

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 4, 1977

The eighteenth meeting of the Taxation Committee was called to order in Room 415 of the State Capitol Building on the above date by Chairman Mathers at 8:00 a.m.

ROLL CALL: Roll call found all of the members present.

The following witnesses were present:

Zack Stevens	Farm Bureau
Steve Turkiewicz	Mont. Assoc. of Counties
Steve Elliot	Wesco Resources
Ward Shanahan	Dreyer Bros. Inc.
Rich Weddle	DCA Planning
Rod Wilson	Blgs. Chamb. of Commerce
Pat Smith	Northern Plains Res. Council
Jim Mockler	Mont. Coal Council
Jim Burnett	Self
Norris Nichols	Dept. of Rev.
John Clark	"
Tom Windsor	Mont. Chamber of Comm.
Harrison Fagg	Rep., Dist. 63
Dan Mizner	Mont. League C. & Towns

CONSIDERATION OF SENATE BILL 181: Mr. Nichols was introduced to explain the bill which was sponsored by Sen. Mathers. He said the bill had been written to exempt 'non-commercial vehicles' from paying a diesel fuel license and to give such vehicles a courtesy permit for a 90-day period. He said there were numerous church-sponsored groups, civic groups, etc., considered non-profit organizations, who wished to spend a number of days in the state and this bill would allow them such a permit. He said the groups brought money into the state through motel, hotel use and felt the courtesy was fair.

The Chairman called for other proponents of the bill and as there were none, asked for opponents. Following this the committee asked several questions of Mr. Nichols. The term 'non-commercial' vehicles was discussed and Roger Tippy was instructed to consider the rewording of the description of the vehicles. Following this, the hearing was concluded on SB181.

CONSIDERATION OF SENATE BILL 212: Sen. Towe said his bill increases the severance tax on lignite coal over 7,000 BTU, from the present 20% to 30%. All such coal that is strip-mined would be taxed at 30% of the value. He distributed Exh. #1, attached, to illustrate the BTU of coal in state mines and showed that his bill would affect only the Knife River mine at Savage. He also distributed Exh. #2, which showed price per ton, average, being paid for coal in the state in the last 3 years, and compared the price MDU is paying for Knife River coal, showing it to be lower

than that paid at other mines. He said the price paid by MDU to Knife River was paid to a 'captive audience' and said he saw no reason why the coal should not be on competitive basis as is other coal mined in the state. He also referred to a tax booklet published in North Dakota, introduced as Exh. #3, attached.

Chairman Mathers asked for other proponents of the bill and Mr. Smith said his group is concerned about Eastern Montana since costs of development have been met by the residents of the area. Property owners there have picked up a large part of the cost of the impact and he felt that the 30% is not excessive.

The Chairman then called for other proponents of the bill and there being none, permitted the opponents of the bill to speak. Mr. Hooks said that the Knife River Coal Co. had been in business long before others of the large coal companies in the state and the impact, if any, had long since been paid for. He distributed Exh. #7, attached. He further stated that his company mines relatively small amount of coal, perhaps 300,000 tons per year, and their operation must be considered small. He said also that the smaller the operation the greater their costs in extracting the coal. He continued saying their reclamation costs of leveling and seeding was very high per acre and felt these costs too should be considered when a raise in severance tax is contemplated. Following his testimony Mr. Shanahan addressed the group and said that although the tax would not apply to his company, he thought that the benefits of coal mining in the state should be looked at as well as the negative side, such as the impact to the areas near the mines.

Sen. Thiessen of Dist. 27, whose senatorial district is near the Knife River mine, spoke about the benefits the company had brought to the town of Savage and surrounding area, the people who had been put to work in the mine, the \$300,000 payroll that financially benefited the area. Mr. Mockler said lignite coal cannot be shipped a great distance and still be economically profitable for the companies, thus its consumption within the state, in this case at the station near Sidney, was most practical for the purchaser. Mr. Elliott spoke also in opposition, supporting the previous testimony.

The Chairman called for other opponents and their statements and then permitted closing by Sen. Towe. He introduced Exh. #4, attached, and said he had no intention of causing economic hardship, as he felt that even with the 30% severance tax, Knife River would continue mining coal at their present location.

Following his closing, the Chairman said that due to lack of additional time it would be necessary to further discuss the bill in executive session of the committee. There were a number of questions the committee wished to ask.


CONSIDERATION OF SENATE BILL 74: Sen. Story said the purpose of his bill is to repeal the Montana Economic Land Development Act. He said he wanted it repealed in its entirety as there are many problems with it, its mechanics, its philosophies. He

said there is another bill in the House as well, HB630, but asked the Senate to repeal MELDA. Mr. Groff of the Department was also present and was in support of the repealer, saying there is a committee that is making a study of the bill and perhaps from this study some of the good points in the bill could be legislated and he hoped that action might be deferred until the study group could present their report. However, he stated there were numerous problems for the Department in MELDA. Mr. Burnett stated he favored repeal of the bill and reiterated what Sen. Story had to say. Mr. Turkiewicz also gave his support of the bill and presented Exh. #5, attached. Mr. Weddle said he too supported the repeal and presented some testimony, Exh. #6, attached.

The Chairman then called for opponents to the repeal and the bill's author, Rep. Fagg, spoke first, giving a brief history of the bill. He said he had presented his bill to many individuals and groups throughout the state and although they agreed that the basic principle was sound and progressive, he admitted there were problems in implementing. He cited a number of examples of individuals and/or firms who had tentative plans for construction in the state and were awaiting the outcome of MELDA before finalizing their plans. He therefore thought the incentives contained in his act were conducive to progress and hoped that the committee would wait for the new bill, HB630, which had resulted from a re-vamping of his original bill. He stated that he had cooperated with the Dept. of Rev. and DCA and attempted to draw up a more workable piece of legislation from his bill. Other proponents who asked the committee to await the results of the study committee and too, to see the new bill, were Mr. Mizner, Mr. Stephens, Mr. Windsor, Mr. Tawney and Mr. Wilson.

Time did not permit further discussion of the bill and the meeting was adjourned.

ADJOURN: Sen. Goodover moved the meeting adjourn, seconded by Sen. Turnage, and motion carried.


WILLIAM MATHERS

CHAIRMAN

SENATE TAXATION COMMITTEE

Sen. BILL 74, 181, 212

VISITORS' REGISTER

DATE 2/4/77

Please note bill no.

NAME	REPRESENTING	BILL #	(check one)	
			SUPPORT	OPPOS.
Zack Stevens	Farm Bureau	74		✓
STEVE TURKIEWICZ	Mt. Assoc of Counties	74	✓	
Steve ELLIOT	Wesco Resources	212		✓
WARD SHANAHAN	DREYER BROS. INC	212		✓
Rich Weddle	DCA / Planning	74	✓	
Red Wilson	BILLINGS CHAMBER OF COMMERCE	74		✓
PAT Smith	Northwest Plains Resource Council	212	✓	
Jim Meckler	Montana Coal Council	212		
Jim Burnett	myself	74		
Morris Meckler	Dept of Power	181		
Tom Wilson	Montana Chamber	212		✓
" "	" "	74		✓
" "	" "	74		
HARRISON FARR	REP. DIST - 63	74		✓
Paul Myzner	Mont League of W	74		✓

Coal #1

Table 1:

MONTANA BUREAU OF MINES AND GEOLOGY

Strippable subbituminous and lignite coal fields, eastern Montana

No. on map	Name of field	Coal bed	Est. reserves in millions of tons	Acreage	Average tons/acre	Ash ¹	Sulfur ¹	Btu ¹
1	Decker	Anderson-Dietz 1&2	2,239.99	25,523	87,763	4.0	.40	9,652
2	Deer Creek	Anderson-Dietz 1&2	495.65	14,214	35,397	4.0	.50	9,282
3	Roland	Roland	218.04	12,076	18,055	9.2	.74	8,164
4	Squirrel	Roland	133.41	6,208	21,490	5.5	.29	7,723
5	Kirby	Anderson	216.52	5,655	38,285	4.2	.32	8,328
		Wall	473.69	5,952	79,579			
		Dietz	834.35	17,516	47,630	5.8	.59	8,509
		Canyon	158.53	4,066	38,983	5.8	.24	8,789
6	Canyon	Wall	1,884.25	23,859	78,974	4.6	.30	9,088
		Brewster-Arnold	65.86	2,067	31,859	7.5	.40	8,444
7	Birney	Brewster-Arnold	180.55	6,969	25,905	5.1	.41	9,055
8	Poker Jim Lookout	Anderson-Dietz	872.65	19,609	44,501	5.2	.37	7,925
9	Hanging Woman Cr.	Anderson	1,583.29	30,547	51,830	4.9	.29	8,496
		Dietz	1,120.96	43,654	25,678	5.5	.33	8,078
10	West Moorhead	Anderson	883.74	19,660	44,949	5.3	.36	8,296
		Dietz	397.49	20,416	19,469	4.1	.41	7,990
		Canyon	690.19	22,547	30,611	5.6	.45	8,055
11	Poker Jim O'Dell	Knobloch	373.29	7,890	47,311	5.1	.22	8,846
		Knobloch	564.78	7,187	78,581			
12	Otter Creek	Knobloch	2,075.55	25,791	80,475	4.7	.36	8,468
13	Ashland	Knobloch	2,696.20	27,200	99,125	4.8	.15	8,421
		Sawyer A & C	357.49	20,262	17,643	4.9	.49	7,883
14	Colstrip	Rosebud	1,439.26	33,379	43,118	9.5	.12	8,836
15	Pumpkin Creek	Sawyer	2,426.50	45,695	53,102	7.5	.34	7,438
16	Foster Creek	Knobloch	708.13	27,801	25,470	7.8	.76	7,573
		Terret	460.87	27,462	16,782	5.8	.21	7,770
		Flowers-Goodale	258.90	14,444	17,924	7.8	.51	7,553
17	Broadus	Broadus	739.82	18,429	40,142	7.2	.27	7,437
18	East Moorhead	T	525.21	15,559	33,756	6.2	.57	7,120
19	Diamond Butte	Canyon	418.02	21,363	19,566	4.8	.43	7,330
20	Goodspeed Butte	Cook	628.95	13,446	46,775	10.6	1.63	6,771
21	Fue Gulch	Pawnee & Cook	336.69	8,486	39,674	3.8	.33	7,739
22	Sweeney-Snyder	Terret	326.33	10,921	29,880	9.1	.11	8,175
23	Yager Butte	Elk & Dunning	1,175.86	26,924	43,673	4.8	.33	7,646
		Cook	312.02	14,507	21,507	6.7	.63	7,254
24	Threemile Buttes	Canyon & Ferry	225.40	13,836	16,289	5.5	.94	6,867
25	Sonnette	Pawnee	320.25	8,224	38,940	9.8	.88	6,964
		Cook	362.98	10,470	34,668	8.1	1.23	6,891
26	Home Creek Butte	Canyon & Ferry	217.21	4,851	44,774			
27	Little Pumpkin Creek	Sawyer A&C, D, X, & E	215.83	8,534	25,290			
28	Sand Creek	Knobloch	267.34	5,952	44,915	6.6	.30	7,340
29	Beaver-Liscom	Flowers-Goodale & Terret	135.87	8,851	15,350	8.1	.96	8,102
		Knobloch	491.62	17,075	28,791	7.7	.50	8,027
30	Greenleaf-Miller Creek	Rosebud, Knobloch, and Sawyer	453.71	14,918	30,413	7.5	.71	8,422
31	Pine Hills	Dominy	193.87	6,022	32,191	7.2	.53	7,293
32	Knowlton	Dominy (M & L)	747.51	19,613	38,112	7.1	.41	6,710
		Dominy (U)	120.31	4,448	27,048	5.6	.38	6,645
33	Sarpy Creek	Rosebud-McKay	1,500.00	42,373	35,400	6.5	.50	8,600
34	Cheyenne Meadows	Knobloch	1,200.00	13,560	88,500	4.1	.40	8,400
35	Little Wolf	Rosebud-McKay	314.00	7,411	42,370			
36	Jeans Fork		90.00	3,800	23,685			
	Wolf Mountains		1,922.00	31,000	62,000			
	Lame Jones	Dominy	150.00	10,593	14,160			6,020
39	Lamesteer	Harmon(?)	35.00	1,978	17,700			6,332
40	Wibaux	C	643.00	18,518	34,720	7.9	.90	6,050
41	Little Beaver	C	134.00	8,445	15,865			
42	Four Buttes	C	91.00	5,180	17,570			6,140

MONTANA BUREAU OF MINES AND GEOLOGY

Strippable subbituminous and lignite coal fields, eastern Montana

No. on map	Name of field	Coal bed	Est. reserves in millions of tons	Acreage	Average tons/acre	Ash ¹	Sulfur ¹	Btu. ¹
45	Smith Dry Creek	G	150.00	8,475	17,700			
46	O'Brian Alkali Creek		150.00	8,475	17,700			
47	Breezy Flat	Pust	200.00	7,062	30,090	6.7	.50	6,660
48	Burns Creek	Pust	200.00	7,062	30,090			
49	N.E. Thirteen Mile Creek	Pust	225.00	5,085	44,250			6,880
50	Fox Lake	Pust	46.00	2,166	21,240			6,880
51	Lane	Lane	561.00	44,582	12,390			7,150
52	Carroll	Carroll	345.00	29,780	11,584	5.5	.30	7,400
53	Redwater River	S	642.00	24,181	26,550	6.1	.40	7,400
54	Weldon-Timber Creek	S	724.00	25,565	28,320			7,660
55	Fort Kipp	Ft. Kipp-Ft. Peck	331.00	14,500	22,830	4.6	.20	6,110
56	Lanark	Lanark	100.00	3,531	12,390	6.3	.40	6,853
57	Medicine Lake		58.00	3,740	15,510	7.2	1.00	6,370
58	Reserve		246.00	18,231	13,495	7.6	.40	6,599
59	Coal Ridge	Coal Ridge	150.00	19,200	17,700	7.5	.40	5,830
60	Carpenter Creek	Carpenter	50.00	3,211	14,015	6.5	.40	9,270
61	Charter	Mainmoth	60.00	3,210	17,700	6.0	.90	10,190
62	Little Sheep Mtn.	A&C	<u>200.00</u>	<u>10,272</u>	19,470			
		TOTAL	42,561.93	1,152,640				

¹"As received" basis (where more than one sample available, figures given are average figures).

By Robert F. Matson

COAL
AVERAGE PRICE PER TON

Exp #2

	<u>WESTMORLAND</u>	<u>DECKER</u>	<u>PEABODY</u>	<u>WESTERN ENERGY</u>	<u>KNIFE RIVER</u>
1973	--	3.91	--	2.01	2.58
1974	--	4.55	2.51	3.30	4.10
1975	5.23	5.88	2.63	4.25	5.02
1976 (Jan.-Sept.)	5.98	5.92	3.11	4.78	6.30

*1975 and 1976 figures have not yet been audited by the Department of Revenue. In addition, these prices are unreduced by taxes which are deductible for computation of severance taxes and gross proceeds.

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This report is a summary of a Severance Tax proposal that was prepared by a task force comprised of representatives from the Executive and Legislative Branches of State Government, the Rural Electric Coops, the Farmers Union, the 12 County Survival Group, the United Plainsmen, the AFL-CIO, the School Boards, County Commissioners and Mayors and other varied interests.

A PROGRAM FOR A

33 $\frac{1}{3}$ %

COAL SEVERANCE TAX

IN NORTH DAKOTA

Planning for North Dakota's Future



Exh. # 4

The Wibaux Area Council, which is comprised of ranchers, farmers and townspeople, would like to express strong support of Senate Bill 212. Over 80,000 acres in Wibaux County has been leased by private industry for coal mining. More than 53,000 acres have been nominated for leasing under the Bureau of Land Management EMARS program. All of the coal in this area is lignite. Some coal in Montana is already taxed at a rate of 30 per cent. It makes no sense to tax some at one rate and some at another.

When the original 30 per cent severance tax was proposed, opponents claimed that if it were passed it would discourage strip mining altogether because it was so high. This has not proven to be the case since more coal was mined this last year in Montana than ever before.

It makes no difference whether you favor coal development. It simply boils down to whether or not the coal industry is going to pay its way. The mining of lignite will bring as many problems and expenses as the mining of subbituminous coal and should be taxed at the same rate.

Again, let us say that we strongly urge the passage of SB 212.

STATEMENT BY THE WIBAUX AREA COUNCIL, TOM WEIR, CHAIRMAN

Dictated to Vicki Johnson, aide to Senator Tom Towe

MIA 60

MONTANA ASSOCIATION OF COUNTIES

1802 ELEVENTH AVE. HELENA, MONTANA 59601 (406) 442-5209

SENATE BILL 74
FEBRUARY 4, 1977

STEPHEN TURKIEWICZ

Exh. #5

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

WE SUPPORT SB 74, THE REPEAL OF THE MONTANA ECONOMIC LAND DEVELOPMENT ACT. ALTHOUGH SEVERAL OF THE CONCEPTS EMBODIED IN MELDA HAVE MERIT, THE ASSOCIATION OF COUNTIES FEELS THAT ITS PRESENT FORM HAS ONLY COMPOUNDED THE CONFUSION TO THE EXISTING FRAGMENTED PATCHWORK OF LAWS RELATING TO LAND USE PLANNING.

RATHER THAN CONTINUE THE PATTERN OF THE BAND AID APPROACH TO LAND USE PLANNING, WE URGE YOUR SUPPORT OF SB 74. AND, FURTHER RECOMMEND THAT THE LEGISLATURE ENGAGE THE MACHINERY TO BEGIN THE REVIEW OF ALL THE MANY LAWS ON LAND USE PLANNING. SO THAT IN THE NEAR FUTURE, COUNTIES WILL HAVE THE COMPREHENSIVE TOOLS TO PERMIT AND ENCOURAGE EFFECTIVE LAND USE PLANNING, PERMISSIVELY INITIATED AT THE COUNTY LEVEL BY ELECTED COUNTY OFFICIALS.

THANK YOU.

THE MONTANA ECONOMIC LAND DEVELOPMENT ACT

Exhibit #6

An analysis by the

MONTANA DEPARTMENT OF COMMUNITY AFFAIRS

HELENA, MONTANA

Judith H. Carlson, Director

Harold M. Price, Administrator
Planning Division

Jim E. Richard, Chief
Local Planning Services Bureau

Richard M. Weddle
Land Use Attorney

Encl. # 7

Senator Mathers:

Enclosed is the schedule I discussed Friday morning regarding SB 212:

Reported contract price per ton from severance returns for first three quarters by company. (Dept. of Revenue)

	<u>Quarter Ending 3/3/76</u>	<u>6/30/76</u>	<u>9/30/76</u>
Decker	\$5.439	\$5.629	\$5.123
Knife River	\$4.758	\$5.083	\$5.091
Peabody	\$3.05065	\$2.869	\$3.00864
W. Energy	\$3.484	\$3.553	\$3.56
Westmoreland	\$4.52	\$4.33782	\$4.30

Respectfully submitted:

/s/ Patrick F. Hooks
Knife River Coal Mining Company