

MINUTES OF THE MEETING
REVENUE ESTIMATING SUBCOMMITTEE OF THE TAXATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

January 26, 1987

The meeting of the Revenue Estimating Subcommittee was called to order by Chairman Harp on January 25, 1987, at 11:30 a.m. in Room 312-B of the State Capitol.

ROLL CALL: All members were present except Rep. Ellison and Senators Bishop and Lybeck, who were excused. Also present were Dave Bohyer, Researcher, Legislative Council, Terry Johnson, OBPP, Madalyn Quinlan and Judy Curtis Waldron, LFA.

DISCUSSION OF COAL SEVERANCE TAX: Chairman Harp stated he thought it might be appropriate to lower the coal price for Decker since some production will be lost from Commonwealth Edison. He advised he was looking at the \$10.93 average for the past three quarters.

Terry Johnson, OBPP, stated that looking at historical data, the first quarter of CY 85 is lower than the other quarters, for adjustments in contract sales prices.

Madalyn Quinlan stated her projections of \$10.74 for FY 87 are lower than OBPP projections of \$10.75 for that same year.

DISPOSITION OF COAL SEVERANCE TAX CONTRACT SALES PRICE ESTIMATES: Rep. Schye made a motion that the Subcommittee approve \$10.75 for CY 86 and 87 for Decker Coal. He said that if any of the coal severance tax bills pass, production may increase and the Subcommittee may need to change its assumptions. Rep. Schye added that transportation costs are what makes coal competitive.

Terry Johnson advised that, theoretically, the price will probably go up. The motion CARRIED unanimously.

Rep. Sands made a motion that the Subcommittee approve LFA figures for CY 87 and 88, and use \$6.66 for CY 88 for Western Energy. The motion was given unanimous approval.

Terry Johnson advised that Spring Creek average prices were \$7.19 for CY 86 because of litigation with Houston Power and Light.

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Rep. Sands stated he believes the reductions seen in CY86 are likely to continue and that it seems the state could be defrauded by companies who renege on their contracts and then settle for damages.

Madalyn Quinlan advised that if the suit is settled, Montana will probably get its portion of the coal tax.

Rep. Schye made a motion that the Subcommittee approve \$5.00 for CY's 87, 88, and 89 and \$7.84 for CY86 for Spring Creek. The motion CARRIED unanimously.

Rep. Sands made a motion to approve LFA prices for CY87 and 88 and \$9.83 for CY89 for Knife River. The motion CARRIED unanimously.

Rep. Sands made a motion to approve LFA figures for CY87 and 88 and \$5.79 for CY89 for Westmoreland. The motion CARRIED unanimously.

Madalyn Quinlan advised that Peabody has one customer, Minnesota Power and Light, with whom it has a long term contract.

Rep. Sands made a motion to approve \$7.84 for CY86, and OBPP figures of \$7.72 for CY87, \$7.80 for CY88, and \$7.92 for CY89.

DISPOSITION OF COAL TONNAGE ESTIMATES: Rep. Sands made a motion to approve estimates of 12 million tons for CY86, 9.88 million tons for CY's 87, 88, and 89, for Decker Coal.

Madalyn Quinlan stated each company is allowed 20,000 ton exemptions per year.

Terry Johnson advised that coal industry projections were lower in CY82, slightly higher in CY83, and lower again in CY84, than actual production for those years. He said it is easier for the Subcommittee to make decisions with multiple sources, but he sees them relying on what the coal companies are saying. He added that if what the coal companies estimated in the past had been reliable it would not be a problem. However, the companies are not able to do this, thus causing him to be uncomfortable with the Subcommittee position.

Sen. Hirsch advised that the Subcommittee does not want to be overly pessimistic either.

Rep. Williams made a substitute motion to add 1 million tons to each figure or to approve 10.88 million tons in CY87, 88, and 89, for Decker Coal. The motion CARRIED with all members voting aye except Reps. Sands and Harp and Sen. Severson, who voted no.

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Rep. Williams made a motion to use LFA figures for Western Energy of 12.075 million tons for CY 86, 10.63 million tons in CY 87, 10.98 million tons in CY's 88 and 89.

Rep. Sands stated that would be adding \$1.2 million to coal industry production. The motion CARRIED with all members voting aye except Reps. Sands and Harp, who voted no.

Madalyn Quinlan stated industry projections for Spring Creek Coal were 4.9 million tons in CY 87 and 4.8 in CY 89, based on a contract not yet signed.

Chairman Harp stated it might be wise not to anticipate the contract. Rep. Schye said the Subcommittee needs to find out when the contract will be signed.

Terry Johnson said spot sales will not continue beyond CY 86, that the actual level of production in CY 84 was 4.6 million tons, and that he anticipates 4.9 million tons in CY 87 and 4.6 in CY 88.

Sen. Neuman asked if the contract were for one or three years, or if it is just speculation, adding, "there is a need to know".

Rep. Sands made a motion to approve LFA estimates of 3.09 million in CY 87, 88, and 89 and 4.58 million in CY 86. The motion CARRIED, with all members voting aye except Sens. Neuman and Hirsch, and Rep. Harrington, who voted no.

ADJOURNMENT: There being no further business before the Subcommittee, the meeting was adjourned at 12:55 p.m.



Representative John Harp,
Chairman

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OFFICE OF LEGISLATIVE FISCAL ANALYST PROJECTIONS

FEL
1-26-87
REV Est subc

FISCAL YEAR DATA

Tonnage	FISCAL 1987	FISCAL 1988	FISCAL 1989
Decker	11,609,760	9,880,000	9,880,000
Knife River	187,004	200,360	207,600
Peabody	2,552,000	2,780,000	2,780,000
Spring Creek	4,220,000	3,080,000	3,080,000
Western Energy	11,105,000	11,355,000	10,980,000
Westmoreland	592,752	663,250	1,050,000
Total	30,266,516	27,958,610	27,977,600

Price	FISCAL 1987	FISCAL 1988	FISCAL 1989
Decker	\$10.74	\$10.32	\$10.64
Knife River	\$9.97	\$9.61	\$9.93
Peabody	\$7.64	\$7.76	\$8.09
Spring Creek	\$10.20	\$9.92	\$10.22
Western Energy	\$5.85	\$5.34	\$5.54
Westmoreland	\$5.71	\$5.46	\$5.69

CALANDAR YEAR DATA

Tonnage	Calendar 1986	Calendar 1987	Calendar 1988	Calendar 1989
Decker	12,156,000	9,880,000	9,880,000	9,880,000
Knife River	183,116	197,000	209,000	204,000
Peabody	2,480,000	2,780,000	2,780,000	2,780,000
Spring Creek	4,580,000	3,080,000	3,080,000	3,080,000
Western Energy	10,980,000	11,480,000	10,980,000	10,980,000
Westmoreland	640,000	595,000	1,050,000	1,050,000
Total	31,019,116	28,012,000	27,979,000	27,974,000

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Peabody	\$7.64	\$7.76	\$8.09
Spring Creek	\$10.20	\$9.92	\$10.22
Western Energy	\$5.85	\$5.34	\$5.54
Westmoreland	\$5.71	\$5.46	\$5.69

Incremental Tonnage	Calendar 1986	Calendar 1987	Calendar 1988
Decker	1,445,000	0	0
Knife River	5,000	0	0
Peabody	0	0	0
Spring Creek	100,000	100,000	600,000
Western Energy	0	0	0
Westmoreland	0	175,000	700,000
Total	1,550,000	275,000	1,300,000

Credit Earned	Calendar 1986	Calendar 1987	Calendar 1988
Decker	\$1,551,930	\$0	\$0
Knife River	3,323	0	0
Peabody	0	0	0
Spring Creek	102,000	99,200	613,200
Western Energy	0	0	0
Westmoreland	0	95,550	398,300
Total	\$1,657,253	\$194,750	\$1,011,500

Fiscal 1987 1225701
Fiscal 1988 1291628
Fiscal 1989 398938