$1.50. They established the royalty at minimum of 12 1/2% of price, he advised, and they did this to put the coal royalty in line with the oil and gas royalty structure. He contended that there was no justification in the market place to support this increase of 1000% and since there is no market justification, this is not a resource management action on part of the congress, but was merely a revenue measure; and the new royalty is, in essence, a tax. Adding that new 12 1/2% royalty to the 43% federal and state burden that already exists, by this time next year, the coal produced from Western Energy Company will bear a tax burden of 55%, he continued.

He concluded that they have seen a drop of 24% of their anticipated production this year and as a result, they have 139 hourly employees on layoff status, which represents approximately a \$7 million loss in wages. He urged the adoption of senate bill 24.

Don Engles, representing the Montana chamber of commerce, testified that times change and conditions change and this bill will give the people of Montana an opportunity to change their minds about a 30% severance tax.

Dave Goss, representing the Billings chamber of commerce, stated that he hoped they would support this bill as it gives the people an opportunity to decide where they think the state should go in the future and also gives the legislature the opportunity to make the decisions that need to be made in order for the future economy in the state to go forward.

Mike Micone, representing the Western Environmental Trade Association, exclaimed that their coalition of agriculture, labor, business and industry and recreation strongly support this measure in allowing the people of Montana to speak.

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There were no further proponents.

OPPONENTS: Keith Colbo, director of the department of commerce, indicated that he found himself in a paradox as, on one hand, they are talking about jobs and economic development, and, at the same time, they are talking about the same issue on the other side. He informed the committee that the discontinuence of the coal tax trust fund will discontinue economic development programs in the state of Montana as they know them and as they were approved by the voters of the state in initiative 95. He advised that in discontinuing the flow of money to the coal tax trust that the development finance programs such as they now have under the Montana economic development board will be stopped and they will be stopped immediately. He insisted that those finance programs are an essential part of the build Montana program and are an essential part of any state development program.

He stated that in the current fiscal year to May, 1986, fifty applications for coal tax loans have been considered, forty have been approved; and the amount approved for loan under the current financial institutions is \$11.8 million and this translates to 826 existing jobs and 463 new jobs created under the coal tax loan program. He emphasized that that, too, is economic development.

He contended that it was very difficult for him to stand here today because he has programs that address the community of Colstrip and also the competitive nature of coal in the state of Montana through other programs in the department of commerce.

George Ochenski, representing the Montana Environmental Information Center, said that the major cost of coal at the market place is transportation. He contended that they could subsidize mining in this state, but that would not change the international copper market nor will it change the fact that they plumb their homes with PCV pipe. Consequently, he stressed, you can buy plenty of cheap homes in Butte and Anaconda today too. He stated that

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they could give the coal away, but they will not move Montana one inch closer to those markets nor will they change the surplus nor will they be able to guarantee these people stable jobs.

Phil Campbell, representing the Montana Education Association, testified that their organization has been on record for many years in opposition to a decrease in the coal tax and a decrease in any funds that go into the trust fund or any decreases in the trust funds. He said they oppose this measure and will oppose the initiative as well.

Representative Raney, house district 82, indicated that he opposed this because this was not in the call of the legislature; he has been here only two weeks and his resources to work up proper testimony is in Livingston, and he finds this to be a rather lousy trick pulled upon those of them who would like to have presented good testimony on the bill - not on what the real motive of this bill is, which is to cut the severance tax. There was a lot of presentation here, he said, including that of Senator Keating, Representative Asay, and Jim Mockler and not one of them presented a fact to show that by reducing the coal severance tax, they could sell one more ton of Montana coal.

He continued that they have been told that the tax differential between Wyoming and Montana may shift some contracts - may - if they were prepared for this hearing, why didn't they come with some facts to show that it may or could or would.

As far as the employees of the mines that are here, he stated, he couldn't have any more sympathy for them than he has for the 1,000 people that lost their jobs in Livingston when the railroad left. He contended that it is not the fault of the coal severance tax that these people do not have jobs, it's the fault of what is going on in the world - there is an energy glut, they have more oil than they can possibly burn, there is more coal surplus than they can possibly burn

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and electricity is as cheap as one could imagine around this country; and, in fact, they cut down billion dollar projects to build nuclear plants because they do not need the electricity any more. That is why they are not selling any more Montana coal, he submitted.

He questioned why the sponsors did not come forward with a straight forward bill and say that they want to cut the tax in half, instead of trying to slip in the back door and eliminate the only steady source of income in Montana outside of property tax and that is the interest of the coal tax trust fund. He emphasized that the bigger the coal tax trust fund the more secure income they have for the future. He contended that after they cut the coal tax in half, they want to spend it and that is exactly what they have been doing to put them (the state) in the position they are in so they are here for the special session. He said that they have been spending coal and oil severance tax and, at the same time, allowing the government to grow, grow, grow, grow and whenever government grows, then you see what a tremendous job you have trying to shrink it back. He said they are not going to be able to shrink this government back and now the proposal is to continue to spend coal tax and oil tax on expanding our government and eliminate that secure source. He warned that what they are going to do by eliminating that secure source and the growth of it is to eventually place more property tax upon the people of Montana in order to make a sales tax look good.

Chairman Devlin indicated that they would like to stay on the bill - they are not making suppositions on whether or not they are going to have a sales tax.

Representative Raney said that he heard the testimony of over fourteen people and only two of them testified on the bill.

Chairman Devlin stated that these people have never probably appeared before a committee before - he doubted if any of them have and he (Representative Raney) has.

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Representative Raney responded that he had never appeared before a committee before with a two-day notice on a bill that is this important to Montana.

He continued that he takes the opposite view in this as Senator Keating and Representative Asay and he believes that the money should stay in the permanent trust fund. He asked when you put this out for the people to vote on, who is going to be there with the money to go to the media to address this issue - it is going to be the people who support cutting the severance tax in half - and the issue of good government is not going to be addressed. He suggested that all of them know about good government and they know what happens when they don't have a reliable source of income and that reliable source is the permanent coal tax trust fund.

Russ Brown, representing the Northern Plains Resource Council, disagreed with the rationale for not postponing the hearing and he felt that those folks who did drive hundreds of miles to come here were part of the effort to get this here in the first place and that there are other people out there who live hundreds of miles away from Helena, who would like the opportunity to come before the committee.

He advised that the council is an agricultural based group and, as such, they are suffering the problems of agriculture and they are very familiar with the problem of people being out of work - they don't like to see anyone out of work and they do not see this bill creating any jobs. He indicated that according to a federal energy regulatory study, transportation costs equal 60% of the delivered price of coal, while all the taxes apparently equal approximately 10%. He stated that Montana coal is no longer competitive because of where it is geographically with Wyoming. He concluded that they oppose this bill, not because they like to see people out of work, but they have not heard any one suggest or prove that the passage of this bill and its companion bill in 1987 will create jobs.

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Chairman Devlin went on record stating that he asked Senator Towe, chairman of senate taxation, on two different occasions if they could not have a joint hearing on this bill and he (Towe) made no effort to help along those lines. He informed the committee that Representative Williams was present one of those times that he asked him - that was the second time - so references to a hurry-up hearing are quite unfounded when he (Devlin) tried to have and suggested a joint hearing.

Terry Minow, representing the Montana Federation of Teachers, testified that they rise in opposition to this bill for many of the reasons that have been stated by the other opponents. She stressed that this issue is not directly related to the budget-balancing process that is being undergone right now and for that reason alone, they urge a do-not-pass recommendation.

Blake Wordal, executive director of the Montana Democratic Party, indicated that the jobs are as important to those of them that oppose this measure as to those who support it, but they truly believe that the loss of coal markets to Montana is not due to the coal tax but lies with the transportation market and OPEC, as they have already heard. He advised that they are not afraid to put the coal tax on the ballot and let the people vote on this, but he suggested that they read the bill and see what the people will be faced with - an amendment that says "for amending the constitution to discontinue, as of July 1, 1987, the deposit of coal severance tax collections in the coal severance tax trust fund" and he contended that this does not pose that question to the voters fairly and the voters need to be fairly asked at what level the coal tax should be. He said they would welcome that on the ballot - that does not bother them - because they think the vast majority of the people of this state would sustain the 30%. They think this is miswritten, he said, and that the intent is to lower the coal tax and it is not stated fairly. He asked that the committee oppose this bill.

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Don Judge, representing the Montana State AFL-CIO, stated that the Montana labor movement has been supportive of Montana's progressive coal severance tax since the debate on the issue first began and union members have passed resolutions at our conventions favoring this tax since the early 1970s. He noted that they have consistently believed that an investment must be made by those companies which have profited so highly from the extraction of a non-renewable resource.

He continued that they have been facing a deficit of \$100 million and they have heard the proponents of this legislation say that a \$300 million trust fund should be a sufficient amount to provide for the future of Montana's future generations and if only one of the major proposals had passed, it would only have taken six years to completely eliminate their trust fund. He concluded that he did not believe that this measure is an appropriate way to address the problems they have in the state.

Paula Shellky (?) a Montana state university student and a taxpayer, said that her testimony is going to be a little unorthodox and she hoped it would not offend the committee too much. She explained that the relationship that Montana has with big business is similar to the relationship that a woman has with a man - if she can get a commitment from him to stand by her side through thick and thin, if she is willing to share her resources, that's one thing, but, if she can't, then she is much smarter to get a \$1,000 a night than ten bucks, because her resources won't last forever and you can bet he will split when they are gone. (She then sang a song entitled "Big Business Won't You Please Come Home?")

There were no further opponents.

QUESTIONS ON SENATE BILL 24: Representative Keenan asked Senator Keating if he recalled the price of oil in the early 1970s.

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Senator Keating replied that in the early 1970s, around 1971 and 1972, it was around \$5.00 a barrel.

Representative Keenan contended it was around \$3.00.

Senator Keating argued that in the 60s it was \$3.00, but it was edging up in the early 70s.

Representative Keenan asked what did oil go to in the later 70s.

Senator Keating responded that \$39.00 a barrel was the high someplace around 1979 to 1980.

Representative Keenan asked, if logically, coal was not the alternative at that point.

Senator Keating replied that in some cases, the substitution of coal for oil was desirable.

Representative Keenan asked what is the percent of the delivered price of all taxes combined in Montana, when it is delivered to Minnesota.

Senator Keating answered that he could only approximate that, but he heard that it ran between \$10 and \$14 and he has heard as high as \$18, but he does not know the specific price of a ton of coal delivered at a particular point in Minnesota or Illinois, or something of that sort.

Representative Keenan questioned what percentage would be transportation costs.

Senator Keating replied that he could not tell that with any degree of accuracy.

Representative Keenan said that she believed it was anywhere from 40 to 70%. She then asked how many railroads they had in Wyoming.

Senator Keating responded that he believed there were two that hauled coal.

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Representative Keenan asked how much higher or lower the rate of transporting Wyoming coal versus Montana coal to Minnesota.

Senator Keating responded that the figures he saw on the aggregate price of coal between Montana and Wyoming showed a difference of 1/10 of 1 cent per ton per mile.

Representative Keenan asked if it were correct that this is about a 25% reduction in rate from Montana to Wyoming.

Senator Keating replied that he had said that the difference was 1/10 of 1 percent, i.e., 1/10 of 1 cent per ton per mile, and this is the difference in the aggregate between hauling in Montana and hauling in Wyoming.

Chairman Devlin interjected that he would like them to remain on the bill, even though she has a lot of figures.

Representative Keenan explained that the point here is that she felt the real issue was transportation.

Representative Ellison indicated that he had heard the testimony that this was probably an unfair way to present it to the public and they should have presented it as a coal tax as to whether they wanted to raise or lower it, and he asked if he were here when they originally passed the coal tax.

Senator Keating answered that he lived in the state and he followed the issue very closely.

Representative Ellison asked if they presented it to the people when they put the 30% on.

Senator Keating responded that the 30% was done legislatively and then the subsequent referendum was to put 50% of the coal money into this permanent trust fund.

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Representative Ellison asked what party was in power when this was done.

Senator Keating responded that he thought the Democrats were.

Representative Cohen asked if any of those questions bear directly on what is inside this bill.

Senator Keating answered that they do in a roundabout way.

Representative Cohen said that everyone is going round-about and this bill says that they are going to discontinue the deposits of coal severance tax collections in the coal severance tax trust fund and does any of this discussion of transportation rates or any of that really bear with what it says in this bill, he queried.

Chairman Devlin responded that he could not see that it does.

Representative Cohen asked Representative Asay the same question and he responded the questions were asked of us - we did not ask the questions, but he agreed that they do not have a bearing on this particular bill.

Representative Cohen asked when he (Representative Asay) brought all these troops in from one part of the state, did he let them know that the testimony they were going to be given was irrelevant to the body of this bill.

Representative Asay answered that he first wanted to correct his misconception that he brought them in - they were the ones that called him; they were the ones that put this thing together; and they were the ones that asked them to press forward with it.

Representative Raney asked Senator Keating what his theory was in regards to no longer putting money into the coal severance tax, stating that the reason he asked the question is that he has read numerous tax studies that have come out recently where they

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have indicated that a reliance on severance taxes has put all the states, such as Montana, Alaska, Oklahoma, Texas and Louisiana, in dire straits. He exclaimed that all these tax studies seem to point out that these are energy states who spend their various severance taxes, so he wondered why he would chose to continue to spend the severance taxes in light of that and eliminate putting money into the permanent trust, which would then give us a steady income.

Senator Keating explained that the requirement of half of the coal severance tax going into the permanent trust fund was an impediment to the reduction of the coal tax itself in that so many state programs are reliant upon current coal taxes and to reduce the tax as such, thus reducing what flows to the permanent trust and what flows to useable revenue, would be a hardship on those that are currently receiving funds. In order to cut the coal tax to be competitive in the market place, he stated, it seemed best to eliminate that portion of the coal severance tax that goes to the permanent trust fund; and when he was obtaining signatures for this special session to bring this before the legislature, that is exactly the diagram that he showed anybody and everybody - that the purpose of this referendum to the people was to pave the way to be able to cut the coal tax without interfering with current revenues.

Representative Raney indicated that he really emphasized the point he was trying to make - that he is going to, with this measure, have Montana continue on this death struggle with severance taxes by doing what he is doing. He asked if he (Keating) could not see where it would make more sense to wean themselves from spending the money and instead spend interest money.

Senator Keating replied that personally he can't see this legislature, at this time, reducing the coal tax and not using it as current revenue for the various earmarked funds.

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Representative Sands asked if this does not get on the ballot this year, when would be the next opportunity for the people to vote on it.

Senator Keating answered, "1988".

Representative Cohen referred to page 1, lines 16 through 21, where it says, "There is a coal severance tax trust fund, the interest and income from which may be appropriated. The principal of the trust shall forever remain inviolate unless appropriated by vote of three-fourths (3/4) of the members of each house of the legislature." He asked Mr. Ochenski to comment on that means of protecting a state trust and give a little information about how other states protect their trusts.

Mr. Ochenski responded that some people who came here to observe the legislature were appalled at how easy we can break our own trust funds and spend that money that supposedly is inviolate for future generations. He continued that he did not have the technical data now to show how it is set up, but he certainly would be more than happy to provide this committee with that data next week.

Chairman Devlin said that this should really be closed up and they can take a lot of this up in executive action. He indicated that he would like to get the committee back on the floor so they have a chance of getting out of here.

Representative Raney commented that this is probably the major piece of legislation before this legislative session.

Chairman Devlin told him to ask his question.

Representative Raney noted that last session they (the committee) went through a tremendous wrestle with the coal tax and the testimony was enormous for people who had six months to a year to prepare for it and one of the reports that came to them was the Silverman-Duffield

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report, which was done at the university of Montana at Missoula, and their report showed that by reducing the severance tax 50%, they extended the distance by which Montana was competitive with Wyoming by something like forty or fifty miles. He asked where are they making Montana coal more competitive by cutting the tax in half.

Representative Asay replied that this was a theoretical study - they are not talking theory, they are talking actuality. He pointed out another study that had a somewhat different result than that one that was done at about the same time, which showed that the delivered cost of Rachell (?) Coal, which is a mine in Wyoming, was \$1.39 per million btu or \$24.20 per ton and the delivered cost of Big Sky coal from the Rosebud county mine was \$1.46 per million btu or \$24.95 per ton so there is the figure you are talking about and that is how close it is.

Representative Raney asked if that was for the same delivery point, which was answered in the affirmative.

Representative Raney indicated that that is a delivery point that he must know the name of.

Representative Asay answered that it is the King plant in the twin cities

Chairman Devlin exclaimed now that he was going to ask that they speak to the bill.

Representative Cohen interjected that he would like to ask a question of another one of the witnesses who has not been asked any questions yet.

Representative Cohen said that they have recently had in place a so-called window of opportunity with an opportunity of a reduced severance price for coal contracts to written. He asked Mr. Mockler to fill this committee in on how many contracts or coal companies or power companies have taken advantage of that window of opportunity.

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Mr. Mockler responded that at the present time, they have had a Decker contract for 1 1/2 million tons under the window of opportunity; they have a Spring Creek contract for 1/2 million ton for the sugar companies; and they have a 1/4 million ton being produced out of Spring Creek to Detroit Edison, which could lead to a 2 million ton contract and this is all under the window of opportunity.

Representative Cohen asked if some mines in Montana are shutting down and cutting back on production, and there are new mines and new contracts opening up.

Mr. Mockler replied that they are not having new mines opening up - it is their old customers that they are losing, because that is taxed at 30% and the new tax rate is 20% and apparently, it is more competitive at 20%. He emphasized that is precisely what is happening.

There were no further questions.

Senator Keating advised that the portion of the coal that is in the Powder River basin in Montana is a 2,000-year supply of coal, so he does not know what generation they will be saving this fund for. He said that the other reason for the trust fund was that there is another area of the country that is known for its coal production and its poverty and that was Appalachia and that they should set aside some of this money to prohibit Montana from becoming Appalachia. He submitted that the price of reclamation is taken out of the coal; all of the producers are bonded and reclamation is successful as aquifers have been reestablished in the soil banks, lands have been returned to their precise class prior to being moved and Montana will not look like Appalachia. He contended that there is no reason for a trust fund for posterity and what they need now are jobs.

He further stated that he made no bones about what the purpose of this referendum was - to remove the constitutional requirement that one-half of any coal severance

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tax be put in an untouchable fund - and he did it specifically so that it would facilitate reducing the tax so that they can be competitive. He stressed that he made no bones about telling anybody that he thought they should cut the tax in half, that is what he would suggest to the next legislature and that is what he would suggest to the people saying, "Please remove the restriction from the constitution so that the legislature can do its business so that they can tax so they can remain competitive."

He continued that he is also talking about jobs and in the last year, Montana's production is declining, and Wyoming's production is increasing. Since 1975, when the 30% severance tax was imposed, he advised, that Montana's production got no higher than 33 million tons a year while Wyoming's coal went over 100 million tons a year and they produce four times as much coal and get twice as much tax with only half the rate. He asked why are we so stupid that they tie things up and not use them. He stressed that the coal in the ground was given to Montanans as a gift, and if they use it prudently, there will be jobs for those who want to take the coal and there will be coal left for posterity forever and there will be enough revenue to meet their current needs.

He contended that if our greed gets beyond us, they will have no jobs - there are 1500 jobs and a \$15 million payroll in that area and jobs that are created by the build Montana program are for the most part service industries and the build Montana program is not as important to the state of Montana as mining our coal, developing our natural resources and providing the necessary revenue for the operation of this state. He emphasized that if they do not make our coal tax competitive, they will lose those jobs, they will lose that development, they will lose those exports and they will not have sufficient revenue.

He pointed out that besides the coal severance tax, there is a 4 1/2 cents gross proceeds tax that provides \$10 million a year to the educational trust fund and there is also an additional education trust fund that receives 10% of the remaining 50% of the tax. He pointed out that much of government is supported by the tax and the coal industry is willing to pay it.

Taxation Committee  
June 28, 1986 P.M.  
Page Twentv-one

EXECUTIVE SESSION:

DISPOSITION OF SENATE BILL 24: Representative Asay moved that this bill BE CONCURRED IN.

Representative Keenan moved to amend senate bill 24 on page 1, line 18, by deleting the words "shall forever" and insert "may". She explained that she thought there were two issues here - (1) the roundabout way of lowering the severance tax, which may be a very valid argument and a very valid theory, but she said she hears a lot about the trust itself and she feels, in essence, that they are very slowly busting the trust, so she proposes the word "may". She emphasized "may", you may do whatever you damn well please - by taking "forever shall" out of there, you may and you have killed two birds with one stone - you have not only given the people the opportunity to say, "Let's lower it", but you have also given the power to the legislature that they "may" instead of "shall" do what they darn well please.

She continued that she has heard this committee time and time again saying that they can solve many of their problems if they can get their hands on that trust. She exclaimed, "This is your chance."

Representative Asay acknowledged that the proposed amendment is referring to existing language in the act and has nothing to do with this bill particularly, but he would like to address the point she brings up. He asked the committee to recall the early days of this special session that there have been efforts to get into the trust fund in various ways and he has resisted them all.

There was no further discussion on the amendment and Chairman Devlin called the question. The motion failed with 9 voting yes and 11 voting no. See roll call vote 1.

Taxation Committee  
June 28, 1986 P.M.  
Page Twenty-two

Representative Williams commented that in the last regular session of the legislature, he supported the governor's open window of opportunity to lower the coal tax, but to cap the trust fund is not a fair way to approach this. If Senator Keating wanted to lower the coal tax, why did he not put the coal tax on the ballot to lower the coal tax instead of capping the trust fund, he asked. He declared that he thinks this is a roundabout way of going about it and he opposes using this method and he cannot support this piece of legislation.

Representative Ellison explained that he was here when the coal tax passed in the first place; they didn't submit the coal tax to a vote of the people for the rate that was to be applied; and later they submitted to the people the proposition for the trust fund, which he supported, and the people in his district voted for it. He advised the committee that he has no problem doing the same thing again and they will vote their own way and they will probably vote for not capping it, but that is their problem and not his.

Representative Asay argued that there is probably one good reason why this bill was not to just lower the severance tax, i.e., it was for the very responsible reason that just lowering of the tax would affect all of the other funds which are totally dependent upon the other 50%; and as they have noted so many times, this state is so totally reliant upon those funds, it would be totally irresponsible to suggest lowering them at this time.

Representative Williams asked if he could respond to that.

Chairman Devlin indicated that he would like to keep this down to a minimum now - they have pretty much all made up their minds - he is pretty sure about that and he doesn't think their discussion is going to be anything but maybe rhetoric for the press and he thought he just saw two or three of them go out the door.

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Representative Switzer said that he thinks that once every ten or twelve years is not too often to check the pulse of the general public and he feels that this is timely and the proper way to go and people who love the referendum route so much will applaud it.

Representative Gilbert exclaimed that he has sat there for a long time listening to this rhetoric and the question is shall the people decide the issue of the coal tax trust fund - if you trust them, vote yes and if you don't trust them, vote no and he called for the question.

Representative Keenan interjected on a point of order to the committee that she objected to that motion and she thought that this is only fair that they debate this as long as anyone wants to speak on the issue. She noted this was a point of personal privilege.

Chairman Devlin indicated that he thought they had all made up their minds, but called on Representative Koehnke.

Representative Koehnke submitted that it was indicated that there would be twice as much coal if they lowered the tax - therefore, they are going to have just as much money in the pot and, therefore, they will make it all right - if that is what they want to do, they don't have to open up the trust fund to keep going at the same rate.

Representative Zaborcki proposed to amend the bill on page 2, line 5 where it says, "for amending the constitution to discontinue, as of July 1, 1987" to strike "discontinue" and put "lower" because that is what they are all talking about. He clarified that on page 2, line 8, he would like to do the same thing against amending the constitution by striking "discontinue" and put "lower" as of July 1, 1987.

Representative Ellison interposed that if you were going to do that, you would have to put in a figure so they

Taxation Committee  
June 28, 1986 P.M.  
Page Twenty-four

know how much they were going to lower it - it could be lowered 100% and you would have it discontinued - you would have to have a percentage in there.

Representative Zabrocki asked if that would not be the same as if you discontinued - you are not saying what you are going to discontinue.

Chairman Devlin noted there was a call for the question by Representative Zabrocki and the motion failed with a vote of 6 voting yes and 13 voting no. See roll call vote #2.

Representative Raney indicated that he wanted to make a point in regard to Representative Asay's remarks that they would be acting irresponsible if they did not go along with this thought and he wondered if they would not be acting just as irresponsibly to go along with the thought for he sits here in the legislature and he (Asay) has seen, over all the years he has been here, what happens when you become dependent upon the coal severance tax in their (the government's) operation. He insisted that he also knows how well they have managed to function with interest off the coal tax permanent trust fund; and if he has been reading all the mail that he has been getting in the mail for the last year and a half and if he has been attending tax symposiums, he would see that the course they have been following in Montana, i.e., spending their coal severance tax, is the exact reason that they have wound up where they are at - it is a course to self destruct. He exclaimed that he (Asay) and Senator Keating want to continue with that.

Representative Asay responded saying, for the first time, they are somewhat in agreement - there is no question at all that any government that gets to be a severance tax junkie is working itself into destruction and that is precisely what has happened and he does not see how in the world he (Raney) can equate this to wanting the state to continue in their

Taxation Committee  
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addiction to that tax and he pointed out further that the state is not existing wholly on the interest on this tax, but some 50% of the tax is going to government for various functions - that has been divided between education, arts and all the various things. He indicated that there is no way you can address all those points at this time.

Representative Williams stated that he would like to refer to the statement made by Representative Koehnke - he thought it was a very appropriate comment for the debate that is going on - it was presented to them by testimony that if they reduced the coal tax by 50%, that they would equivalent the amount and still collect the same amount of tax as we are collecting now based on production and then why do they have to cap the trust fund, he asked. If they are going to reduce the tax 15%, let's leave the trust fund alone, he argued, and they will get the same amount of money out of it just like it is now.

Representative Asay remarked that is precisely for the reason I just gave.

Chairman Devlin announced to the committee that they are going to vote on this now. He said they are going to stop this; they have to take a vote; the floor session is going; and he wants a roll call vote on it.

Representative Cohen interjected, stating that he has not had an opportunity to speak to this bill in this committee session and he would like that opportunity.

Chairman Devlin asked him if he were going to speak to the bill. He declared that he was not going to put up with any more speaking about what might happen because of this bill, but are we going to allow the people to make this decision.

Representative Cohen emphatically stated that this is a bill that proposes a constitutional amendment -

Taxation Committee  
June 28, 1986 P.M.  
Page Twenty-six

this is not the first proposed constitutional amendment before this special session of the 49th legislature and he asked is that correct. He insisted it is the first one that has to do with the permanent coal tax and he would like to speak to it.

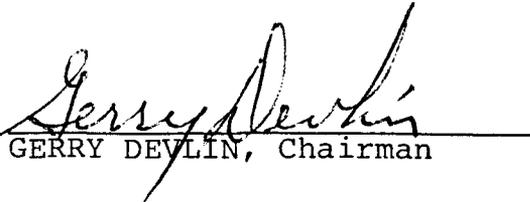
Chairman Devlin agreed, but declared that in about one minute he is going to call the question.

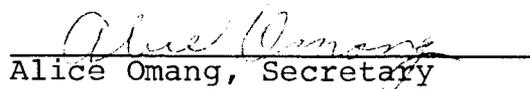
Representative Cohen declared that this piece of legislation, which the committee has pointed out that they should probably be going in exactly the opposite direction and putting all this money into a permanent trust fund, he finds particularly abhorrent - there is an initiative process that will truly allow the people . . . and they have done it on the liability issue, they have done it on the nuclear energy issue and the people have done it on many issues, but for the legislature to throw out these kind of things before the people is a real disrespect for the people of the state. He advised that he voted against all of these and he really sincerely, given the conditions under which this has been presented to this legislature, if you respect the people of the state, you are not going to vote to toss this out now onto the ballot in November.

Chairman Devlin called the question and the motion to BE CONCURRED IN failed with a vote of 10 to 10. See roll call vote #3.

Chairman Devlin noted that this bill will go to the floor with NO RECOMMENDATION.

ADJOURNMENT: There being no further business, the meeting was adjourned at 4:44 p.m.

  
GERRY DEVLIN, Chairman

  
Alice Omang, Secretary

DAILY ROLL CALL

TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1986

Second Special

Date \_\_\_\_\_

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman	✓		
ABRAMS, Hugh	✓		
ASAY, Tom	✓		
COHEN, Ben	✓		
ELLISON, Orval	✓		
GILBERT, Bob	✓		
HANSON, Marian	✓		
HARRINGTON, Dan	✓		
HARP, John	✓		
IVERSON, Dennis	✓		
KEENAN, Nancy	✓		
KOEHNKE, Francis	✓		
PATTERSON, John	✓		
RANEY, Bob	✓		
REAM, Bob	✓		
SANDS, Jack	✓		
SCHYE, Ted	✓		
SWITZER, Dean	✓		
ZABROCKI, Carl	✓		

# STANDING COMMITTEE REPORT

June 28,

1936

Mr. Speaker: We, the committee on TAXATION

report SENATE BILL 34

do pass

do not pass

be concurred in

be not concurred in

as amended

statement of intent attached

WITHOUT RECOMMENDATION

Chairman

TO SUBMIT TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE IX, SECTION 5, OF THE MONTANA CONSTITUTION TO DISCONTINUE, AS OF JULY 1, 1937, THE DEPOSIT OF COAL SEVERANCE TAX COLLECTIONS IN THE COAL SEVERANCE TAX TRUST FUND;

Third reading copy ( blue )  
color

ROLL CALL VOTE

Taxation COMMITTEE

Date: 6/28/86 Bill # SB34 Number 1

Motion: Keenan amendment

Name	Aye	Nay
DEVLIN, Gerry, Chm.		✓
WILLIAMS, Mel, V.Chm.	✓	
ABRAMS, Hugh	✓	
ASAY, Tom		✓
COHEN, Ben	✓	
ELLISON, Orval		✓
GILBERT, Bob		✓
HANSON, Marian		✓
HARRINGTON, Dan	✓	
HARP, John		✓
IVERSON, Dennis		✓
KEENAN, Nancy	✓	
KOEHNKE, Francis	✓	
PATTERSON, John		✓
RANEY, Bob	✓	
REAM, Bob		
SANDS, Jack		✓
SCHYE, Ted	✓	
SWITZER, Dean		✓
ZABROCKI, Carl	✓	
Totals	9	10

ROLL CALL VOTE

Taxation COMMITTEE

Date: June 28, 1986 Bill # AB24 Number 2

Motion: 300 Zabrocki's amendment

Name	Aye	Nay
DEVLIN, Gerry, Chm.		✓
WILLIAMS, Mel, V.Chm.		✓
ABRAMS, Hugh		✓
ASAY, Tom		✓
COHEN, Ben	✓	
ELLISON, Orval		✓
GILBERT, Bob		✓
HANSON, Marian		✓
HARRINGTON, Dan		✓
HARP, John		✓
IVERSON, Dennis		✓
KEENAN, Nancy	✓	
KOEHNKE, Francis	✓	
PATTERSON, John		✓
RANEY, Bob	✓	
REAM, Bob		
SANDS, Jack		✓
SCHYE, Ted	✓	
SWITZER, Dean		✓
ZABROCKI, Carl	✓	
Totals	86	13

ROLL CALL VOTE

Taxation COMMITTEE

Date: June 28, 1986 Bill # SB 24

Number 3

Motion: Do Pass

Name	Aye	Nay
DEVLIN, Gerry, Chm.	✓	
WILLIAMS, Mel, V.Chm.		✓
ABRAMS, Hugh		✓
ASAY, Tom	✓	
COHEN, Ben		✓
ELLISON, Orval	✓	
GILBERT, Bob	✓	
HANSON, Marian	✓	
HARRINGTON, Dan		✓
HARP, John	✓	
IVERSON, Dennis	✓	
KEENAN, Nancy		✓
KOEHNKE, Francis		✓
PATTERSON, John	✓	
RANEY, Bob		✓
REAM, Bob		✓
SANDS, Jack	✓	
SCHYE, Ted		✓
SWITZER, Dean	✓	
ZABROCKI, Carl		✓
Totals	10	10

Exhib  
SB 2  
June  
J. P.

# Montana Coal 1986

## Surface Mining and Reclamation

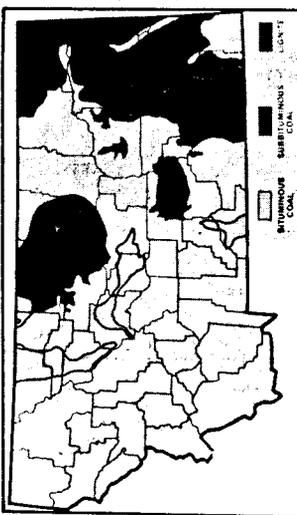
Surface coal mining companies are required by law to reclaim and return mined land to a productive capacity that is equal to or better than before mining occurred.

Reclamation operations take place concurrently with the mining operation. The first step taken is to remove the top soil from an area to be mined, stockpile it and stabilize it with temporary vegetation to prevent erosion.

The initial removal of overburden (the remaining material covering the coal) is called a box cut and the cavity that is left when the coal is removed will receive the overburden from the second cut. In most cases, a dragline is used to lift overburden from a new section and deposit it in the section that has just been mined. To loosen the overburden for the dragline, it is blasted. The coal is fractured in the same way and then removed by large loaders, deposited in coal haulers and transported to the mine storage and loading facility.

Once the dragline has deposited overburden over the mined-out cavity, bulldozers smooth it out and contour it to blend with the surrounding landscape. The area is then reseeded and the company employs reclamation profits. After that, reclamation becomes a self-sustaining operation. The top soil is scarified to guard against erosion. Top soil is respiced and the coal is planted with seed mixtures that are prescribed by the regulatory agency. In some cases, ponderosa pine and other woody plants are part of the approved reclamation plan. Companies may apply a fiber mulch to further protect against erosion and while fertilizer may be used during the early growing seasons, irrigation has not been necessary.

Before any company is permitted to mine, it is required to post a bond sufficient to cover the cost of reclamation if an operator fails with his reclamation plan. That bond is not released until successful reclamation is verified. Based on precipitation rates in the West, the law dictates that, in no case, can the bond be released sooner than ten years from the date of bonding.



## Location, Quantity and Quality of Montana Coal

Of the 15 major coal-producing states, Montana ranks first in coal resources and reserves. A 1976 U.S. Geological Survey report lists the state's total identified resource at 261 billion tons. Because of current economic considerations, however, the USGS adjusted that figure to determine a monetized reserve base in Montana of 122 billion tons. In addition, technological limitations do not allow for 100 per cent recovery of the reserve base. Therefore, we have further trimmed the recoverable reserve figure to 75 billion tons.

Thick, relatively flat coal beds at depths of less than 300 feet below the surface are particularly suitable for surface mining. Coal beds that dip or lie very deep beneath the surface generally must be extracted through underground mining methods.

State	Reserve base (Billions of Tons)	Rank by Reserve	Production (Millions of Tons)	Rank by Production
Montana	120.3	1	33.0	9
Illinois	79.1	2	63.8	5
Wyoming	69.6	3	130.9	3
Kentucky	40.2	4	159.5	1
West Virginia	39.1	5	131.0	2
Pennsylvania	30.0	6	73.3	4
Ohio	18.9	7	39.3	7
Colorado	17.2	8	18.0	12
Texas	13.8	9	41.1	6
Indiana	10.5	10	37.6	8
North Dakota	9.9	11	22.1	11
Utah	6.4	12	12.3	13
Alaska	6.2	13	9	15
Missouri	6.0	14	6.7	14
Alabama	5.2	15	27.1	10

Source: U.S. Energy Information Administration

The energy value of coal is measured in British thermal units (Btu), which is the amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit. One ton of Montana sub-bituminous coal typically is the Btu equivalent of 3 1/2 barrels of oil.

There are four basic kinds of coal:

**Lignite:** This is a low-rank coal which is brown, brownish-black, but rarely black. It is high in moisture, low in heat value, and chocks badly upon drying. It burns readily with a smoky flame.

**Sub-bituminous and Bituminous:** These are harder coals than lignite. They contain a higher percentage of carbon, more Btu's, and less water. They also burn readily, but do not disintegrate as easily as lignite on exposure. These are the most plentiful coals in the United States.

**Anthracite:** This is the hardest and brightest coal type. It is marked by an almost submetallic luster. It is high in fixed carbon and low in volatile hydrocarbons. Although it lightens less readily than lower rank coals, it burns with a short flame which produces much heat and little smoke. It is relatively high in ash.

## Production and Value

The following chart shows production for 1975 through 1985. The price per ton at the various sites depends on the quality of coal (heating value, moisture content, sulfur and ash content, etc.) but an average for Calendar Year 1985 was \$9.57 per ton making the value of that coal \$297 million. The price is established by the Department of Revenue after the three state and two federal taxes are deducted. Therefore, it does not reflect the total cost of the coal.

Year	Coal Production (million tons)
1975	22.0
1976	26.2
1977	27.3
1978	26.4
1979	32.5
1980	30.0
1981	33.3
1982	27.8
1983	28.7
1984	33.1
1985	33.1

Source: Workers Comp. Division, Dept. of Labor

## Coal Production Estimates in Millions of Tons for the Major Montana Coal Mines as of January, 1986

Company	Actual 1985	1986	1987	1988	1989	1990
Decker Coal	11.3	12.4	13.5	13.6	13.2	14.0
Knife River	2.2	2.2	2.2	2.2	2.2	2.2
Peabody Coal	3.3	3.2	3.2	3.2	3.2	3.2
Spring Creek	2.8	3.2	3.3	3.4	3.5	3.5
Western Energy	12.3	14.0	14.8	15.3	15.3	15.3
Westmoreland	3.1	3.1	3.1	3.1	3.1	3.1
<b>Total</b>	<b>33.0</b>	<b>36.1</b>	<b>36.1</b>	<b>36.5</b>	<b>36.2</b>	<b>40.0</b>

Source: Individual Companies

## Royalties

Unlike a tax paid to government on the production of coal or its realized profits, royalties are a monetary payment to the owner of the coal as agreed upon in the terms of pre-mining leases. State and federal government still collect royalties on these payments. There are two types of royalties: one for the owner of the mine (the coal producer) and one for the coal lessee (the coal miner). Because a large portion of the royalties go to the state, the coal producer pays the state school sections going to the state. In addition, the 1976 federal leasing law mandates that 50 percent of the royalties collected from development of federal leases be returned to the state. Other coal lessors include Indian tribes and private (or fee) owners.

## Best Available Figures

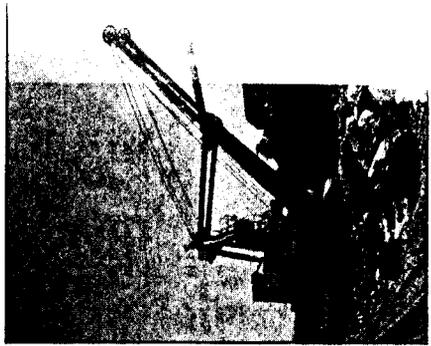
Company	Federal	State	Indian	Private	Total
Decker	23,923,216	11,201,685			35,024,901
Knife River	4,950,777			31,289	5,282,763
Peabody	4,062,751			3,262,534	7,325,285
Spring Creek	4,111,043				4,111,043
Western Energy	24,899,267	1,255,893	21,223,351	12,555,420	37,454,887
Westmoreland					22,479,234
<b>Total</b>	<b>\$58,974,794</b>	<b>\$12,457,568</b>	<b>\$21,223,351</b>	<b>\$15,879,223</b>	<b>\$108,434,936</b>

Source: Individual Companies

## Employment and Payroll

Montana's surface mining industry furnishes some of the highest-paying and most-sought-after jobs in the state.

Company	Number of Employees	Estimated Payroll
Decker Coal Co.	460	\$14,930,000
Knife River Coal Mining Co.	17	750,000
Peabody Coal Co.	144	5,358,000
Spring Creek Coal Co.	112	4,335,000
Western Energy Co.	552	17,685,000
Westmoreland Resources	109	4,711,000



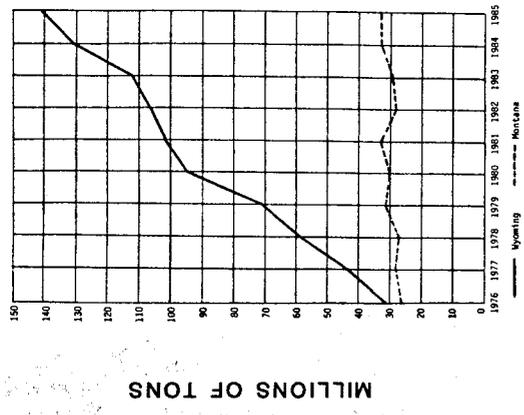
Every ton of  
replaces 3 1/2  
foreign oil.

This brochure was prepared by the staff of the Montana Coal Council with the assistance of informational sources quoted. The Montana Coal Council is a trade association whose members are involved in the production of coal in Montana. We support realistic state and national environmental and social standards. The Council also recognizes the need for a federal energy policy that will lead to the development of domestic energy sources and reducing this nation's dependence on foreign oil.

Montana Coal Council  
2301 Colonial Drive  
Helena, MT 59601

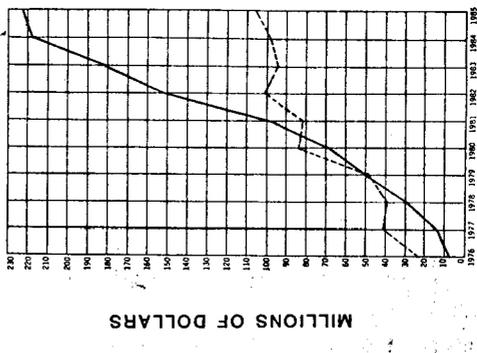
Executive Director: James D. Mockler  
Office Manager: Danette M. Warren

# MONTANA WYOMING COAL PRODUCTION



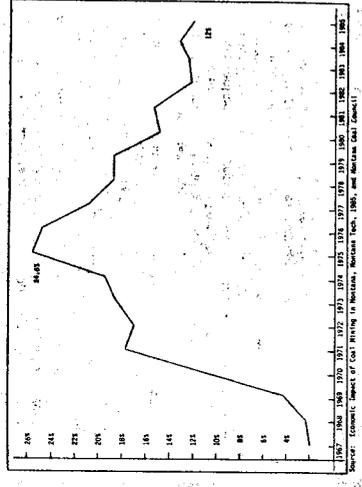
Source: Wyoming - Annual Report of the State Inspector of Mines of Wyoming, 1985  
Montana - Minerals, Geology and Energy Division, Bureau of Safety and Health

# MONTANA - WYOMING COAL PRODUCTION TAXES



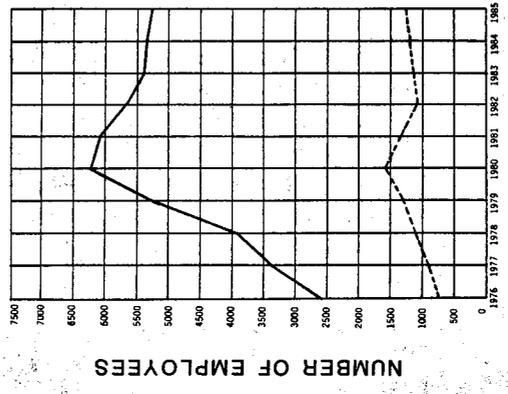
Source: Wyoming - Legislative Service Commission, Wyoming Department of Revenue, Inventory and Re-licensing of Trust  
Montana - County Treasurers, Gross Production Taxes

# MONTANA'S SHARE OF WESTERN COAL PRODUCTION



Source: Economic Report of Coal Mining in Montana, Montana Dept. of Revenue, 1982, and Montana Coal Council

# MONTANA - WYOMING COAL MINE EMPLOYMENT



Source: Wyoming - Annual Report of the State Inspector of Mines of Wyoming, 1985  
Montana - Montana Coal Council and KeyStone Coal Industry Manual

2. Resource Indemnity Trust Tax - As of 1973, all nonrenewable resource producers have been required to pay this tax which is 0.5 per cent of the gross value of their production.

## Total Resource Indemnity Trust Tax Collections (All Mines Since Enactment of Resource Indemnity Trust Tax Legislation in 1973)

Fiscal Year	Amount
1973/74	\$ 81,687
1974/75	230,381
1975/76	409,810
1976/77	498,340
1977/78	522,333
1978/79	525,681
1979/80	528,798
1980/81	525,498
1981/82	1,000,195
1982/83	1,892,248
1983/84	1,300,665
1984/85	(199,370)
	<b>\$7,703,274</b>

Source: Montana Dept. of Revenue

3. Net (prior to 1975) and Gross Proceeds Taxes - These are additional taxes paid on the value of the coal to support county government in the counties where the mines are located.

## Best Available Tabulation

County	Year	Amount
Big Horn County	1972-85	\$42,659,711
Decker Coal Company	1981-85	5,200,882
Spring Creek Coal	1973-85	13,322,510
Westmoreland Resources	1973-85	1,559,504
Richland County	1975-85	7,905,847
Knife River Coal	1969-85	29,163,878
Mining Co.	1969-85	\$99,813,332
Rosebud County	1969-85	
Rosebud Coal Co.	1969-85	
Western Energy Co.	1969-85	

Source: County Treasurers of Big Horn, Richland and Rosebud Counties

4. Personal Income Tax - While it is difficult to determine the amount of personal income tax paid to the state by surface mine employees, we have made a general estimate based on an average gross income of \$34,300 per year with two exemptions. Under that formula, the state of Montana would receive more than \$1.9 million annually and the actual amount is probably higher. It may be of interest to note that perhaps as many as 50 per cent of mine employees who work in Montana and pay its state income tax live in Sheridan County, Wyoming, because it is the closest urban center.

5. Federal Taxes - In addition to state taxes, Montana surface mining operations pay a tax for abandoned mine reclamation consisting of 10 per cent of the FOB mine price up to a maximum of 10 cents per ton for lignite or 35 cents per ton for all other types of coal. Also, four per cent of the FOB mine price or 50 cents per ton, whichever is less, is paid to a fund for black lung disease victims, even though this disease is primarily suffered by underground miners.

- Prior to 1975, Montana severance tax was levied on a per-ton basis. However, the Legislature enacted a tax in the nation, which is based on a percentage of the coal. Although the percentage is tied to the coal, it generally amounts to 30 per cent for sub-bituminous coal and 20 per cent for lignite.

## Severance Tax Collections

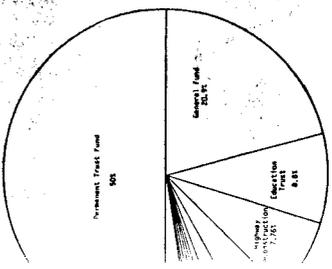
Year	Amount
1975	\$ 23,965,000
1976	35,906,000
1977	34,372,000
1978	42,689,000
1979	75,125,000
1980	70,415,000
1981	86,187,000
1982	80,045,000
1983	82,823,000
1984	91,749,000
1985	84,064,000
	<b>\$707,340,000</b>

## earmarked Fund Allocations - 1975/76 through 1985/86

Fund	Amount	Notes
Arch	\$287,608,009	(began in FY 77/78)
Local	15,061,539	
Development	67,870,598	
	70,145,125	
	41,760,078	
Acct.	4,178,007	
Development	8,935,121	
	15,947,426	
	2,859,982	(began in FY 79/80)
	946,028	(began in FY 81/82)
	1,509,896	(began in FY 83/84)
	1,681,277	(began in FY 85/86)
Improvement Areas	167,316,684	(ended in FY 79/80)
	15,117,192	(ended in FY 79/80)
	1,647,532	(ended in FY 79/80)
	4,737,441	(ended in FY 79/80)
	<b>\$707,339,647</b>	

3 estimated of Revenue

## WYA COAL TAX DISTRIBUTION Effective 7-1-86 Source: 15-35-108, MCA



VISITORS' REGISTER

TAXATION COMMITTEE

BILL NO. SB 24 DATE June 28, 1986

SPONSOR Senator Keating

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>i. D. Mockler</i>	<i>Mt. Coal Council</i>	✓	
<i>Dave Goss</i>	<i>Billings Chamber of Commerce</i>	✓	
<i>MIKE MICONE</i>	<i>WEPA</i>	✓	
<i>Jim Murphy</i>	<i>Western Energy Co</i>	✓	
<i>Don Judge</i>	<i>Montana State AFL-CIO</i>		X
<i>Heith S. Colby</i>	<i>Dept. of Comm</i>		X
<i>Jim Jensen</i>	<i>MT. ENVIRONMENTAL SUB. CENTER</i>		✓
<i>Larry Salmonson</i>	<i>Coal Miner</i>	✓	
<i>Phil Campbell</i>	<i>M E A</i>		✓
<i>TOM MADDOX</i>	<i>M.A.T.C.D. INC</i>	✓	
<i>GEORGE CCHENSKI</i>	<i>M E I C</i>		X
<i>Russ Brown</i>	<i>NPRC</i>		X
<i>Dale G. W. ...</i>	<i>MT Democratic Party</i>		X
<i>Ma. Sigels</i>	<i>MT Chamber of Commerce</i>	✓	
<i>Lorna Frank</i>	<i>MT. Farm Bureau</i>	✓	
<i>Jimmy Mervan</i>	<i>MT Ed Teachers</i>		X
<i>Ken Wilbur</i>	<i>Western Energy</i>	✓	
<i>JOE ...</i>	<i>W. S. CO.</i>		
<i>Juane ...</i>	<i>local 400 <sup>Res. Div</sup> MINE</i>		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.