

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 17, 1987

The forty-second meeting of the Senate Taxation Committee was called to order at 8:05 A.M. on March 17, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 56: Representative Asay, House District 27, presented this bill to the committee. What this bill does is to expand the authority of the coal board to include in their authorization the effects of coal mining on the down turn. People are suffering now because of the down turn in the mining industry, people are being layed off and there is no other source of employment in the area. This allows the Department of Labor to help them locate jobs, through a job search, training and work program that will contribute to the employability of persons whose employment is terminated because of the curtailment or discontinuance of coal mining in Montana. The other area this addresses, would provide for the compilation and dissemination of information on water resources affected by coal mining.

PROPOSERS: Sue Mohr, Administrator, Employment Policy Division, gave testimony in support of this bill. A copy of her written statement is attached as Exhibit 1.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Halligan asked Representative Asay why we were just focusing on coal mining as opposed to mining in general.

Representative Asay said it is not just coal mining, any employment in the area that is jeopardized because of the down turn in coal mining would be eligible. He proposed it for this purpose because it is provided through the Coal Board Fund.

Senator Eck asked how the employment rate in those areas compare with the state as a whole.

Sue Mohr said she did not have that information, although it does run quite a bit higher in those counties.

Representative Asay closed.

CONSIDERATION OF HB 193: Representative Nathe, House District 19, presented this bill to the committee. He said this is a referendum to be placed on the ballot, which provides the 6 mill levy on all real and personal property for the support of the Montana University System. The university system is defined in statute so we know just where the money will be spent. This is a referendum that has been placed on the ballot since 1920 and has passed every 10 years since that time. We do not have to place this on the ballot, since the 1972 Constitution does allow the state legislature to impose these 6 mills without a vote of the people. This is the way we have done this and the way we should continue.

PROPOSERS: Jack Noble, Deputy Commissioner for Management and Fiscal Affairs, Montana University System, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 2.

Jamie Zink, Associated Students of the University of Montana, gave testimony in support of this bill. She said this levy is the third largest funding source the university has, coming after the general fund and tuition and fees. The 6 mill levy will work for the university system to maintain quality education. This referendum would provide a message from the voters of the state of Montana that they believe in higher education.

Matt Thiel, Associated Students of the University of Montana, gave testimony in support of this bill. He presented the committee with a packet of information which shows the public's continued support of higher education, attached as Exhibit 3.

Eric Feaver, Montana Education Association, stood in support of this bill.

Betty Jean Wood, American Association of University Women, furnished the committee with a written statement in support of this bill, attached as Exhibit 4.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Halligan said there are bills in that eliminate the 6 mill levy. He asked Jim Lear how you coordinate the ballot issue in that case.

Jim Lear said he would have to take a look at the other bills that deal with this.

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Page Three

Senator Mazurek asked Representative Nathe if it was his intention that if the voters approve this, that the legislature would still be in a position to say yes or no.

Representative Nathe said we used the language in the bill that has been used in the past and that language was for the 6 mill levy for the support of public education. The language "institutions subject to Board of Regents' supervision", the House felt that was too broad.

Senator Mazurek said the people have actually levied this since the 1920's. It would seem to him, if they are going to do this, we should not change the language.

Representative Nathe said the majority in the House felt the language change was necessary.

Senator Crippen said what if the public turns this down. Aren't you taking a gamble. Other than for historical reasons, why are we doing this.

Representative Nathe said this has always been done and the view is this will reaffirm the public support of the university system.

Senator Eck said during the last special session there was a strong perception from the people that somehow the 6 mill levy didn't mean anything and the legislature could take that out and use that for something else. She asked Jack Noble if we should have some protection there.

Jack Noble said there was some concern expressed on the part of the university community during the special session when the legislature appropriated the entire fund balance from the 6 mill levy account to the general fund. That is the way this works, hand in hand with the general fund, and he does not know any way of avoiding that.

Representative Nathe closed.

CONSIDERATION OF HB 252: Representative Hanson, House District 100, presented this bill to the committee. This bill is an act lowering coal severance tax rates and imposing in 1991 a sliding scale rate scheduled for surface-mined subbituminous coal based on the amount of coal purchased. She referred the committee to page 8 of the bill and said this shows the severance tax reductions. Beginning on July first of this year the rate will stay at 30%, on July 1, 1988 it goes to 25% and in July 1, 1989 the rate goes to 20%. It stays at 20% until July 1, 1991 and then drops to 15%. On incremental production after January 1,

1987, the tax rate is 5% of value. After July 1, 1988, the tax rate is 10% of value. After July 1, 1989, the tax rate is 15% of value. On page 9, line 20, the sliding scale rate scheduled for surface-mined subbituminous coal is outlined.

PROPOSERS: Representative Asay, House District 27, gave testimony in support of this bill. His written statement is attached as Exhibit 5.

James D. Mockler, Executive Director of the Montana Coal Council, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 6.

Bill Penn, Colstrip Tire Sales, gave testimony in support of this bill. He has been in Colstrip for 7 years and he is very proud of his community. They want to support this state but they need to get back to work. The way the situation is now with severance tax, they are not allowed to do that. The state government will not let them be competitive. Last Friday another 28 men were laid off, which brings the total to 155 in his town. The state of Montana cannot afford to lose any more business. If he can't make a living in Montana he will have to leave.

Duane Ankney, representing the SOS Groups of Coal Miners, gave testimony in support of this bill. They support this bill with the Asay amendments. It is essential that the Asay amendments stay intact as that will insure that people get back to work and that we will get back to our 1986 base tonnage rate. As of January 1, 1987 approximately 500 miners were out of work in southwestern Montana, which pencils out to 900 jobs in the private sector. There will be more jobs lost as the 1987 projections show an additional 4 million tons lost to out of state competition. A 4 million ton loss in 1987 would be about \$40 million dollars in sales, \$23 million in the state. It represents a loss of \$14 million state, federal and local tax, and \$8 million private sector payroll dollars. Along with that, an additional 100 jobs will be lost. We are not expecting to open any new markets, simply to get back the markets we have and those lost to southern competitors.

Representative Brown, House District 72, gave testimony in support of this bill. There were three bills in the House that addressed this subject. We were seeking to stabilize the coal production, encourage expanding coal production in this state and provide more jobs for workers in this industry. At the same time, we wanted to offer incentives to bring purchasers back into the state to stay here over the long term, to renew contracts. HB 252

was amended on the House floor to include the incentives provided in section 4. The bill, as presently structured, does the best that we could do to encourage new coal production, to bring those contractors back, and to bring the jobs back.

Kenneth Williams, representing Western Energy Co., gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 7.

Victor Wood, consultant involved in coal and transportation market analysis, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 8.

Mike Micone, representing Montana Environmental Trade Assn., gave testimony in support of this bill. He furnished the committee with a handout concerning natural resource development in the state, attached as Exhibit 9, and reviewed the information with the committee.

Lorna Frank, representing the Montana Farm Bureau, gave testimony in support of this bill. A copy of her written statement is attached as Exhibit 10.

Craig Nile, a machinest for Peabody Coal, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 11.

Stuart Doggett, representing the Montana Chamber of Commerce, stood in support of this bill.

Joe Novasio, a coal miner from Colstrip, gave testimony in support of this bill. He supports this bill with the Asay amendments. We cannot pick up our coal production unless the severance tax is lowered. We cannot get our people back to work without more coal production.

Dan Stanley, a coal miner, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 12.

Bob Correa, representing the Bozeman Chamber of Commerce, stood in support of this bill.

Keith Anderson, representing the Montana Taxpayers Assn., strongly supports this legislation.

Michelle Stanley, student of Frank Bratten Middle School in Colstrip, furnished the committee with testimony in support of this bill, attached as Exhibit 13.

OPPONENTS: Teresa Olcott Cohea, Executive Assistant to Governor Ted Schwinden, gave testimony in opposition to this bill. A copy of her written statement is attached as Exhibit 14.

Tom Towe, representing Montanans for the Coal Trust, gave testimony in opposition to this bill. A copy of his statement is attached as Exhibit 15.

Terry Murphy, representing the Montana Farmers Union, gave testimony in opposition to this bill. The Montana Farmers Union, at its conference last October, adopted a resolution opposing any reduction in the 30% coal severance tax. We are a natural resource based state and the reason we are in the financial problems we are in is because of the drop in prices for all of natural resources. Now we are being told to lower the prices and it will resurrect the mining industry. It is desirable to believe that but it just doesn't work that way. You should consider the fact that there are no electrical shortages reported anywhere in this nation these days. They are not going to burn more coal because it is cheaper. He thinks we are gambling on something that is not sound market economics in thinking we will increase demand for something that there is not a demand for now.

Russ Brown, Northern Plains Resource Council, stood in opposition to this bill.

Sara Parker, State Librarian, gave testimony in opposition to this bill. She has seen coal severance tax revenue drop for the state library for the past 5 years, with an average of between \$400-\$450,000 per year loss in revenue. We will experience a 50% drop if this bill is passed. Because this is not in the best interest of state library services in the state of Montana, we oppose this bill.

QUESTIONS FROM THE COMMITTEE: Senator Lybeck asked Mr. Wood what percent of these loses have been from not burning coal and switching to natural gas, oil, or nuclear power.

Victor Wood said in so far as tonnage of coal, the effect in the midwest is not influenced by oil or natural gas burning. That is not a factor in the area that we are talking about. He does not have a percentage figure.

Senator Lybeck asked Mr. Wood if he thought it would be logical to look at those percentages in talking about a reduction of this magnitude on the severance tax.

Victor Wood said there are no other fuels coming in to the state.

Senator Crippen said in Terry Cohea's testimony she indicated that the "window of opportunity" credit did work and that both Westmoreland and Western Fuels indicated the credit was an important factor in signing the contract.

Teresa Cohea said there was evidence that by providing the credit, it made a difference.

Senator Crippen asked Senator Towe to respond to that in light of his statement that the "window of opportunity" has no effect.

Tom Towe said that was one contract. In the Western Fuels letter they made reference to the "window of opportunity" and that it was one of the factors, but none of them were willing to say it was the determining factor.

Senator Crippen said then you are telling me that the other determining factors outweigh the "window of opportunity" and we would have received the contract anyway.

Tom Towe said that is his position.

Senator Crippen asked Joe Presley from Westmoreland to respond.

Joe Presley, President of Westmoreland, said we did sign a contract with Western Fuels last September for one million ton, and the severance tax was certainly one of the factors--an important factor. One other factor was that we cut the heck out of profit so we could get the contract. Western Fuels can buy coal in Wyoming for \$3 and \$3.50, and they are looking at the flexibility of our contract in '87 and '88. Western Fuels will go back out and survey the market, and we may not have the contract for '87 and '88.

Senator Neuman said it seems to him if we are going to ask the state to reduce its share by 50% with this reduction in the severance tax, then freight and labor should take a 50% cut to help stimulate production.

One of the coal miners responded by stating they had received a 5% reduction in wages.

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Leo Barry responded with regard to the rail rates by stating the rail rates have fallen from two cents per ton mile to 1½ cents per ton mile.

Senator Hirsch asked Representative Asay what would happen under his amendment to prevent a company from brokering coal to get the lower rate.

Rep. Asay said their base tonnage would be 30%. His contention is they are not going to shovel at that level without incentive. They will not be buying coal for someone else. The more coal that can be above the base tonnage will lower the effective rate on all the coal. They may get to 20% of the rate. In the meantime, we have the assurance the anticipated revenue will be there. If it doesn't work, we have lost exactly nothing and we will be back before the rate gets below the 20%. The rail provides services, the miners provide a service, the producer provides machines, and the state provides nothing. The state is the taker.

Senator Hirsch asked Rep. Brown to respond.

Rep. Brown said he thinks you are probably overlooking the existing statute language which absolutely prohibits brokers from getting involved.

Senator Eck asked Jim Mockler if you pay 7,800 in severance tax, how much do you pay in gross proceeds.

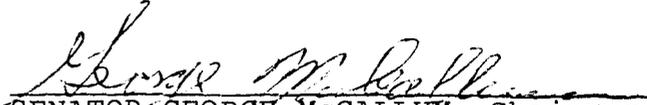
Jim Mockler said you pay 4½% of the value of the coal on gross proceeds.

Senator Eck asked if it would be appropriate to lower the gross proceeds along with the severance tax.

Jim Mockler said that is a different tax for a different purpose, that goes for property tax. He would have no objection to doing that, but virtually every bit of it goes to the foundation program. We did not address the gross proceeds.

Rep. Hansen closed.

ADJOURNMENT: The meeting adjourned at 10:00 a.m.


SENATOR GEORGE McCALLUM, Chairman

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-17-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

DATE March 17, 1987

COMMITTEE ON

Senate Jurisdiction

VISITORS' REGISTER

HB 56, 193, 252

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Tom Towe	Montanans for the Coal Trust	HB 252		X
Jim Mockler	Mt. Coal Council	"	✓	
F.H.T. Hooks	Knights River Coal	"	✓	
Vic Wood	Montana Forum	"	X	
Ken Williams	Entech/Western Energy	"	✓	
Lynn Tucker	State Library	HB 252		X
Sue Mohr	MT DEPT of Labor	HB 56	X	
Reck Marble	MDOR	HB 252	Technical	
Duane Cukney	S.O.S. Colstrip	252 422	✓	
Bill Bean	S.O.S. Colstrip	HB 252	✓	
Dave Brown	HD-72	HB-252	✓	
Denni Rob	H.B. 193	H.B. 193	✓	
Sharon Estrada	252		✓	
Bruce McLean		252	-	
Rep/ on Hwy.	H.D. 27	H.B. 252	✓	
Joe Novacic	Coal Miner	H.B. 252	✓	
Kathy Sparr	Blended Forward	HB 252	✓	
Lorna Frank	MT. Iron Bureau	HB 252	X	
Russ Brown	Northern Plains Res Cnd	252 252		X
Craig Hilt	S.O.S.	HB 252	✓	
S. Keith Anderson	Montana Taxpayers Assoc	H.B. 252 252	✓	
Don Ingels	MT Chamber of Commerce	HB 252	✓	
Nicki Ferguson	WETA	HB 252	✓	
Terri Gray	U.M.W.A.			
Terri Murphy	MT Farmers Union	HB 252		X
Terry Loken	Governor's Office			X (am)

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT POLICY DIVISION

TED SCHWINDEN, GOVERNOR

P.O. BOX 1728



STATE OF MONTANA

(406) 444-4500

HELENA, MONTANA 59624

TO: Representative Tom Asay
Capitol Station

FROM: Sue Mohr, Administrator
Employment Policy Division

SUE Mohr

Impact of HB 56 re: Department of Labor.

The Department currently has the following services already available to persons laid off due to curtailment or discontinuance of coal mining in Montana:

1. Unemployment Insurance benefits.
2. Labor exchange services such as job search for individuals seeking work and recruitment and selection for employers seeking qualified workers.
3. Job seeking skills such as resume-writing, interviewing and placement.

Numbers 1 and 2 are provided through Montana's twenty six Job Service Offices.

Number 3 is primarily provided by the five Project Challenge: Work Again Offices and funded by JTPA Title III Dislocated Worker funds and matching state funds (Build Montana General Funds plus Unemployment Insurance funds).

In addition, the U S Secretary of Labor retains some Dislocated Worker funds to award at his discretion. For example \$500,000 was awarded in 1986 to specifically find jobs for laid off copper workers in Butte, Great Falls and Anaconda. These funds required a two to one match.

It appears that future discretionary grants will not require matching funds. However, successful programs are rarely funded for more than one year. Should a program be funded, and be successful, the Board may choose to award a grant to continue a program past the first year.

The Department will assist any interested individuals or businesses in applying for a discretionary grant should they develop a program to help laid-off coal workers re-train and find employment.

SENATE TAXATION

EXHIBIT NO. 1

DATE 3-17-87

BILL NO. HB 56



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602
(406) 444-6570

COMMISSIONER OF HIGHER EDUCATION

TO: Members of the Senate Taxation Committee
FROM: Jack Noble, Deputy Commissioner for Management and Fiscal Affairs
DATE: March 16, 1987
SUBJECT: Testimony in Support of H.B. 193 - 6 Mill Levy

The property tax referendum for the support of the university system has been a key part of our revenue base since 1920. Prior to the 1972 Constitution, the levy could only be assessed by passage of a statewide referendum. The 1977 legislature chose to retain the referendum even though it wasn't required by law and the legislature was empowered to levy the tax. The 1978 referendum passed by a two to one margin even though the election was conducted during a national climate of property tax revolt. (i.e., Howard Jarvis' Referendum in California.)

The revenue from the levy provides Montana's six campuses with the following support.

TABLE I
6 Mill Levy Revenue

Table with 3 columns: Year, Revenue Appropriated, Total Percent Of Budget. Rows include 1985-86 Actual, 1986-87 Appropriated, 1987-88 Projected (LFA), and 1988-89 Projected (LFA).

Even though the revenue raised is expected to decline in the next two years, the 6 mill levy is vital to the support of our university operation. If, for instance, we were to make up the equivalent amount through tuition charges we would have to almost double the current tuition rates.

(OVER)

SENATE TAXATION
EXHIBIT NO. 2
DATE 3-17-87
BILL NO. HB-193

I have summarized the cost of the six mill levy to property owners in Montana in the following table.

TABLE II

	<u>Average Total Mills Levied</u>	<u>6 Mill Percentage</u>	<u>Cost if Property Taxes are \$1,000 Per Year</u>
Population Over 20,000	403.18	1.5%	\$15 Per Year
Population Over 10,000	413.52	1.4%	\$14 Per Year
Population Over 5,000	381.97	1.6%	\$16 Per Year
Population Over 2,000	291.78	2.1%	\$21 Per Year
Population Over 1,000	328.81	1.8%	\$18 Per Year
Population Over 500	301.19	2.0%	\$20 Per Year

While property taxes are a sensitive issue in Montana the cost of the 6 mill levy represents a very small portion of the average taxpayer's property tax bill. The proposed language in H.B. 193 is the same as in 1978. It proposes no new or additional tax. It is just a continuation of a current tax.

We would ask your continued support.

JHN/llt

887T

AS UM

PUBLIC OPINION POLL

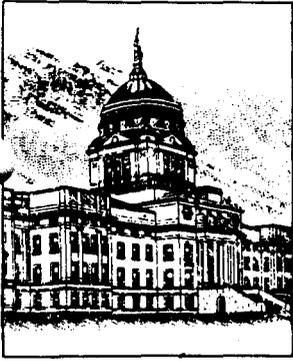
ASSOCIATED STUDENTS of the UNIVERSITY of MONTANA

SENATE TAXATION

EXHIBIT NO. 3

DATE 3-17-87

BILL NO. H.R. 192



ASUM
Student Legislative Action

University Center 105
University of Montana
Missoula, Montana 59812
(406) 243-2451



March 10, 1987

Dear Legislators,

The following poll was conducted by the Associated Students of the University of Montana, under the direction of the Student Legislative Action. The students conducted this research because they sensed the need to gauge public opinion in support of raising new revenue to maintain quality in the Montana University System.

It is the strong belief of ASUM that Montanans do support higher education, and support maintaining adequate funding levels to ensure its stability. During these tough economic times it should be the legislature's priority as well, to maintain a state service that returns five dollars for every one invested.

The University System needs approximately 11 million dollars above the Governor's proposed budget just to stay at the current operating level. Is it any wonder more and more young people are leaving the state to continue their educations? The University System's concerns deserve much more serious attention in the legislature.

Please take the time to read through the information contained in this package; Montanans support you in your efforts to maintain

SENATE TAXATION

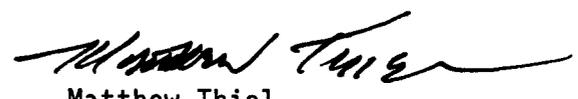
EXHIBIT NO. 3

DATE 3-17-87

BILL NO. H.B. 193

the University System, making higher education an integral part of the state's long-term social and economic stability.

Sincerely,



Matthew Thiel
ASUM Lobbyist

SENATE TAXATION
EXHIBIT NO. 3
DATE 3-17-87
BILL NO. H.B. 123

ASUM PUBLIC OPINION POLL-----

This January 1987 opinion poll is based on systematic telephone interviews with 367 registered voters in Montana. The Bureau of Business and Economic Research at the University of Montana supplied the random, geographically correct sample.

SENATE TAXATION

EXHIBIT NO. 3

DATE 3-17-87

BILL NO. H.B. 193

Of those responding YES to familiarity with the Governor's proposed budget:

What is your opinion of the proposed budget? Do you:

173 Responding

Strongly Approve	: █████ 9%
Approve	: ██████████ 28%
Disapprove	: ██████████ 30%
Str. Disapprove	: ██████████ 33%

Would you support an increase in state income taxes if a portion were earmarked for funding the University system?

Yes	: ██████████████████ 46%
No	: ████████████████ 38%
Undecided	: ████████ 16%

Would you support a state sales tax if a portion were earmarked for funding the University system?

Yes	: ██████████████████ 49%
No	: ████████████████ 43%
Undecided	: █████ 8%

SENATE TAXATION

EXHIBIT NO. 3

DATE 3-17-87

BILL NO. H.B. 193

HIGHLIGHTS OF PUBLIC SUPPORT FOR HIGHER EDUCATION

1978- HIGHER EDUCATION 6 MILL LEVY PASSED BY A TWO TO ONE MARGIN

Vote tally: 181,920 to 88,641

1986- GALLUP POLL/NEA

59% favored more funds for public education and training even if it meant higher taxes

1987- NATION WIDE POLL COMMISSIONED BY AFSE

69% wanted more government support for higher education

1987- UNIVERSITY OF MONTANA BUREAU OF BUSINESS AND ECONOMIC RESEARCH

61% of Montanans said that University System funding should remain at current levels

14% favored giving more money to higher education

SENATE TAXATION

EXHIBIT NO. 3

DATE 3-17-87

BILL NO. H.B. - 193

Roll, Montanians oppose college cuts

By RICHARD ECK, Tribune Staff Writer
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Mont. State residents oppose cuts in the state university system or other state colleges, according to a December Montana Poll.

But those polled also agreed with legislators that Western Montana College at Dillon is the prime target for closure, if one of the state's small colleges must be eliminated.

The Montana Poll questioned 400 adult Montanians between Dec. 9 and Dec. 22. The quarterly poll is co-sponsored by the Great Falls Tribune and the University of Montana's Bureau of Business and Economic Research.

According to the poll, most Montanians opposed closing colleges outright or cutting spending. Some 61 percent of Montanians said they would prefer that the quality of higher education here, but are almost equally concerned about easy access to the colleges and universities, the poll showed.

Forty-six percent favored fewer, higher-quality units, while 48 percent preferred that the six schools stay open.

Most likely to favor closing some colleges were persons with higher incomes and those calling themselves Republicans, while rural people were the most anxious for easy access to colleges and universities. Persons in highly populated counties preferred quality over quantity, although pollsters noted the biggest counties have a college or university nearby.

A majority of those polled favored converting some or all of the state's colleges to community colleges.

Regular Montanians agreed with legislators upon the college that should be closed first, even if they opposed closure overall.

Legislators and persons responding to the Montana Poll agreed that Western Montana College at Dillon should be closed first. Thirty-eight percent of the legislators surveyed name Western as a school that should be closed, while 33 percent of persons in the Montana Poll said Western should be closed. If one school had to be eliminated.

Nearly 18 percent of legislators favor a statewide sales tax to bolster higher education and the public schools.

Voters favor social programs

BAL HARBOR, Fla. (AP) — A majority of voters believe the government should take a more active role in job training, education and other social programs, according to a poll released Monday by the nation's largest union of public employees.

The poll, commissioned by the 1.1-million-member American Federation of State, County and Municipal Employees, showed that while 51 percent of those surveyed still approve of President Reagan's performance in office, 53 percent believe his defense increase should be cut back in order to maintain social programs.

Of the 835 nationwide respondents polled by telephone between Jan. 6 and Jan. 12, 59 percent said the government should be doing "much more" and another 20 percent said "somewhat more" to clean up hazardous wastes and other environmental problems.

Only 38 percent said more

should be done to maintain the nation's military defense buildup.

On other various tasks performed by the government, 60 percent said more should be done on building bridges and highways, 78 percent favored doing more for the mentally ill and handicapped, 75 percent advocated more job training programs and 69 percent wanted more government support for higher education.

However, 53 percent also said more needs to be done to reduce the size of government.

When given a list of various interest groups and asked which ones the government pays too much attention to, 63 percent said major corporations, 73 percent responded the wealthy and 38 percent answered labor unions.

Asked who gets too little attention from the government, 66 percent said small businesses, 59 percent answered the middle class and 75 percent said poor people.

More spending on higher education urged

The Independent Record, Helena, Mont., Monday, November 10, 1986—7A

WASHINGTON (AP) — A national commission headed by former Secretary of Education Terrel H. Bell says the United States is risking "national suicide" unless it sharply increases spending on its schools and colleges.

The academic and civic leaders, in a report commissioned by a state college group, rebuked President Reagan and others who have sought to cut aid for college students.

The report, released Sunday, called for a domestic Marshall Plan to nearly double the number of college-educated adults by the turn of the century.

"Public officials who propose budget reductions in education at a time when the republic is handicapped by the burden of an undereducated populace are unthinkingly abetting an act of national suicide," the Bell commission said.

"Their priorities are wrong," the 54-page report, "To Secure the Blessings of Liberty," was prepared for the American Association of State Colleges and Universities, which is holding its annual meeting in Phoenix. Bell was addressing the group today on the recommendations.

The 22-member panel included Arkansas Gov. Bill Clinton and former Mississippi Gov. William Winter, as well as half-dozen college presidents, the heads of both national teacher unions and the chancellor of New York City's schools.

The association represents 372 four-year campuses that enroll 2.5 million students and award a third of all bachelor degrees.

It urged states to keep college tuitions as low as possible, in part to help recruit more minority students and stop the growth of "an American underclass." It also urged the state colleges to take the lead in producing the 1 million new

teachers needed by public schools.

The commission criticized states for curtailing spending on remedial programs. Remedial education will be needed "for the foreseeable future" in the state colleges, it said.

"Tragically for the American people, the federal student financial aid program today is on the chopping block in Washington," the report said, claiming that the real value of federal aid has fallen 25 percent since President Reagan took office in 1981.

Bell's slap at budget-cutters drew a sharp rejoinder from his successor, Secretary of Education William J. Bennett.

Bennett's chief of staff, William Kristol, called it "silly, overblown rhetoric." He said real spending on higher education has doubled in the last 20 years while enrollments soared. "It's not clear that quality has kept up with quantity," he said.

The Bell commission acknowledged widespread concern about college standards, and it urged all public campuses to have their faculties decide what minimum level of academic skills students should master by the end of their sophomore year.

Poll: Public will pay more to boost teacher wages

The Independent Record, Helena, Mont., Friday, July 4, 1986—8A

LOUISVILLE, Ky. (AP) — A majority of the public is willing to pay higher taxes to boost teacher salaries and improve teacher training, according to a Gallup poll released at Thursday's opening session of the National Education Association's annual convention.

Eighty-nine percent of those surveyed said they would favor more funds for public education

and teacher training even if it meant higher taxes.

That compared with 52 percent in 1982, and 45 percent in a similar 1983 survey.

The poll also found 54 percent back higher teacher salaries even if that meant higher taxes.

Don Cameron, executive director of the 1.8 million-member NEA, called the NEA/Gallup poll "good news for people who believe in America's public schools."

Asked at a news conference what kind of public backing it would take to actually get higher school taxes, Cameron replied: "I think it's high enough now. I think it was high enough five years ago. But I think by five years the politicians (feel comfortable), it would need to be over 90 percent."

Meanwhile, NEA President Mary Hatwood Futrell, in her keynote address to more than 7,000 teacher delegates, urged her union to give qualified support to the idea of a national board of professional standards proposed in a report last May by the Carnegie Task Force on Education and the Economy.

"I believe a national board could offer much to our profession," she said. But she said states should retain the power to license teachers, and state boards should continue to operate.

Her position has drawn fire as too timid from her archival, American Federation of Teachers President Albert Shanker. He has insisted that state certification boards are part of the reason teachers lack the prestige of other professions, such as law and medicine.

Still, interviews with several teachers after Futrell's speech suggested that NEA members considered her position sufficiently bold, with several predicting sharp debate on the matter during the convention, which ends Sunday.

SENATE TAXATION
EXHIBIT NO. 3
DATE 3-17-87
BILL NO. H.B. 193



AMERICAN ASSOCIATION of UNIVERSITY WOMEN

MONTANA DIVISION

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Mary Gibson
Kalispell
- Vice President
Program
Claudette Morton
Helena
- Vice President
Membership
Linda Kormann
Polson
- Secretary
Jane Lopp
Kalispell
- Treasurer
Mary Lou Jenkins
Millsall

17 March 1987

SENATE TAXATION COMMITTEE
Sen. George McCallum, chairman

Re: HB193 - Continue 6-mill levy for higher education for higher education; submit proposal to electorate.

Mr/ Chairman and members of the Committee:

Happy St. Patrick's Day ! and the Top of the Mornin' to you.

AAUW has a century-old tradition of supporting higher education in this country. In convention last year, the Montana Division passed the following resolution:

" 9)....That the Montana Division work to maintain all of the 6-mill levy for the University System during the next legislative session."

We therefor urge your support of HB193.

Thank you.

Betty Jean Wood
(State) Legislative chairman

BRANCH PRESIDENTS

- Billings
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- Bozeman
Marcia Mysocli
- Butte
Joanne Cortese
- Cut Bank
Nancy Harvey
- Billie Wallace
- Dillon
Ingrid Joy Kaushagen
- Glasgow
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Kathleen Harrington
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- Lewistown
Diane Oldenburg
- Miles City
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- Missoula
Janice Frizzell
- Northern (Havre)
Jo Martin
- Park County
Lorraine Eyman
- Polson
Polly Walker
Barbara Weld

SENATE TAXATION

EXHIBIT NO. 4

DATE 3-17-87

BILL NO. HB-193

members can help. The primary activity is to make Montana's coal industry competitive in the market place. The Montana Coal Market presently is inferior to the coal market largely due to competitive tax structure. Montana's major competitor is Wyoming. In 1975 Montana produced 22 million tons of coal and Wyoming produced 23.8 million tons of coal or a difference of 9.2%. Ten years later in 1985, Montana produced 33.1 million tons of coal and Wyoming produced 140.4 million tons of coal, a difference of 424%. While Wyoming's tax rate is less than half of Montana's tax, last year Wyoming collected almost 1½ X as much money, employed around four times as many people, and enjoyed all of the secondary benefits that come with a healthy expanding industry and the associated high-paying jobs.

WYOMING - 140,424,446 Tons mined per year (1985)
 \$131,736,881.64 paid in Severance Tax
 \$.936/ton

MONTANA - 33,148,300 Tons mined per year (1985)
 \$89,262,995.00 paid in Severance Tax
 \$2.693/ton

MONTANA is 2.877 TIMES THE WYOMING FIGURE PER TON!!!

Montana is continuing to decline in coal production and employment. With each individual miner layed-off at the Mine, there are also 2.8 people in the state business sector also layed-off.

As of January, 1986, Montana coal production prediction was expected to be 36.1 million tons. A gain of 3 million tons over 1985. As of September, it appears our production will be around 30 million tons, a loss of 6 million tons under prediction and 3 million tons under the previous year, and is currently continuing to decline.

Something must be done to stop this decline. The tables must be turned and get Montana coal producing, Montana progressing and Montanan's producing.

The major area of supression is the Montana State 30% Severance Tax that was enacted in 1975 and is current today. Currently Wyoming's State Severance Tax is 10.5% and will drop to 8.5% in January of 1987.

ways its members can help. The primary activity is to make Montana's coal industry competitive in the marketplace. The Montana coal market presently is inferior to the coal market largely due to its noncompetitive tax structure. Montana's major competitor is Wyoming. In 1975 Montana produced 22 million tons of coal and Wyoming produced 23.8 million tons of coal or a difference of 9.2%. Ten years later in 1985, Montana produced 33.1 million tons of coal and Wyoming produced 140.4 million tons of coal, a difference of 424%. While Wyoming's tax rate is less than half of Montana's tax, last year Wyoming collected almost one and a half times as much money, employed around four times as many people, and enjoyed all of the secondary benefits that come with a healthy expanding industry and the associated high-paying jobs.

WYOMING - 140,424,446 tons mined in 1985
 \$222.5 million paid in severance
 tax and ad valorem tax
 \$1.58 per ton

MONTANA - 33,140,883 tons mined in 1985
 \$105.7 million paid in severance
 tax, gross proceeds and Resource
 Indemnity Trust Tax
 \$3.19 per ton

MONTANA IS MORE THAN TWICE THE WYOMING FIGURE PER TON!!!

Montana is continuing to decline in coal production and employment. With each individual miner layed off at the mine, there are also 2.8 people in the state business sector also layed off.

As of January, 1986, Montana coal production was predicted to be 36.1 million tons, a gain of 3 million tons over 1985. As of September, it appears our production will be around 30 million tons, a loss of 6 million tons under the prediction and 3 million

SENATE TAXATION

EXHIBIT NO. 5

DATE 3-17-87

BILL NO. 4R 252

ASD

HB 252
Senate Taxation Hearing
March 17, 1987

Mr. Chairman, members of the Committee, I am James D. Mockler, Executive Director of the Montana Coal Council, 2301 Colonial Drive, Helena, MT.

As you are aware, the Montana Coal Council is a trade association representing all of Montana's major coal companies, utilities, companies who own reserves and over 50 small businesses who rely on the industry to sell their goods and services. Attached to my testimony is a statement of support signed by representatives of the producing companies and those representing the major customers of Montana's coal.

We did not arrive at this position either quickly or without agonizing hours of deliberations, numerous discussions with the political leaders, both legislative and administrative, and our own decision makers.

Those discussions led us to conclude that there is broad-based bipartisan support to lower the coal tax. They also led us to conclude that a permanent immediate reduction to a level that would give us an opportunity to compete for renewal of existing contracts and to maintain current levels of production or to regain our lost markets simply was not feasible given your budget constraints this biennium. We therefore agreed to a phased-in approach to be spread over 3 biennia.

This approach presented another dilemma -- What could we ask for that would put our miners back to work, keep those small businesses going and increase production until the phase-in is completed in 1991? Obviously those people cannot simply wait

around another four years and hope for survival.

As a result we came up with the revision of the "window" to change the base consumption to the lesser of the 1983-84 average consumption or the 1986 consumption. Any future coal those customers annually take over their new base consumption level would be at a 15% rate.

For example, in 1983-84 Northern States Power took an average of 6,809,648 tons of coal which is their base consumption under current law. In 1986 they took delivery of 3,506,000 tons. In 1987 and 1988 they project a take of 2,500,000. Under our proposal any tonnage over the 3,506,000 they took last year would be taxed at the 15% level. It is our sincere hope that this will enable us to entice back the business we have lost and are losing, and at the same time protect the revenue projections while the phase-in takes place.

I have attached for your purusal a list of customers that we have identified as potential increased tonnages that we will be competitive for if HB 252 passes. As you can see, there is an additional 5.2 million tons with a potential increase in severance tax revenue of over \$5 million. Not included in this estimate are the increased gross proceeds of \$1,816,920 or the Resource Indemnity Trust Tax of \$130,000. Obviously these projections would continue for future years and in fact escalate. Likewise, it does not include any estimates for the several hundred miners that would be put back to work, the increased business dollars that would be generated, and additional federal, state and Indian royalties.

SENATE TAXATION

EXHIBIT NO. 6

DATE 3-17-87

BILL NO H.R. 257

I suspect there will be those following me today who will proclaim the theme that we are asking you to throw away hundreds of millions in tax dollars.

Members of the Committee, you cannot throw away something you haven't got and won't get. We are simply losing our present markets. I ask you to look at the trend that has been established years before our long-term contracts expire.

In 1984 we exported from Montana 28.1 million tons, in 1985 27.4 million, in 1986 24.9 million and our projections for 1987 are down to 22.8 million -- a market loss of 5.3 million tons. We have every reason to believe this trend will continue and if nothing is done we will wind up with 8-10 million tons total production with virtually no export market by the mid-1990's. Again, you can't lose something you don't have. You can't tax non-production, you can't tax non-small businesses, and you can't tax non-miners.

Early this year I mailed all of you a position paper of the Montana Coal Council. I ask that that paper be adopted for the record.

We came out early, up-front and united with a reasonable solution, not an ideal solution, not a perfect solution, but one that we believe to be reasonable and one we ask you to concur with.

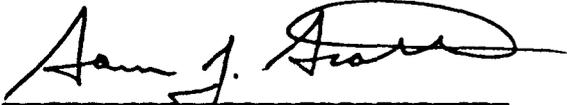
Potential Additional Tonnage and Tax Receipts
for 1987 if HB 252 is Passed

<u>Purchaser</u>	<u>Contract Sales Price</u>	<u>Additional Tax Dollars</u>
Detroit Edison Co.		
1,000,000 @ 15%	\$5.00	\$ 750,000
Upper Peninsula Generating Co.		
600,000 @ 15%	5.40	486,000
Northern States Power		
1,000,000 @ 30%	5.40	1,620,000
2,000,000 @ 15%	5.40	1,620,000
Minnesota Power & Light		
600,000 @ 15%	6.25	562,500
<u>Total Additional Tons</u>	<u>Total Additional Severance Tax</u>	
5,200,000 tons	\$5,038,500	

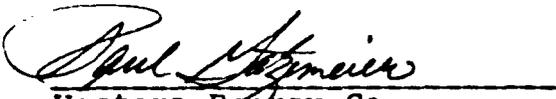
SENATE
 HOUSE NO. 6
 DATE 3-17-87
 BILL NO. H.B. 25

HB 252

The following coal producers and utility customers support the compromise position contained in HB 252.


Decker Coal Co.

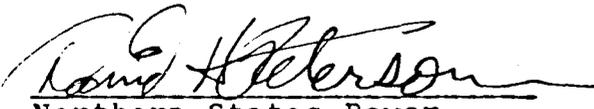

Westmoreland Resources Inc.


Western Energy Co.


Spring Creek Coal Co.


Peabody Coal Co.


Knife River Coal Mining Co.


Northern States Power


Detroit Edison


Montana/Dakota Utilities


Minnesota Power

SENATE TAXATION

EXHIBIT NO. 6

DATE 3-17-87

BILL NO. H.B. 252

Testimony by Kenneth L. Williams
Western Energy Co. Butte, MT
at Senate Taxation Committee Hearing
17 March 1987

Mr. Chairman, members of the Committee, my name is Kenneth Williams. I appear this morning on behalf of Western Energy Co. and the Montana Coal Council in support of House Bill 252.

I would like to focus my remarks on an area of particular concern to Western. The erosion of the upper Midwest market for Montana coal due to competition from lower priced coal in Wyoming. The upper Midwest market includes utilities in the states of Iowa, Minnesota, and Wisconsin.

There are five mines in Montana that ship coal out of the state. The three northern mines ship into the upper Midwest market area. They are Western's Rosebud Mine, Peabody's Big Sky Mine, and Westmoreland's Absaloka Mine. Together they produce over one-half of Montana's total coal production.

In 1979, coal shipments from Montana and Wyoming to the upper Midwest totaled 24 million tons. Montana coal accounted for 14 million tons or 59%. By 1985, the market increased 25% to 30 million tons, but Montana's market share fell to 44% and shipments dropped to 13 million tons (Refer to Chart 1). The erosion of Montana's market share by lower priced Wyoming coal has been occurring over a period of time. (Refer to Chart 2). The downward trend accelerated in 1986. Based on information available through August 1986 and projections to the end of the year, total Western coal shipments were approximately the same as 1985. However, Montana's market share plummeted to 29% or approximately 8.5 million tons (Refer to chart 3). The state of Minnesota, once Montana's most protected market is also indicative of these trends. In 1979, there was no Wyoming coal sold in Minnesota but over 11 million tons were shipped from Montana.

SENATE TAXATION

EXHIBIT NO. 7

DATE 3-17-87

BILL NO. H.R. 252

In 1984, Wyoming coal began to penetrate the Minnesota market and by 1986 constituted 35% of the total coal sold to Minnesota customers. Wyoming's share of the market is expected to increase again in 1987.

Coal prices in the upper Midwest have dropped to the point where the provisions in long-term contracts no longer provide a safety net for Montana's coal producers. Montana's shipments ranged between 12 and 14 million tons annually from 1979 through 1985. In 1986, Montana's shipments to the upper Midwest fell more than 30% to 8.5 million tons while total coal shipments stayed approximately the same. Wyoming coal replaced Montana coal ton for ton. Unfortunately, we may not have reached the bottom as indicated by recent further cutbacks on deliveries to Minnesota.

Speaking for Western, our coal shipments to the upper Midwest show the same relationship. We shipped a high of 8.5 million tons in 1979 and approximately 7 million tons each year through 1985. In 1986, our shipments fell to about 4.1 million tons. Our 1987 shipments are projected to be about 3 million tons.

Traditionally, Montana's distance advantage to the upper Midwest markets offset the lower cost of Wyoming coal. Wyoming coal is cheaper to mine because the seams are thicker, the overburden is thinner, and taxes are less. Montana miners have to move roughly twice as much dirt to produce a ton of coal. This geologic disadvantage is exacerbated by the application of higher percentage production taxes to a higher tax base.

The problem is obvious, Montana coal is too expensive at the mine. Montana coal producers have taken and are taking steps to become more efficient and offer a lower cost product. However, our ability to cut prices, compared to Wyoming, is finite due to the geologic constraints.

SENATE TAXATION

EXHIBIT NO. 7

DATE 3-17-87

BILL NO. H.B. 25

Recent reports filed with the Federal Energy Regulatory Commission show Montana's coal being one to two dollars per tons more expensive than Wyoming coal. This difference is being reflected on reduced deliveries.

I urge this committee to support House Bill 252 to help stem the erosion of our market and help get tons back to Montana. Thank you.

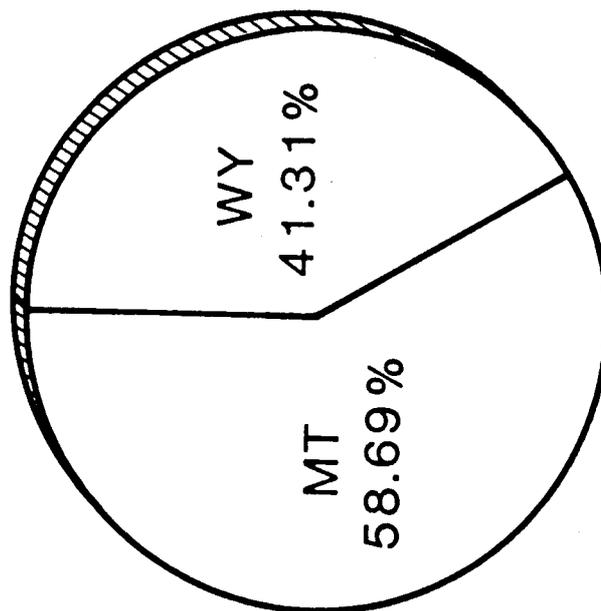
SENATE TAXATION

EXHIBIT NO. 7

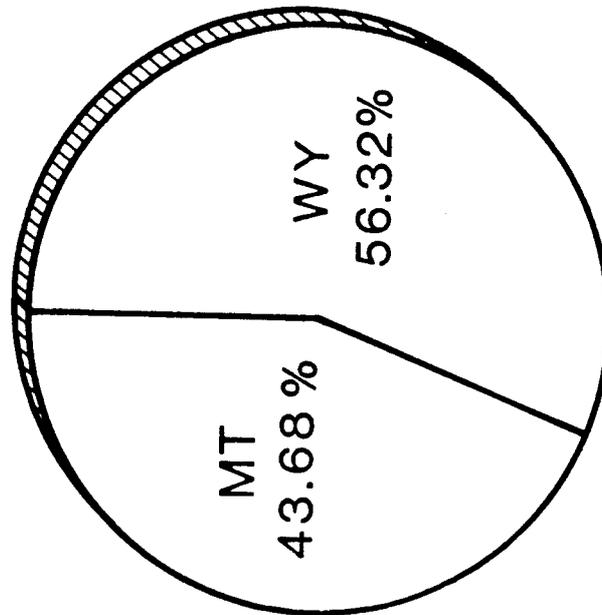
DATE 3-17-87

BILL NO. H.B. 252

MONTANA/WYOMING COAL MARKET SHARE (to MN, WI, IA)



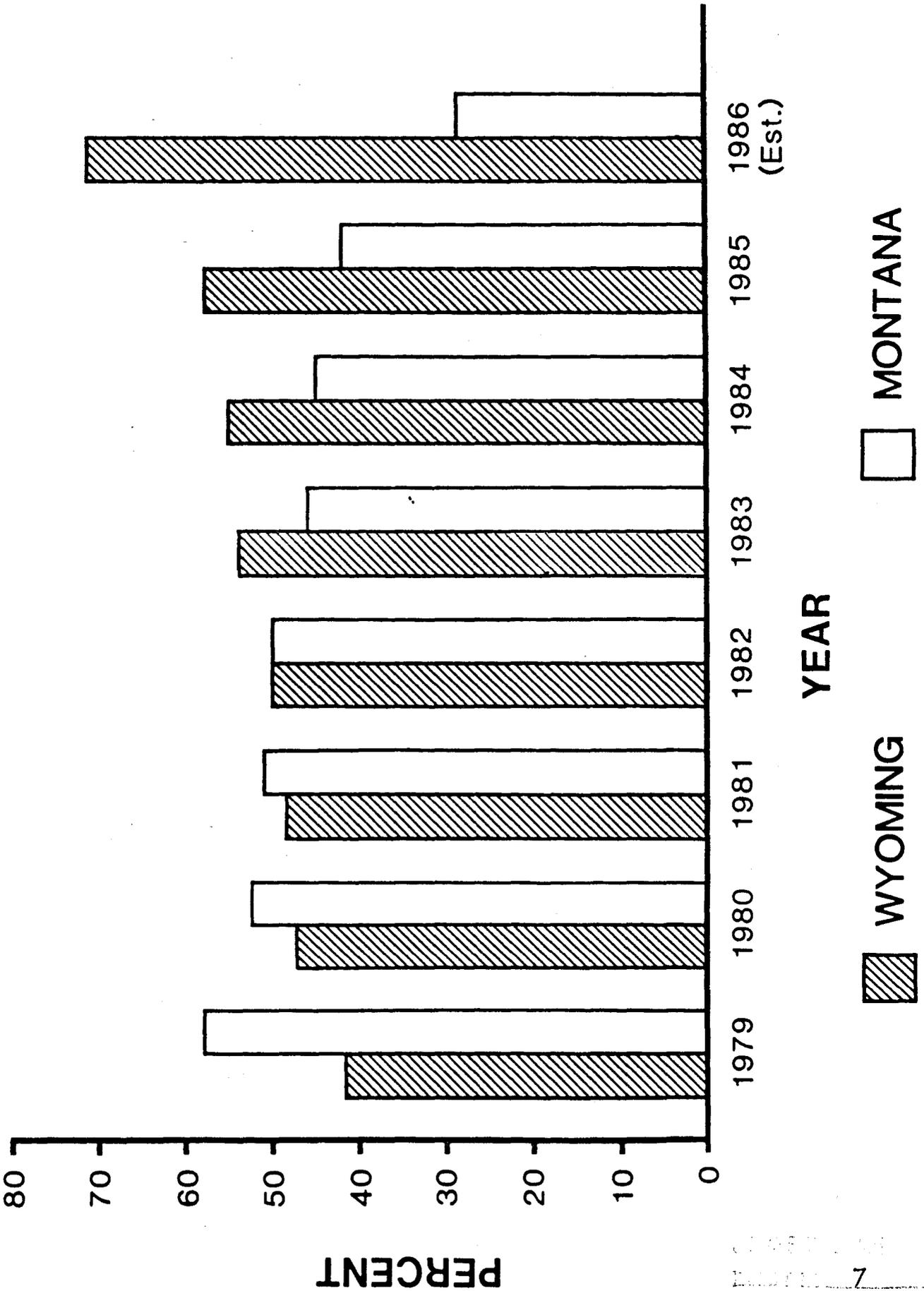
1979



1985

CHART 1

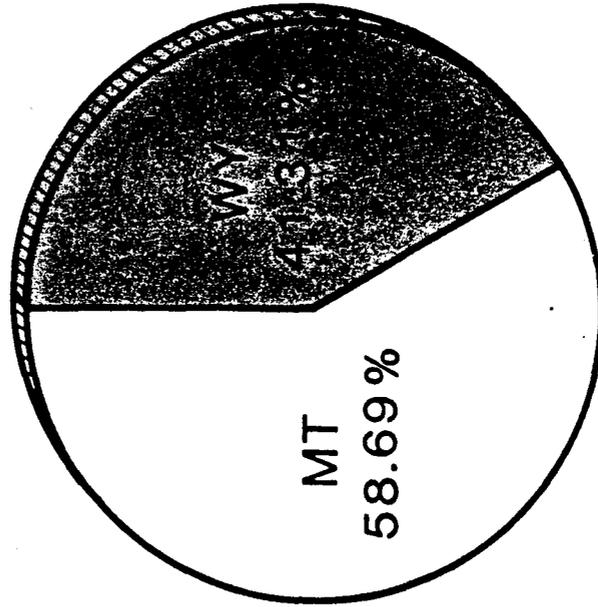
PERCENT OF TOTAL SHIPMENTS To Iowa, Minnesota and Wisconsin



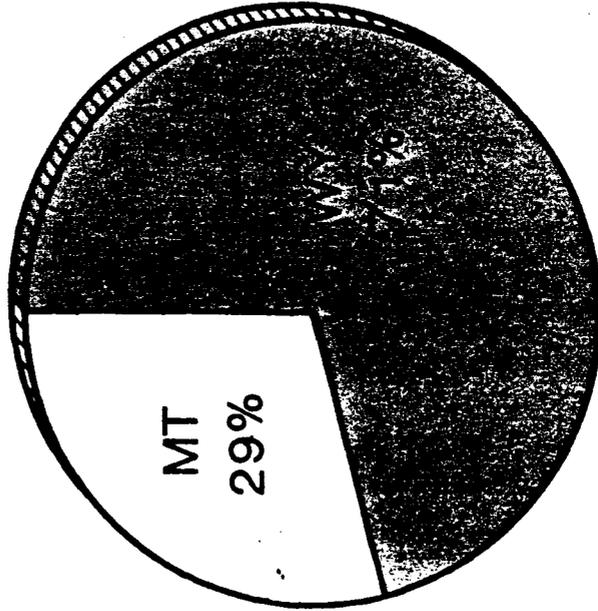
DATE 3-17-87
FILE NO. U.R. 753

MONTANA/WYOMING COAL MARKET SHARE

(to MN, WI, IA)



1979



1986
(Estimate)

Testimony of V. H. Wood

In Support of HB252

Mr. Chairman and Members of the Committee, my name is Victor Wood. I have been a consultant involved in coal and transportation market analysis for the past 10 years with major emphasis in evaluating Powder River subbituminous coals.

For 25 years prior to 1978 I was employed by Northern States Power Company of Minneapolis, Minnesota in the Fuel Supply Department with direct responsibility for purchasing all fuel supplies from 1967 forward. As such I have been familiar with utility coal purchasing strategies and practices for 35 years.

My testimony today is offered in support of HB252 sponsored by Representative Hanson and is submitted on behalf of Wesco Resources, Inc., a member of the Montana Forward Coalition.

The need for a change in coal severance tax policy is more evident today than ever before. Utility coal purchasers are turning away from Montana which should be their prime source of fuel. There is a feeling in the marketplace that Montana is anti-business and doesn't care about its coal industry. Based on experience over the past two years, it could be projected that Montana would gradually lose the major portion of its present coal industry by about year 2000 with only those purchasers in the state remaining.

SENATE TAXATION

EXHIBIT NO. 8

DATE 3-17-87

BILL NO. HB 252

There are 4 major reasons for this change.

- 1) The general soft coal market in the Powder River that will probably continue well into the 1990's.
- 2) Increased railroad competition by the entry of the CNW into the Powder River District in Wyoming, serving the market once held by Montana.
- 3) Renegotiation of utility contracts that allow minimum and maximum purchase schedules.
- 4) Market price adjustment clauses in some utility contracts that allow a utility to change sources upon nonagreement of contract price.

In my opinion, HB252 addresses these issues and the current and future market situations and will rebuild Montana's role in the marketplace. There is an immediate need to encourage utilities to return to Montana for their coal needs. HB252 recognizes this need by allowing a significant tax decrease on tonnage purchased in excess of 1986 deliveries for fiscal years 1988 through 1991 without a significant impact on tax revenues. A major share of the tonnage lost to Wyoming would be regained as well as tonnage increases in existing power plants whose needs are currently growing up to 4% annually depending upon the utility.

There is also a need to encourage utilities to purchase new long term coal requirements from Montana. HB252 accomplishes this by introducing an incentive rate effective July 1, 1991. The incentive rate concept is consistent with both coal mine and rail

transportation pricing policies. The more coal that is mined and transported, the lower the cost to the purchasers. The lower the cost to the purchasers means lower electric energy costs and opportunities for increased sales of electricity.

Utilities are most familiar with this approach for they use the net cost of additional purchases to compare with other sources. From my experience as a coal buyer, this is a most important concept and one that will maximize coal production from Montana. Utilities are now in the early stages of new generation planning for the 1990's and the incentive concept should be in place to enhance Montana's long term position in the fuel selection process.

HB252 addresses the incentive rate concept by allowing a gradual decrease in tax rate on the total tonnage purchased from 15% to 13% for additional purchases from Montana. Depending upon the tonnage level, the net effective tax rate for the additional coal purchased can be as low as 10% giving Montana an additional competitive advantage when compared to other sources. In other words the utility will pay the tax rate stated in the bill but will use the lower net effective rate when making coal selections.

In my opinion HB252 would accomplish both goals of quickly returning Montana to its former position of a growing coal producer and provide the necessary incentive for continued growth into the future.

Thank you

SENATE TAXATION
EXHIBIT NO. 8
DATE 3-17-87
BILL NO. H.B. 252

V. H. Wood Statement

HB252

Montana Coal Projections - Present Law vs HB252

Millions of Tons

Purchasers	Present Law		Under HB252		Add'l Tons Required To Reach Next Tax Decrease
	Tonnage FY88	Tonnage FY91	Tonnage FY88	Tonnage FY91	
Detroit Edison	6.4	6.4	8.5	8.5	1.5
Montana Power Co. (Corette, Colstrip 1-4)	6.5	7.2	6.5	7.5	0.5
Northern States Power	4.2	3.5	6.5	7.5	0.5
Minnesota Power	2.8	2.8	3.5	4.0	2.0
Commonwealth Edison	3.7	3.7	3.7	3.7	2.3
Utility Fuels	2.1	2.1	2.1	2.1	0.9
Wisc. Power & Light	1.6	1.5	1.6	1.7	1.3
Western Fuels	0.5	1.0	0.5	1.0	2.0
Small Users	<u>2.1</u>	<u>1.6</u>	<u>2.1</u>	<u>2.4</u>	-
	29.9	29.8	35.3	38.4	11.0
Est. Tax Revenue(1) (\$ million)	\$68.1	\$67.5	69.0	55.7	\$11.9 (av. 14%)
Increase in number(2) of jobs	Base	(10)	540	850	1100
Wage Increase(2) (\$ million)	Base	(\$0.3)	\$16.6	\$26.1	\$33.8

Notes: (1) All tax revenue based on \$7.70/ton average coal sales price

(2) Direct and indirect jobs, \$30,700 average annual wage cost.

SENATE TAXATION

EXHIBIT NO. 8

DATE 3-17-87

BILL NO. H.B. 252

Attachment No. 2
V. H. Wood Statement
HB252

Incentive Rate Concept Under HB252
Effective 7/1/91

<u>Annual Tonnage Purchased (millions)</u>	<u>Average Tax Rate On All Tonnage</u>	<u>Effective Rate On Addn'l. Tonnage</u>
0 - 3	15%	15%
3 - 6	14½%	14%
6 - 8	14%	12½%
8 - 10	13½%	11½%
Over 10	13%	10½% (to 12 mill tons)

Major Advantages

1. Added incentive to purchasers to increase tonnage from Montana.
2. Consistent with utility buying practices and strategies.
3. Sets the stage for long term predictability.

SENATE BILL NO. _____
ENR. NO. 8
DATE 3-17-87
BILL NO. H.B. 252

THE PUBLIC PERCEPTION

- Resource industries are important to the economic health of the state.
- Few Montanans view the state's resource industries as thriving and successful.
- Almost no one sees the current pace or level of development as too fast or too high.
- Overall impressions of the industries are favorable, but marks for responsible citizenship are somewhat lower.
- Development adjacent to wilderness is more acceptable than that near national parks, and few object to development on other government lands.
- Substantial numbers of Montanans lack awareness about the state's resource industries.

Table 1
Montanans' Assessment of Natural Resource Development in the State

	<u>Natural Resource Development In General</u>	<u>Lumber and Wood Products Manufacturing</u>	<u>Oil and Gas Production</u>	<u>Coal Mining</u>	<u>Hard Rock Mining</u>
Importance to the state's future economic health					
Very essential	64%	63%	52%	45%	28%
Fairly essential	29%	30%	36%	39%	41%
Not too essential or not essential at all	4%	4%	9%	10%	22%
Don't know	2%	4%	3%	6%	9%
Current pace or level of development					
Too fast or too high	7%	8%	5%	6%	2%
About right	46%	44%	42%	51%	32%
Too slow or too low	35%	33%	37%	20%	31%
Don't know	10%	14%	15%	23%	35%

Source: University of Montana, Bureau of Business and Economic Research, *Natural Resource Development in Montana: A Survey of Montana Public Opinion* (Missoula, Montana, 1986) for the Western Environmental Trade Association, Helena, Montana.
Note: The percentage detail may not add to 100 because of rounding.

Bureau of Business and Economic Research

1986 ECONOMIC OUTLOOK SEMINAR

University of Montana

SENATE TAXATION

EXHIBIT NO. 9

DATE 3-17-87

BILL NO. HB252

Table 2
Montanans' Impressions of Resource Industries in the State

	<u>Lumber and Wood Products</u>	<u>Oil and Gas</u>	<u>Coal Mining</u>	<u>Hard Rock Mining</u>
Current health of the industry				
Thriving and successful	14%	20%	24%	3%
Static: Not thriving or declining	42%	46%	45%	31%
Unhealthy and declining	37%	20%	14%	42%
Don't know	8%	13%	16%	23%
Overall Impression of the industry				
Favorable	78%	72%	63%	51%
Unfavorable	11%	16%	21%	23%
Don't know	11%	12%	16%	26%
Performance as a responsible citizen of the state				
Excellent	6%	5%	5%	3%
Pretty good	47%	38%	34%	22%
Only fair	29%	30%	29%	28%
Poor	4%	8%	10%	12%
Don't know	14%	19%	22%	34%

Source: University of Montana, Bureau of Business and Economic Research, *Natural Resource Development in Montana: A Survey of Montana Public Opinion* (Missoula, Montana, 1986) for the Western Environmental Trade Association, Helena, Montana.

Note: The percentage detail may not add to 100 because of rounding.

Table 3
**Montanans' Attitudes regarding the Location of
Natural Resource Development Activity**

	<u>Timber Cutting</u>	<u>Oil and Gas Extraction</u>	<u>Coal Mining</u>	<u>Hard Rock Mining</u>
Adjacent to wilderness areas				
Should allow	70%	64%	51%	55%
Should prohibit	28%	33%	45%	39%
Don't know	2%	3%	3%	7%
Adjacent to national parks				
Should allow	60%	56%	43%	45%
Should prohibit	38%	42%	54%	49%
Don't know	2%	2%	4%	6%
On other government lands*				
Should allow	85%	83%	78%	79%
Should prohibit	11%	12%	17%	15%
Don't know	3%	4%	5%	6%

Source: University of Montana, Bureau of Business and Economic Research, *Natural Resource Development in Montana: A Survey of Montana Public Opinion* (Missoula, Montana, 1986) for the Western Environmental Trade Association, Helena, Montana.

Notes: The "Allow" and "Prohibit" categories each include some who gave those responses but with some qualification of their response. Percentage detail may not add to 100 because of rounding.

*Government lands other than those in wilderness areas and national parks.

Bureau of Business and Economic Research

1986 ECONOMIC OUTLOOK SEMINAR

University of Montana



Western Environmental Trade Association

1714 Ninth Avenue - Helena, Montana 59601
Phone (406) 443-5541

MONTANA COAL

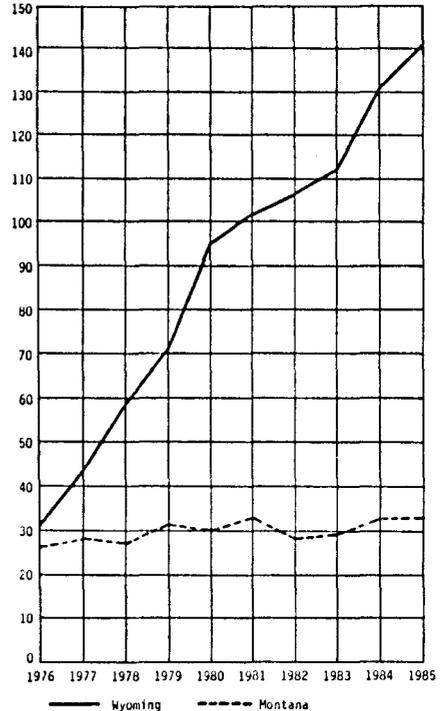
1986

State	Reserve base (Billions of Tons)	Rank by Reserve Base	1984 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

**MONTANA - WYOMING
COAL PRODUCTION**

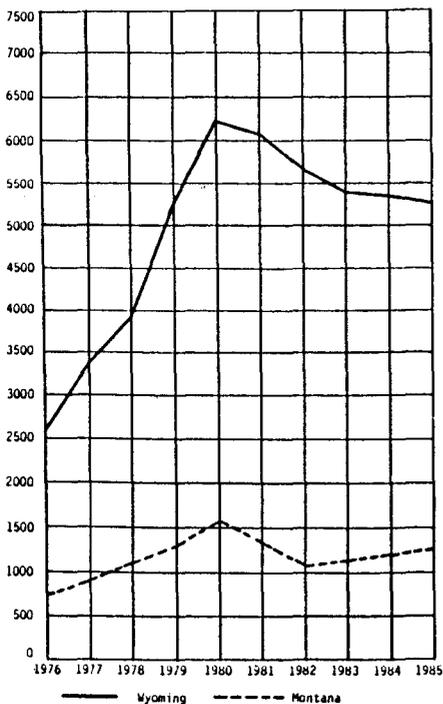
MILLIONS OF TONS



Source: Wyoming - Annual Report of the State Inspector of Mines of Wyoming, 1985
Montana - Workers Compensation Division, Bureau of Safety and Health

**MONTANA - WYOMING
COAL MINE EMPLOYMENT**

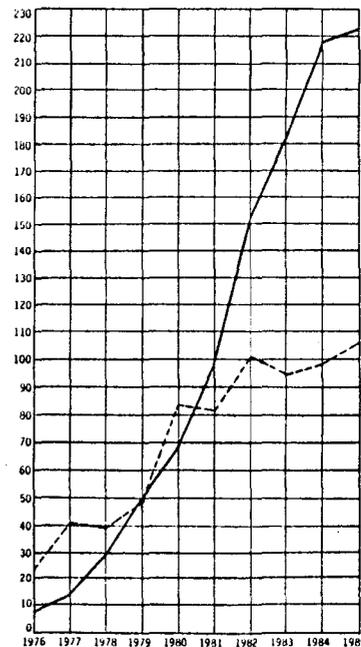
NUMBER OF EMPLOYEES



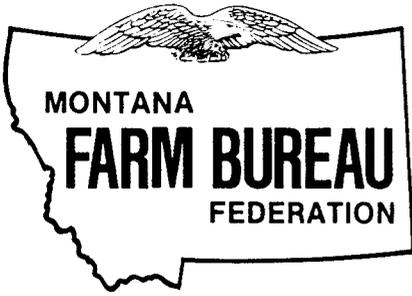
Source: Wyoming - Annual Report of the State Inspector of Mines of Wyoming, 1985
Montana - Montana Coal Council and Keystone Coal Industry Manual

**MONTANA - WYOMING
COAL PRODUCTION TAXES**

MILLIONS OF DOLLARS



Source: Wyoming - Legislative Service Office, Ad Valorem and Severance Taxes
Montana - Department of Revenue, Severance and Resource Incentive Trust
County Treasurers, Gross Proceeds Taxes



P.O. Box 6400
~~502 South 9th~~

Bozeman, Montana 59715
Phone (406) 587-3153

TESTIMONY BY: Lorna Frank
BILL # HR-252 DATE March 17, 1987
SUPPORT XXX OPPOSE _____

Mr. Chairman, members of the committee, for the record, my name is Lorna Frank, representing approximately 3500 Montana Farm Bureau members throughout the state.

Our members have supported legislation that reduces the severance taxes on Montana's natural resources. We believe this to be a good bill, for many of the reasons you have already heard and urges this committee to give a do pass recommendation.

SENATE TAXATION

EXHIBIT NO. 10

DATE 3-17-87

BILL NO. HB 252

SIGNED: Lorna Frank

MISTER CHAIRMAN AND COMMITTEE MEMBERS

MY NAME IS CRAIG NILE AND I AM A MACHINIST FOR PEABODY COAL WHICH IS LOCATED IN COLSTRIP, MONTANA.

I AM HERE TO EXPRESS MY CONCERN ABOUT THE DECLINE OF COAL PRODUCTION IN MONTANA. THIS IS NOT MY FIRST TRIP TO HELENA, I WAS HERE FOR THE SPECIAL SESSION. AFTER TALKING TO VARIOUS LEGISLATORS DURING THE SPECIAL SESSION, I BECAME QUITE CONFUSED. SOME LEGISLATORS FELT THAT THE SEVERANCE TAX DOES NOT AFFECT THE PRICE OF A TON OF COAL, SOME BLAME THE RAILROAD, SOME BELIEVE IT IS OUR GEOGRAPHIC LOCATION, OTHERS FEEL IT IS THE COST OF PRODUCTION OR LABOR OR CORPORATE PROFIT, SOME WENT AS FAR AS TO SAY THEY DID NOT WANT COAL MINED IN MONTANA AT ALL. SO I DECIDED TO GO HOME AND STUDY THE FACTS. I READ EVERY FACT AND FIGURE THAT I COULD GET MY HANDS ON ABOUT THE SEVERANCE TAX AND DREW A BLANK. I FOUND THAT 30 VERY WELL QUALIFIED PEOPLE CAN TAKE ONE TON OF COAL AND THE SEVERANCE TAX FORMULA AND COME UP WITH 30 DIFFERENT PRICES. I CAME TO THE CONCLUSION THAT NOT ALL THE SO CALLED "FACTS" WE ARE PRESENTED WITH ARE IN FACT FACTUAL. WHAT WE OFTEN GET IN PLACE OF FACTS ARE "FACTOIDS". A FACTOID IS A STATEMENT LIKE A FACT BUT IS IN FACT NOT A FACT. I DECIDED TO FIND MY OWN FACTS, ~~THAT ARE INDISPUTABLE STATEMENTS EXPRESSING REALITY AND PRESENT THEM TO YOU TODAY.~~

THE SEVERANCE TAX WAS ENACTED IN PART TO LIMIT THE GROWTH OF THE COAL INDUSTRY IN MONTANA AND IT HAS DONE JUST THAT! IN 1975, WYOMING PRODUCED 23.8 MILLION TONS OF COAL AND MONTANA PRODUCED 22 MILLION TONS, YET JUST 10 YEARS DOWN THE ROAD IN 1985 MONTANA PRODUCED 33.1 MILLION TONS AND WYOMING PRODUCED 140.4 MILLION TONS.

IN 1986, MONTANA EXPERIENCED AN EXPORT DECREASE OF 7.2%, WHILE THE REST OF THE UNITED STATES WAS HAVING A 1% INCREASE.

BIG SKY MINE, WHERE I WORK, HAS LAID OFF 19 MEN AND THE ANNUAL GROSS INCOME OF THE AVERAGE WORKER HAS DROPPED 25% FROM 1985.

PEABODY COAL CLAIMS TO HAVE DROPPED THE PRICE OF A TON OF COAL \$.70 IN 1986 TO TRY AND STAY IN THE MARKET.

THE RAILROAD HAS CUT THEIR RAIL RATES ~~PER~~ PER TON MILE OUT OF MONTANA, AND THAT IS A START IN THE RIGHT DIRECTION.

OUR GEOGRAPHIC LOCATION IS ONE OF THE BEST THINGS WE HAVE GOING FOR US, AS WE ARE 200 MILES CLOSER TO THE MINNESOTA MARKET THAN ALL OTHER MINES IN THE POWDER RIVER BASIN.

MONTANA PRODUCTION COSTS ARE BOUND TO BE A LITTLE MORE THAN THOSE OF THE MINES IN THE POWDER RIVER BASIN, BECAUSE MONTANA COAL HAS ~~30 FOOT VEIN OF COAL, WHEREAS, WYOMING COAL ONLY HAS 30 FOOT OF OVERBURDEN AND A 90 FOOT VEIN OF COAL.~~ ^{200 FT} ~~30 FOOT OF OVERBURDEN AND A 90 FOOT VEIN OF COAL.~~ ^{AND A 700 FT}

AS FOR THE ARGUMENT, "THAT WE DON'T WANT COAL MINED IN MONTANA AT ALL", I DON'T THINK THE PERSON WAS THINKING ABOUT ~~THE FACTS THAT THE REVENUE GENERATED BY MINING IS ABOUT 23% OF ALL MONIES GENERATED IN THE STATE AND I DON'T THINK THE STATE BUDGET COULD STAND A 23% CUT OR COULD THEY?~~ ^{THE FACTS}

IF YOU READ WYOMING GEO NOTES, NO. 12, by Gary Glass, State Geologist, READ BETWEEN THE LINES A LITTLE BIT AND HE PREDICTS THAT WYOMING WILL HAVE A GRADUAL INCREASE IN PRODUCTION UNTIL 1991. YOU WILL COME TO THE SAME CONCLUSION THAT I HAVE AND THAT IS WYOMING IS LOOKING AT MONTANA'S MINNESOTA MARKET.

I DON'T THINK MONTANA WILL EVER BE ABLE TO MATCH WYOMING'S PRODUCTION LEVELS, BUT I WOULD BE HAPPY TO REGAIN SOME OF OUR LOST EXPORT PRODUCTION AND EXPERIENCE A GRADUAL INCREASE. I FEEL HB ~~342~~ ³⁴² COULD DO JUST THAT. FIRST, THE BILL GIVES IMMEDIATE RELIEF TO COMPANIES COMPETING IN THE SPOT MARKET. SECOND, IT PROVIDES INCENTIVE FOR COMPANIES WITH LONG TERM CONTRACTS TO BUY MORE THAN THE MINIMUM CONTRACT AMOUNT. THIRD, IT WILL PROVIDE EXTENSIONS OF OLD LONG TERM CONTRACTS. FOURTH, IT WILL GENERATE REVENUE FOR THE STATE OF MONTANA IN THE BEGINNING YEARS.

TO SUM IT UP LET US USE THE OLD ADAGE "KEEP IT SIMPLE STUPID" AND LET'S PUT OUR HEADS TOGETHER AND MAKE A LAW THAT WILL WORK FOR THE MONTANA COAL MINER AND LET IT BE SIMPLE ENOUGH THAT MINERS CAN UNDERSTAND IT WHEN THE TIME COMES TO REVISE IT AGAIN.

THANK YOU FOR YOUR TIME.

SENATE TAXATION

EXHIBIT NO. 11

DATE 3-17-87

Mr. Chairman and members of the Committee

HB-274-

I am Dan Stanley, a coal miner and ~~President of Save Our State.~~

I am here to speak to you on behalf of the coal miners.

It has come to my attention that it seems the only thing the state is interested in is the revenue that the coal industry has given the state, NOT the jobs it has created or the people that have worked in the mines, giving one of the highest productions per person in the United States.

We have to move more dirt, dig deeper for a shorter coal seam than in all Wyoming.

Let's take a look at the miners. All we are are just people, trying to support our families. We buy from local businesses. We participate in baseball, ~~wrestling~~ wrestling coaches, ~~and in the Deacon Church.~~ And we are taxpayers.

In 1983 the state took \$87 million in severance tax and there was \$153.6 million in state, local and federal taxes taken. The payroll was only \$57.3 million. Mineral costs and service costs being \$37.9 million. It behooves me that when we pay 61.7% in taxes why we are in the coal mining business in Montana today.

^{when}
~~Last time~~ I was up here was during the special session to testify to put a cap on the coal tax trust fund. I could not believe the people that were against the cap just so they could get their hands on some of the coal tax moneys that the people in the mines work for. They did not care when 300 miners were out of work or even if they were going back to work, just as long as they got their piece of the pie.

SENATE TAXATION

EXHIBIT NO. 12

DATE 3-17-87

HB 252

Let me ask how many of you have ever been to a coal mine in Montana, talked to the people who work in the mines or talked to the people who have been laid off--some over a year. Some families have moved away trying to find jobs--some wondering where their next paychecks would come from and how they will feed their families and heat their homes. These are people. ^{through} Their labors that have put \$300 million in the coal permanent trust fund and millions in the general fund, not counting schools, parks, water projects, libraries, and all of the other funding that comes from the severance tax.

We feel that ~~Ford's~~ ^{252 with amendment} House Bill ~~252~~ will satisfy the state in revenue. The bill will also put ~~the~~ miners back to work and with our long-term contracts coming up in the future, maybe we can keep them. And this is the only bill we feel will possibly put the miners back to work immediately.

Thank you.

SENATE TAXATION
EXHIBIT NO. 12
DATE 3-17-87
BILL NO. H.B. 252

my chairman, and members of the
"committed, I am Michelle Stanley,
Student of Frank Bratten Middle
School in Colstrip Montana."

I don't know much about
the house bill 252. But I do
know a little about the coal
severance tax it is 30% in
Montana also it is the highest
in the United State of America.

The bill will reduce
the severance tax and when
people are buying ore coal it
will put fathers back to work.

I know it is hard for a lot
of families in town when
there fathers and many others
are not working and a lot of
families moving out of the
State of Montana looking
for work. Many business in
the area have closed down

which does not help the
economy.

With the poor economy
in Montana today let me
ask you where I am support

SENATE TAXATION

EXHIBIT NO. 13

DATE 3-17-87

BILL NO. HB 252

to work when I grow up
and finish school "in California"
Surely we can do better than
that "I hope" ...
I feel that if we
all work together we can put
Montana back on its feet and
one of the steps is reducing
the severance tax so we
will put some Montanans back
to work and I would like
to thank you for your time.

Thank you ...
I hope ...
I would like ...

SENATE TAXATION
EXHIBIT NO. 13
DATE
BILL NO.

...

TESTIMONY ON HB 252, AS AMENDED
PRESENTED TO SENATE TAXATION COMMITTEE
MARCH 17, 1987
TERESA OLCOTT COHEA, EXECUTIVE ASSISTANT
TO GOVERNOR TED SCHWINDEN

Mr. Chairman and members of the Committee, I appear in opposition to HB252, as amended. Specifically, I appear in opposition to the amendments to lower the tax rate on incremental coal to 5% for the remainder of FY87 and all of FY88 and to 10% in FY89.

As the Committee knows, the Governor is very concerned about the health of one of Montana's leading industries--coal mining. Two years ago, the Governor proposed and the legislature approved the "window of opportunity" credit to test whether a 20% tax rate would increase coal sales. Despite the tight coal market, the credit worked. Montana producers sold nearly a million tons on the spot market and Westmoreland secured a long-term contract for a portion of the coal to be burned in the new SHERCO plant. Both Westmoreland and Western Fuels (the purchaser) said the credit was an important factor in signing this contract.

This session, the Governor has proposed a continuation of the "window of opportunity" credit and the lowering of the tax rate for all coal to 20% by July 1, 1990. These bills are designed to keep Montana coal competitive in today's coal markets and Montana coal miners working.

We oppose lowering the tax rate for incremental coal to 5% and 10% for the following reasons:

1) fiscal impact

The expansion of the definition of incremental coal in HB252 and the lowering of the tax rate increases the fiscal impact by \$2.142 million above that contained in SB307, our proposal. As the committee is aware, the Executive Budget took into account the fiscal impact of dropping the tax rate on base coal from 30% to 25% in FY89 (which is done in both SB307 and HB252). However, the amendments to HB252 substantially expands this fiscal impact.

2) lack of evidence

There is no evidence that 5% is the appropriate tax rate for the next 18 months. In fact, there is substantial evidence that it is not. Six months ago, Westmoreland competed at 20% against Wyoming mines for the SHERCO contract -- and won the contract. In its January 1987 position paper, the Montana Coal Council argued that 15% -- not 5% -- was the rate needed to increase production. Further, in testimony before the House Taxation Committee, the Coal Council said that HB252 prior to amendment would cause 5 million tons of increased production. That increased production should help many of the miners who have been laid off get back to work -- which we all want.

SENATE TAXATION

EXHIBIT NO. 14

DATE 3-17-87

BILL NO. HB252

At 5%, Montana's total effective tax rate (including gross proceeds and RITT tax) would be 8.3%--substantially lower than Wyoming's 13.0% current total effective tax rate. [It's worth noting that the Wyoming legislature recently adjourned leaving Wyoming's statutory coal tax rate at 17%. It won't drop to 15% until 1988].

For these reasons, I urge your opposition to these amendments to HB 252.

SENATE TAXATION
EXHIBIT NO. 14
DATE 3-17-87
BILL NO. H.B. 252

Testimony in opposition
H.B. 252
Senate Taxation Committee

Thomas E. Towe
Montanans for the
Coal Trust

This session is rapidly becoming known as the session that granted the most corporate tax relief--the most in the history of Montana.

- 1) Oil and Gas Severance Tax Holiday.
- 2) 65% reduction in Hard Rock Mining tax.
- 3) \$3.8 million in lost revenue cause by repeal of the Unitary Tax.
- 4) Reduction of property tax on commercial personal property.
- 5) H.B.252

H.B.252 is the granddaddy of them all.

Loss of revenue under H.B.252 over the next 26 years:

- \$1 billion total tax loss.
- \$500 million loss to the Constitutional Trust Fund.
- \$250 million loss to the general fund.
- \$125 million loss to the Economic Development Trust Fund.
- \$121 million loss to education (not counting interest).

I thought there was a \$100 million budget deficit.

Why would we throw away so much revenue in a budget crisis?

We are told it is necessary to preserve jobs in the coal mines.

- There is no hard evidence that it will result in one additional ton of coal mined or one job preserved.
- The "window of opportunity" was supposed to be a test--"Put up or shut up."
- The Coal Tax Oversight Committee found no conclusive evidence that it was the sole determining factor in any new contracts.
- Based on contracts, a good argument could be made that it had no affect. 2 contracts we would have received anyway and one we lost in spite of the "window" rate.

If it is effective, you can be sure Wyoming and North Dakota will soon reduce their tax and we will be right back where we started from.

This bill will lose jobs. It is the biggest job loss bill of the century.

Positive programs for job development are far more effective.

- Economic Development Board had \$10 million of coal trust money to invest. It created or preserved 1361 jobs with the \$10 million.
- With \$125 million loss to the Board under this bill, it would cost us 17,000 jobs over the next 26 years.
- Numerous other jobs could be lost because of inadequate funding of the Alliance of Science and Technology and the Economic Assistance Division of the Department of Commerce.

Authors claim it will result in 5.2 million more tons of coal sold.

- That is pie in the sky.
- But assuming it were true that is only 213 jobs vs 17,000 jobs lost.

There is a much better way.

H.B. 643 deals with the perception that we have a high tax without losing the revenue.

The Raney Bill creates a 2 tier tax. It makes us competitive without losing revenue.

- The first tier is 10% with no deductions--lower than Wyoming's tax.
- The second tier is a "net" proceeds tax--it would only be paid if the coal mining company made a big profit.

SENATE TAXATION

EXHIBIT NO. 15

DATE 3-17-87

BILL NO. HB 252