

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 4, 1981

The nineteenth meeting of the committee was called to order at 8:05 a.m., Chairman Pat Goodover presiding, in room 415 of the State Capitol Building.

ROLL CALL: All members were present except for Senator Bob Brown.

CONSIDERATION OF SENATE BILL 208:

"AN ACT TO AUTHORIZE THE COAL BOARD TO CONSIDER APPLICATIONS FOR LOANS FROM THE LOCAL IMPACT AND EDUCATION TRUST FUND ACCOUNT; AMENDING SECTIONS 90-6-205, 90-6-206, AND 90-6-208, MCA."

Sen. Towe said this bill would grant the coal board loan authority. They now have authority to make grants. A new section on page 4 requests that the loan not exceed 40 years, that the board hold all contracts within its office, and that contracts cannot be reassigned or pledged in another market. Local government units must use or commit loan money within a year. In Sec. 5, the board "may" require the pledge of mill levy revenues sufficient to guarantee repayment of the loan as a condition of the board making the loan. He said this would increase flexibility of the Coal Board. Sen. Towe called on Paul Palm, Montana Coal Board. Mr. Palm's statement is incorporated herein as Attachment #1.

Dale Tash, Montana Coal Board, felt this bill would help impact, especially in "fringe areas" where criteria prevent an outright grant.

Mr. Jim Mockler, Montana Coal Council, said the bill allows some leverage on the coal funds.

OPPONENTS: Pat Wilson, MONTCO, said they felt the bill calls for cities and towns to indebt themselves for 40 years and places the coal company in a peculiar situation as they pay severance tax and part goes into the community. If loans made available must be paid back within 40 years and those funds are acquired from property tax, the company will be paying the loan back. She asked that limitations not be placed on loan funds.

Sen. Towe closed saying that the purpose of the bill is to give more flexibility and assist communities. He referred to a brochure, Attachment #2, showing what the Coal Board has done in terms showing the amount of money awarded, amount denied, amount reduced, and amount requiring a local match. He said this bill will supplement that list, because there may be some that aren't entitled to a grant because of mill levies. The hearing was closed on Senate Bill 208.

CONSIDERATION OF SENATE BILL 207:

"AN ACT TO ESTABLISH A METHOD TO DETERMINE COAL DEVELOPMENT IMPACT COSTS TO LOCAL GOVERNMENT UNITS AND TO FIX THE MAXIMUM APPROPRIATION AVAILABLE FOR SUCH COSTS FROM THE CONSTITUTIONAL TRUST INCOME EARNINGS."

Sen. Towe said this is the formula bill designed to cover situations where existing money is not enough for impact. If one of the synfuel applicants started one plant it could bring in 25,000 people and require governmental assistance at the rate of \$8,800 per person. Sen. Towe said his original request was to take money needed out of the income of the coal tax trust fund, but revenue committee changed that and requested it be taken out of the principle. This bill will require a 3/4 vote in both houses of the legislature. Computations to determine whether money is needed for an impact area are on Attachment #3. He felt the formula bill would not only help by providing money needed by a great influx of people but would help the coal tax position in Congress. It would show Congress, if they are serious about synfuel plants, that we will need the coal money we have to take care of that.

PROPOSERS: Tom Harrison, representing Montana Association of Coal, Gas, and Oil Producing Counties, and Senator Dorothy Eck.

OPPOSERS: Jim Mockler, Executive Director Montana Coal Council. Pat Wilson, MONTCO.

There were no further proponents or opposers and questions were called for from the committee.

Sen. Crippen asked Sen. Towe if he was prepared for handling the precedent that going into the trust fund might establish. Sen. Towe said he felt that if ever there were a reason for going into it, this would be it.

CONSIDERATION OF SENATE BILL 206:

"AN ACT TO REVISE THE UNDERGROUND MINING COAL SEVERANCE TAX RATE; AMENDING SECTION 15-35-103, MCA."

Senator Towe said this bill doesn't relate directly to the coal board or coal impact funds. He said while the tax for surface mining of coal is 30% on a base that doesn't include state, local, or federal taxes, there is a different figure for the underground mining of coal--4%, rather than 30%. The underground rate was always ignored when dealing with severance rate for surface coal. He felt Montana was several years away from being faced with underground mining, but that to be fair the tax rate should be set so that those coming in would know what to expect. Senator Towe passed out a paper setting out underground vs. surface mining costs, Attachment #4.

OPPOSERS: Jim Mockler asked that the tax not be so high as to discourage underground mining in the state. He disagreed with the figures and the logic of Sen. Towe's argument.

Bill Robinson, Western Energy, Attachment #5
Pat Wilson, MONTA

Sen. Towe closed by saying he would hope that all bills dealing with this matter could be read together as he agreed 8 3/4% wasn't enough for all needs. He thought that when the existing law was read along with this bill there would be enough information for an adequate determination of monies.

Sen. Steve Brown wondered if ROC would consider the constitutionality of making distinctions within a class. He questioned Sen. Towe's statement that coal is a class. He felt if mining is done underground it can be taxed at a certain rate and if above ground at a certain rate. He suggested looking up a law regarding dredging.

Sen. Severson commented that we have very little coal being mined underground and with imposition of the suggested rate it looked as though we never would have. Sen. Severson said one of the places he thought of was Roundup where there would be a positive impact from underground mining. He felt the legislature is addressing the problem of encouraging business.

Sen. Crippen suggested that if we had a policy to encourage mining of coal in Montana wouldn't we be better able to approach taxation on a gradual basis. We could always increase tax on underground mining, but he felt if we started too high we might be closing the door before we wanted to.

Sen. Towe wondered what our objective should be. Should people be asked to come in even though it costs the state money or should we say they should consider impacts as a part of doing business.

At Senator Eck's suggestion that philosophy be saved for an executive session, the hearing was closed on Senate Bill 206.

DISPOSITION OF SENATE BILL 30:

Senator McCallum moved that Senate Bill 30 be passed; this is the 10% surtax repealer. He said the Governor has come out with his program and since it is in the mill this bill should go also so both can be worked on at the same time.

A motion was made to amend dates in the bill. The amendments passed by unanimous vote.


Senator McCallum moved that the bill be given a DO PASS, AS AMENDED. The motion passed 11-2, Senators Towe and Norman dissenting.

Sen. Goodover announced, for the benefit of those sitting in and concerned with the license bill, that a subcommittee had been requested to discuss potential approaches to the liquor revenue bills to see

February 4, 1981

if they could come up with anything that would get committee approval, the idea being a committee bill would have to be adopted. He said there would be no action unless the committee decided they wanted to pursue it, but that if there is a committee bill it would be published for hearing.

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



PAT M. GOODOVER, CHAIRMAN

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 2/04/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE Feb. 4, 1981

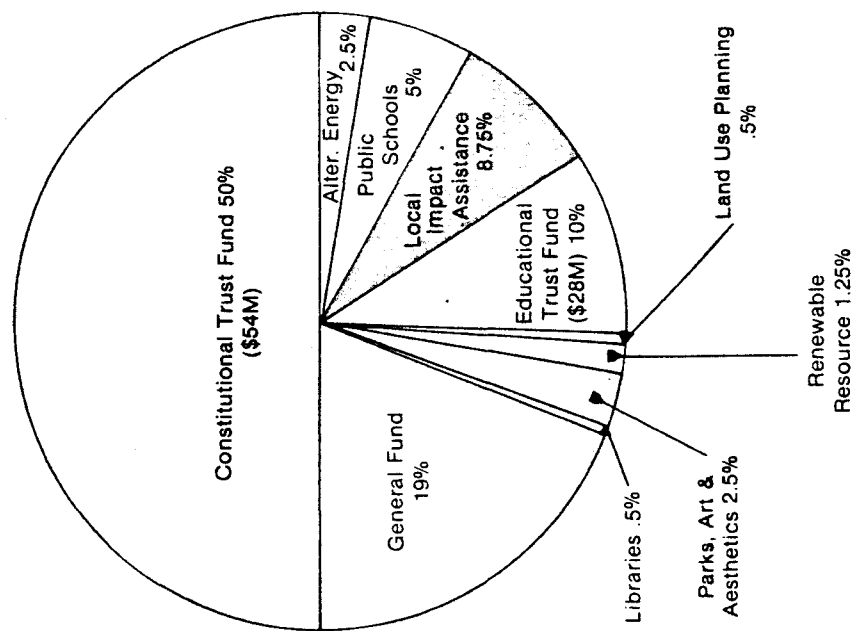
COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME	REPRESENTING	Senate BILLS#	Check One					
			Support			Oppose		
			206	207	208	206	207	208
Mike Zimmerman	NWPC	206						✓
William J. Polunson	Western Energy Co.	206						✓
David M. ...	Mont. Coal Council	206, 207 208		✓		✓	✓	✓
W. Wilson	Montco	206, 207 208					✓	✓
Pat. I. Palm	Montana Coal Board	208		✓				
Barbara Strickler	League of Women Voters	206, 207 208						
Christie	Office of Public Instruction	208						
Jim Mcomber	MEA	207 208						
John ...	Mont. Council on ...							
Jim Nelson	Leg. Audit Office	206, 208						
John ...	Northwest Power Project Council							
Jerry ...	D. ...							

(Please leave prepared statement with Secretary)

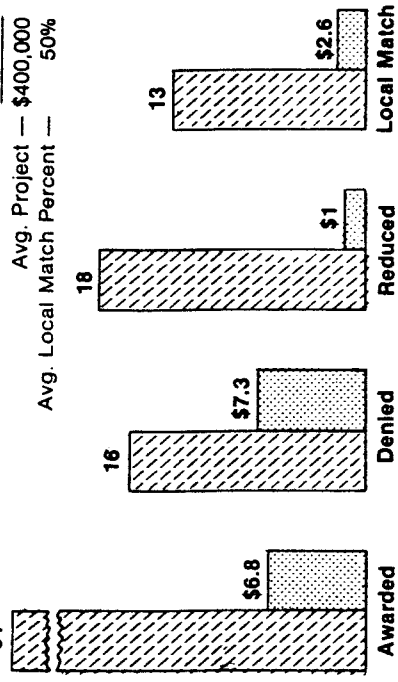
Montana's Severance Tax Distribution Formula



Summary of Col. Board Activity By Eligible Governmental Unit

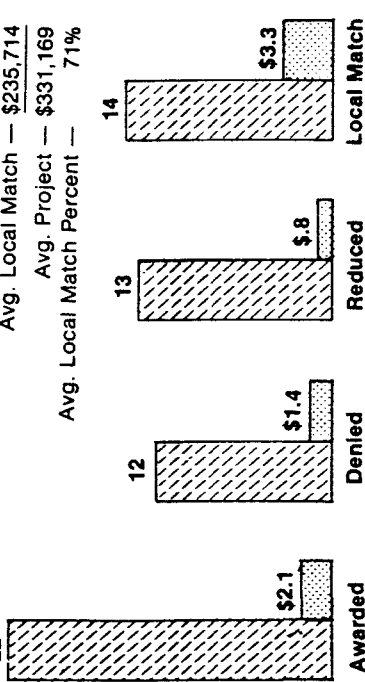
Through Dec. 1980 - In Millions of Dollars

CITIES
34
Avg. Grant — \$200,000
Avg. Local Match — \$200,000
Avg. Project — \$400,000
Avg. Local Match Percent — 50%



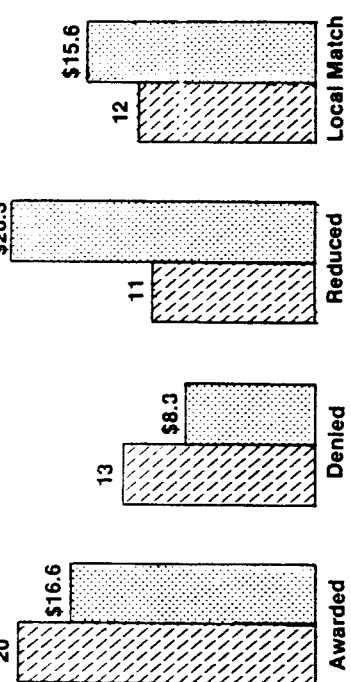
COUNTIES

22
Avg. Grant — \$95,455
Avg. Local Match — \$235,714
Avg. Project — \$331,169
Avg. Local Match Percent — 71%



SCHOOL DISTRICTS

20
Avg. Grant — \$830,000
Avg. Local Match — \$1,300,000
Avg. Project — \$2,130,000
Avg. Local Match Percent — 61%



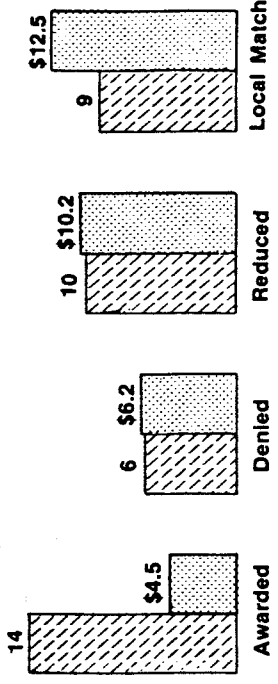
Severance Tax Income Projections*

	FY 81	FY 82	FY 83
Total	\$80,251,710	106,565,070	\$129,376,980
Const. Trust 50%	40,125,855	53,282,535	64,688,490
Gen. Fund 19%	15,247,825	20,247,363	24,581,626
Local Impact 8.75%	7,022,025	9,324,444	11,320,436
Pub. Trust 10%	8,025,171	10,656,507	12,937,698
Pub. Schools 5%	4,012,586	5,328,254	6,468,849
Alter. Energy 2.5%	2,006,293	2,664,127	3,234,425
Ren. Res. 1.25%	1,003,146	1,332,063	1,617,212
Parks 2.5%	2,006,293	2,664,127	3,234,425
Planning 0.5%	401,259	532,825	646,885
Libraries .5%	401,259	532,825	646,885

*Source: Office Budget Program Planning.

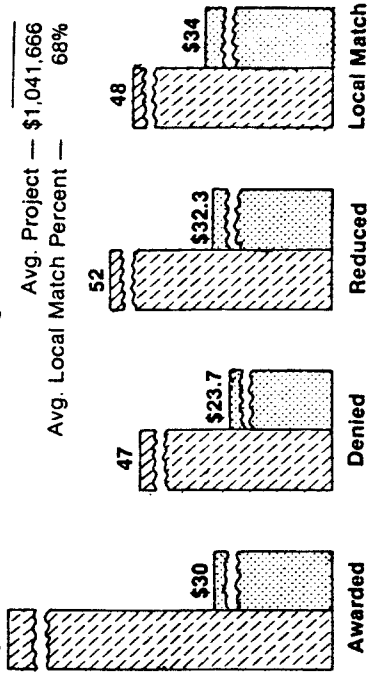
SPECIAL DISTRICTS & STATE AGENCIES

Avg. Grant — \$321,429
Avg. Local Match — \$1,388,888
Avg. Project — \$1,710,317
Avg. Local Match Percent — 81%



TOTALS

90
Avg. Grant — \$333,333
Avg. Local Match — \$708,333
Avg. Project — \$1,041,666
Avg. Local Match Percent — 68%



Local Impact Assistance Funds*

Dec. - 1980
Collected \$32,176,808
Earned Interest 1,643,000
Grants to Local Government 30,048,959
Reversion to Ed. Trust Fund 2,966,829

Educational Trust Fund

Balance \$28,190,172
Earned Interest 3,237,606
To Office of Pub. Instruction 2,596,445
To Board of Regents 865,509
*Source — Dept. of Community Affairs/Centralized Services

STANDING COMMITTEE REPORT

February 4

19⁸¹

MR. President

We, your committee on Taxation

having had under consideration Senate Bill No. 30

Respectfully report as follows: That Senate Bill No. 30
be amended, as follows:

1. Page 3, line 25
Following: "January 1,"
Strike: "1982"
Insert: "1981"
2. Page 4, line 1
Following: "December 31,"
Strike: "1981"
Insert: "1980"

And, as so amended,

DO PASS

JRF

.....
Senator Pat M. Goodover
.....
Chairman.

SENATE COMMITTEE TAXATION

Date Feb, 4, 1981 Bill No. SB 30 Time 9:40 a.m.

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	<i>absent</i>	
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT	✓	
SEN. HAGER	✓	
SEN. HEALY	✓	
SEN. MANLEY	✓	
SEN. NORMAN		✓
SEN. OCHSNER	✓	
SEN. SEVERSON	✓	
SEN. TOWE		✓
SEN. GOODOVER (CHAIRMAN)	✓	
	11	2

Betty Dean
Secretary

Pat M. Goodover
Chairman

Motion: That SB 30 be passed, as amended.

(include enough information on motion--put with yellow copy of committee report.)

Rationale for S.B. 208 - Authorizing the Coal Board to make loans from the local impact trust fund account.

Within the enabling legislation creating the Montana Coal Board, to assist local governmental units which have been required to expand the provision of public services as a consequence of large scale development of coal mines and coal using energy complexes, the mechanism was established to give grants to such agencies. The enabling legislation did not mention the ability to loan money to such agencies, but it did not exclude by statute, the loan concepts.

During the early years of coal mining operations, the coal impacted communities desperately needed the grants provided by the Coal Board.

More recently, because of the taxation mechanism and because the grants awarded by the Coal Board seemed to particularly satisfy some of the most urgent and obvious needs, the Coal Board has been wrestling with

- (1) more applications dealing with indirect impact
- (2) government entities with increased taxable valuation
- (3) conflicts in population growth expectations
- (4) Yearly mill levy variations
- (5) grant requests for more social types of programs and projects.

With the passage of Senate Bill 208, the Loan Program would address the following areas:

BETTER UTILIZATION OF IMPACT AID FUNDS

Senate Bill 208:

- (1) would provide an option to the established grant program to provide a more complete impact aid program.
- (2) would be able to provide better interagency involvement to better utilize Federal impact money.
- (3) would provide a better method of dealing with "indirect" impact on

neighboring communities.

- (4) would serve to streamline Coal Board time and staff efficiency in dealing with yearly bond relief requests.

MORE LOCAL ASSISTANCE AND RESPONSIBILITY

Senate Bill 208:

- (1) would provide an option to local government units when:
 - (A) mill levies are not equal to the average mill levy as defined by the Coal Boards Local Assessment System.
 - (B) mill levies are above the average mill levy but the population is down.
 - (C) there is no history of bonded indebtedness.
 - (D) when mill levies are low and taxable valuation is high because of other types of industry.
- (2) would provide a better way of handling cost over-runs on construction projects.

LOWERING OF PROPERTY TAX

Senate Bill 208:

- (1) would provide for less bonding necessity on local tax payers.
- (2) would distribute local assistance over a longer period of time.

BETTER UTILIZATION OF AID FOR PLANNING OF POTENTIAL IMPACT

Senate Bill 208:

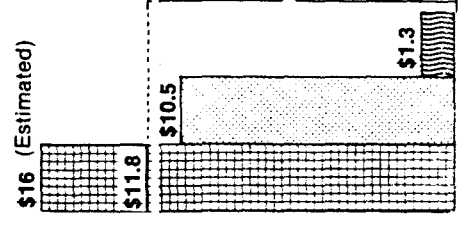
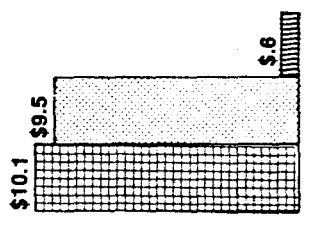
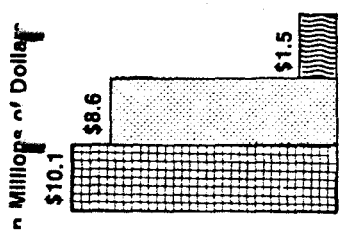
- (1) could provide immediate assistance to areas that have not been able to plan for specific types of impacts.
- (2) would provide an option in dealing with special improvement districts and local developers in potential impacts areas.

Local Impact Assistance GRANT PROGRAM 1975 - 1980

Purpose:
"To Assist Local Governmental Units Which Have Been Required to Expand the Provision of Public Services as a Consequence of Large Scale Development of Coal Mines and Coal Using Energy Complexes - 90-6-201 MCA."

Administered By
The Montana Coal Board

COLSTRIP ELEMENTARY SCHOOL	961,734.08
COLSTRIP SCHOOL EQUIPMENT	93,969.97
COLSTRIP HIGH SCHOOL	586,580.00
ASHLAND ELEMENTARY SCHOOL	800,000.00
ROSEBUD SCHOOL DISTRICT	465,000.00
ROSEBUD COUNTY PLANNING	32,000.00
FORSYTH ELEMENTARY SCHOOL	2,449,428.81
FORSYTH HIGH SCHOOL	27,000.00
FORSYTH WATER TREATMENT	615,000.00
FORSYTH WASTEWATER PUMP	150,000.00
FORSYTH SEWAGE TREATMENT	25,000.00
COLSTRIP SEWAGE TREATMENT	538,000.00
ASHLAND WATER & SEWER	71,080.00
ROSEBUD COUNTY JAIL	100,000.00
HARDIN SEWER & LAGOON	266,475.00
HARDIN CAPITAL EQUIPMENT	128,154.76
LODGE GRASS CAPITAL EQUIPMENT	125,250.00
HYSHAM WATER DISTRIBUTION	388,440.00
16TH JUDICIAL DISTRICT	24,829.23
LODGE GRASS WATER LINE	171,556.18
FORSYTH CAPITAL EQUIPMENT	154,682.53
HARDIN ELEMENTARY SCHOOL	2,041,647.99
HARDIN HIGH SCHOOL	1,167,999.99
TREASURE CO. HEALTH NURSE	9,355.00
SAGEBRUSH LIBRARY	51,272.00
MILES COMMUNITY COLLEGE	1,526,455.52
COLSTRIP STREET CLEANER	82,102.56
COLSTRIP WATER TREATMENT	656,600.00
DAWSON COUNTY CENSUS	11,108.34
MCCONE COUNTY PLANNING	42,000.00
HARDIN WATER SYSTEM	260,900.00
HARDIN SEWER TRUNK MAIN	816,978.55
LAUREL PUBLIC SCHOOLS	228,825.00
HYSHAM SEWER SYSTEM	56,360.00
LAUREL WATER TREATMENT	583,772.00
FORSYTH MUNICIPAL WATER	61,331.71
FORSYTH CAPITAL EQUIPMENT	44,273.06
COLSTRIP ELEM. SCHOOL EQUIP.	38,544.70
ROSEBUD COUNTY SEWER	49,400.00
TREASURE CO. PATROL CAR	6,867.31
ASHLAND VOLUNTEER FIRE DEPT.	44,741.00
LODGE GRASS CAPITAL EQUIPMENT	60,619.95
FORSYTH SOLID WASTE	203,834.50
TRI-COUNTY SOLID WASTE PLANT	289,859.56
BIG HORN COUNTY COURTHOUSE	416,000.00
HYSHAM CAPITAL EQUIPMENT	49,982.00
CUSTER COUNTY WATER & SEWER	358,000.00
FORSYTH ELEM. SCHOOL/CONST. & EQUIP.	193,230.00
FORSYTH HIGH SCHOOL/CONST. & EQUIP.	291,590.22
HARDIN CAPITAL EQUIPMENT	57,388.00
TREASURE COUNTY PLANNING	17,000.00
COLSTRIP COMMUNITY SERVICES FACILITY	324,526.00
FORSYTH CAPITAL EQUIPMENT/TRUCK	26,278.70
BIG HORN COUNTY RURAL FIRE EQUIP.	75,000.00
ASHLAND WATER & SEWER BOND	77,108.00
FORSYTH SCHOOLS/REMODELING & EQUIP.	35,000.00
TREASURE COUNTY SHOP COMPLEX	389,833.00
HARDIN CAPITAL EQUIP./BLACK TOPPER & TRUCK	15,877.60
LAME DEER SCHOOLS/COMPREHENSIVE PLAN	18,420.00
MILES CITY PUBLIC LIBRARY	82,600.00
CITY OF BILLINGS/PLANNING GRANT	50,000.00
LAUREL SEWER LINE EXTENSION & EQUIP.	231,419.00
HARDIN WATER LINE REPLACEMENT	469,353.00
HYSHAM WATER RENOVATION	101,900.00
BIG HORN COUNTY/LAW ENFORCEMENT COMM. EQUIP.	38,900.00
ASHLAND SEWER LINE REPAIR	101,400.00
FORSYTH H.S./REMODELING & ADDITIONS	1,750,000.00
COLSTRIP SCHOOLS/EDUCATIONAL FACILITIES PLAN	34,500.00
COLSTRIP FIRE TRUCK	51,750.00
DCA/FINANCIAL ASSESSMENT SYSTEM	44,000.00
CITY OF GLENDALE/STREET PAVING	38,516.00
CITY OF RED LODGE/COMPREHENSIVE PLAN	7,362.00
ROSEBUD CO./LAW ENFORCEMENT EQUIP. & SERVICES	54,961.84
SPRING CREEK CO. WATER & SEWER/FACILITIES CONST.	200,000.00
ROSEBUD COUNTY/MENTAL HEALTH SERVICES	25,000.00
HARDIN STORM SEWER SYSTEM IMPROVEMENT STUDY	10,000.00
LAME DEER SCHOOLS CONSTRUCTION	450,000.00
ROSEBUD COUNTY/GRAVEL CRUSHING EQUIPMENT	189,249.00
COLSTRIP ELEM. SCHOOL/NEW CONSTRUCTION	1,665,000.00
COLSTRIP HIGH SCHOOL/NEW CONSTRUCTION	3,367,833.00
FORSYTH CITY HALL	225,000.00
ROSEBUD CO./EMERGENCY MEDICAL SERVICES RADIO	2,180.00
ROSEBUD CO./JUVENILE PROBATION OFFICER	54,000.00
DC/IMPACT ASSISTANCE FIELD OFFICE	50,000.00
ROSEBUD COUNTY/RSID #7/NEW COLSTRIP TOWNSITE	675,000.00
TOWN OF HYSHAM/BUILDING ADDITION	21,291.77
TREASURE COUNTY/LAW ENFORCE. VEHICLE & SERVICES	27,354.00
BIG HORN COUNTY/NURSING HOME CONSTRUCTION	250,000.00
TREASURE COUNTY/CAPITAL EQUIPMENT	35,000.00
ROSEBUD CO. RSID #7/TRANSMISSION WATER MAIN	103,725.00
ROSEBUD CO. RSID #7/WATER STORAGE RESERVOIR	312,825.00
ROSEBUD CO. RSID #7/CONSOLIDATED WATER & SEWER	404,850.00
GRAND TOTAL	\$30,048,959.00



As Of
Dec., 1980

Collections — Severance Tax
Committed Funds — C.B. Grants
Remaining Funds — Reversions

1,000 copies of this publication were produced at a unit cost of 10¢ per copy for a total printing and assembling cost of \$100.00.



SB 207 (Formula Bill)

- Assume: 1) Number of new employees (in mining, construction, plant operation & coal transportation) is 1000 employees.
- 2) Multiplier to determine number of people who will move into an area from number of new employees is 3. (Ratio of total increase in population to total new employees.)
- 3) The total operating costs of local government is \$1700 per new person, and total capital cost is \$2100 per new person.

$$\begin{array}{r}
 1000 \text{ employees new} \\
 \times 3 \\
 \hline
 3000 = \text{increase in population} \\
 \times \$8800 \quad (\$1700 + \$2100) \\
 \hline
 \$26,400,000 = \text{total allowable impact costs} \\
 \text{less } 17,500,000 = \text{82-83 biennium allocation from} \\
 \text{local impact funds.} \\
 \hline
 \$8,900,000 = \text{excess under the Formula - to be} \\
 \text{made available from principal of} \\
 \text{Coal Tax Constitutional Trust Funds.}
 \end{array}$$

Assume: 500 new employees

$$\begin{array}{r}
 500 \text{ new employees} \\
 \times 3 \\
 \hline
 1500 = \text{increase in population} \\
 \times \$8800 \\
 \hline
 13,200,000 = \text{total allowable impact cost}
 \end{array}$$

$$\begin{array}{r}
 17,500,000 \text{ Coal board allocation} \\
 13,200,000 \\
 \hline
 4,300,000 = \text{amount Coal board should} \\
 \text{revert to educational trust funds.}
 \end{array}$$

UNDERGROUND VS. SURFACE MINING COSTS

Value of Coal (dollars per ton)¹

	<u>Underground</u>	<u>Surface</u>
Total (U.S.)	\$30.94	\$16.53
Wyoming	\$20.88	\$ 8.97
Colorado	\$26.20	\$12.70

Average Tons Produced per Miner per Day²

	<u>Underground</u>	<u>Surface</u>
	8.38	25.78

Capital Costs or a Percentage of Labor Costs

	<u>Underground</u>	<u>Surface</u>
	21%	54%

¹ Bituminous Coal and Lignite Production and Mine Operations -
1978 U.S. Department of Energy Publication DOE/EIA-0118(78)
p. 16.

² Ibid. Dept. of Energy, p. 19.

Table 5. Production and Value of Bituminous Coal and Lignite - 1978

State	Production (thousand short tons)		Total ^{a/}	Value (dollars per ton)	
	Underground	Surface		Underground	Surface
Alabama	6,169	14,383	20,553	\$39.22	\$27.94
Alaska	-	731	731	-	W
Arizona	-	9,054	9,054	-	W
Arkansas	3	516	519	W	W
Colorado	4,511	9,303	13,814	26.20	12.70
Georgia	-	113	113	-	52.23
Illinois	24,841	23,760	48,600	21.60	19.27
Indiana	552	23,630	24,182	18.72	18.17
Iowa	108	342	450	W	W
Kansas	-	1,226	1,226	-	20.28
Kentucky:					
Eastern	41,624	54,608	96,233	28.86	22.58
Western	17,860	21,596	39,456	22.78	18.35
Total	59,484	76,204	135,689	27.03	21.38
Maryland	382	2,616	2,998	24.16	18.70
Missouri	-	5,665	5,665	-	17.89
Montana	-	26,600	26,600	-	7.37
New Mexico	576	12,056	12,632	W	W
North Dakota	-	14,028	14,028	-	5.17
Ohio	11,897	29,340	41,237	31.50	17.82
Oklahoma	2	6,068	6,070	b/44.40	21.41
Pennsylvania	32,925	48,551	81,477	37.75	21.15
Tennessee	4,150	5,882	10,032	23.30	23.14
Texas	-	20,020	20,020	-	6.04
Utah	9,141	-	9,141	21.52	-
Virginia	21,511	10,435	31,946	33.05	25.24
Washington	-	4,708	4,708	-	12.07
West Virginia	65,216	20,099	85,314	35.45	25.70
Wyoming	708	57,620	58,328	20.88	8.97
Total U.S. ^{a/}	242,177	422,950	665,127	30.94	16.53

^{a/} Data may not add to totals shown due to independent rounding.

^{b/} Estimated.

W Withheld to avoid disclosing individual company data.

Source: Form EIA-7.

SENATE BILL 206

Prepared Testimony: Bill Robinson
Western Energy Company

My name is William Robinson. I represent Western Energy Company and would like to make a few comments regarding Senate Bill 206.

In section 15-35-101, MCA, the legislative findings and declaration of purpose are stated. I think it would be beneficial to review several statements made in this section:

(1) 15-35-101(1)(g) - "Coal produced in underground mines has higher production costs and underground producers are able to pay lesser amounts of royalty and production tax than strip mine producers can pay."

(2) 15-35-101(2)(d) - The purpose of the coal severance taxes are to be accomplished by "establishing categories of taxation which recognize the unique character of coal as well as the variations found within the coal industry."

Underground mining is not half as expensive or half as difficult as strip mining. A good measure of mining ability is productivity. A typical strip mine can average between 145--175 tons per man shift while an underground coal mine averages between 10--25 tons per man shift. A median average shows strip mining to be about 9 times more productive than underground mining for coal.

Underground coal mining is important for the State of Montana. Not only is it important for new industry, but it is also important to revitalize some of the older communities like Belt, Red Lodge, and Roundup.

An increase in severance tax of 233% or 225% does not create an atmosphere conducive to underground coal mining investments. In fact, this rate of taxation would prohibit underground coal mining.

Western Energy Company opposes Senate Bill 206 and believes that in a time of bad economy, rising costs, high inflation and interest, an increase of over 200% is unreasonable. This increase will add more financial burdens to an already heavily taxed industry. The Bill is not in the best interest of the majority of the people in the State of Montana.