

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
March 7, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representatives Dozier, Harrington and Williams. Representative Williams came in later.

Testimony was heard on HB 829, SB 72, SB 146 and SB 247.

Executive action was taken on SB 72 and SB 146 during this meeting.

SENATE BILL 146

SENATOR JACK GALT, District 23, said he was carrying the bill for Senator Manning, the sponsor of the bill, because Senator Manning could not make the hearing. Senate Bill 146 is an act to generally revise and clarify the laws relating to the water development program. Senator Galt said the 1981 Legislature passed a bill that set up a water development project fund and a water development account. Part of that money came from the coal tax money and part from the state owned water projects. This bill is to clean up language in that bill.

Proponents

GARY FRITZ, representing the Department of Natural Resources and Conservation, said SB 146 does four things:

1. It amends some provisions in the bill to ensure that any bonds sold for water development purposes under the program would maintain their tax exempt status.
2. It clarifies legislative authority to appropriate funds from some of the accounts.
3. It increases the loan limit from \$100,000 to \$200,000
4. The change would allow the department to evaluate large bonding projects and would require DNRC to make recommendations to the legislature as to which projects would be appropriate for funding under that part of the program.

CHAD SMITH, representing Montana Land Improvement Contractors, said they feel this program can be one of the most important in land development that has come along. This bill will help sell programs for making bonds more marketable.

There were no opponents testifying on SB 146.

SENATOR GALT closed his presentation on SB 146.

REPRESENTATIVE BERTELSEN asked where it is specifically noted that these bonds are tax exempt. Senator Galt said the bill has been changed so that the bonds are backed by coal taxes rather than revenue from bonds. They are tax exempt because they are sold by the state of Montana.

The hearing was closed on SB 146.

SENATE BILL 72

SENATOR BOB BROWN, District 10, sponsor of the bill, said SB 72 came through the Revenue Oversight Committee at the request of the Department of Revenue. Senate Bill 72 is an act to require a quarterly report of gross yield for purposes of the resource indemnity trust tax. Senator Brown passed out copies of amendments to SB 72. (See EXHIBIT 1.) He said the proposed amendments are necessary because the Senate Taxation Committee amended the penalty sections of the bill. The 10% penalty in current law has been replaced by a 2% penalty on the failure to file quarterly returns and an 8% penalty on a failure to pay the annual tax. The amendment merely changes the provision for waiver of penalties to reflect the committee action.

Proponents

DON HOFFMAN, representing the Department of Revenue, said the department supports the bill, as amended. He said the department will be able to cross reference resource indemnity trust tax with other taxes that are quarterly. Hopefully, in the future, the taxpayers will be able to file one quarterly report instead of separate reports.

There were no opponents testifying on SB 72.

SENATOR BROWN closed his presentation on SB 72.

The hearing was closed on SB 72.

SENATE BILL 247

SENATOR BOB BROWN, District 10, sponsor of the bill, said SB 247 is a bill that was introduced to correct an error created by an injustice in the 1981 Legislature. Senate Bill 247 is an act to clarify that railroad retirement act benefit payments received during claim periods beginning in 1981 or 1982 as a result of fulfillment of federal social security requirements are not to be included as income for the purpose of computing eligibility for the residential property tax credit for elderly.

SENATE BILL 247 makes it possible for people who receive railroad

retirement and could not qualify for the residential property tax credit to retroactively file to receive those payments for the last two years. There are bills in this session that will enable those people to qualify in the future.

Proponents

JIM MULAR, representing the Brotherhood of Railroad and Airline Clerks, said approximately 600 railroad retirees in Montana could qualify for this credit. They hope this committee will back SB 247.

There were no opponents testifying on SB 247.

SENATOR BROWN, in closing, said all SB 247 does is treat railroad recipients the same way as social security recipients were treated during the last two years.

REPRESENTATIVE REAM said there is no fiscal note on SB 247. Senator Brown said the fiscal impact will be about \$600,000 if all retirees file for the last two years and receive the \$150 per year.

JIM OPPEDAHL, legislative researcher for the Legislative Council, said his information shows a fiscal impact of \$900,000 for FY'84 and \$300,000 for FY'85. Ellen Feaver, Director of the Department of Revenue said that information was prepared prior to the amendments to the bill. The fiscal note preparers thought the credit would carry on into the future. The Senate made some amendments to make it clear that the credit just applies to the last two years. She agreed with Senator Brown that the fiscal impact will be about \$600,000 over the biennium.

The hearing was closed on SB 247.

HOUSE BILL 829

REPRESENTATIVE GLENN SAUNDERS, District 72, chief sponsor of the bill, said HB 829 is an act imposing a severance tax on the severance of palladium, platinum, or any other metal or precious or semi-precious gems or stones; providing exemptions for small mines; creating the hard-rock mining impact trust account; and providing limitations on uses of the account. Representative Saunders said there is a \$1 million limit on a loan unless approved by the legislature. Mining companies will get a 150% tax credit against the tax imposed of all money contributed toward services, facilities, and other normal governmental expenses incurred by local governments prior to the opening of a mine or the commencement of production.

Proponents

SENATOR TOM TOWE, District 34, offered amendments to HB 247. (See EXHIBIT 2.) He went over the amendments with the committee. He said the amendment on page 4, line 3, should be made only if SB 72 is acted upon favorably. He added an amendment that was not contained in EXHIBIT 2. That amendment would be on page 8, line 1, following "account", insert "as provided in 90-6-20".

SENATOR TOWE said since this issue will be going to the people, it should be drafted properly. The tax is a new tax. Section 3, of the bill, sets forth the rate. Senator Towe said the effective date, of the bill, is January 1, 1983. This matter will be submitted to the people of Montana to vote on and the act will not be effective unless voted on favorably by the people.

SENATOR TOWE said HB 829 can stave off situations like what has happened in Butte because we did not save money for tail end impacts.

TONI KELLEY, Chairman of the Northern Plains Resource Council, said the people of Montana will be allowed to vote on whether we should set aside a portion of the wealth from the extraction of the resources from this state. The bill also provides an incentive for mining companies by giving them a 150% tax credit which encourages the companies to cover the costs of their impacts.

DOLORES ANSTETT, a resident of Park County, said she fails to understand why a realistic tax on hard-rock mining has not been enacted before this time. It does no good to pass legislation to mitigate impacts unless there is proper funding to follow through. House Bill 829 would afford the electorate a chance to vote for such funding - an important issue that gives the public a chance to have a say in these matters which so greatly affects us all, now and in the future. She submitted written testimony. (See EXHIBIT 3.)

GAIL PETERSON, a commercial beekeeper, said a source of revenue is needed for tail end impacts when a mining operation shuts down. House Bill 829 provides this source. When layoffs occur, there is an increase in alcohol, drug, spouse and child abuse. Where is the source of revenue for increases in services to deal with these problems?

GARY THOMAS, representing the Stillwater Protective Association, said HB 446, which this committee is considering, will not do the job that HB 829 will do for the following reasons:

1. HB 446 takes its money from the general fund, which is being stretched too thin already.
2. HB 446 will not provide near enough money. Based on 1982 license revenues of \$1.8 million, HB 446 would only provide \$600,000, a laughable amount for tail

end impact.

3. The distribution formula in HB 446 is unworkable. The only counties getting money would be those where a mine is located. People living in Red Lodge, for example, and working on a Stillwater mine, would be a cost to Red Lodge, but no money would come to Red Lodge because the mine would be in Stillwater County, not Carbon County.

He urged the committee to take a positive stand on HB 829.

BILL MCKAY, a rancher, said it is difficult to talk about HB 829 without talking about HB 718 because the two bills are compatible. He said he has problems with HB 718:

1. Prepaid taxes. It is difficult to assess what expenses will be five to ten years down the road.
2. Repayment to the counties. He said that is hard and doesn't think the counties will be paid back.
3. What happens if you go for five years and it is time to repay the taxes but the mineral price drops and the company shuts the mine down?
4. Jurisdictional mismatch.

MR. MCKAY said HB 829 will take care of these problems. For the Absarokee community, HB 829 is the most important bill this legislature will talk about. The best thing we can leave our future generation is to have our bills paid.

PAUL HAWKS, a rancher, said he is not opposed to mineral development in his county, provided that it pays its own way. He said he believes a company should know all of the rules before investing in Montana. The first rule must be that mineral development pay its own way. Other taxpayers in the county should not be burdened when a company decides it's no longer profitable to run a mine. By the same token, it is unfair to a company to be badgered for funds it doesn't have at the time of shutdown. House Bill 829 offers a very sensible approach by establishing a savings account. Mr. Hawks submitted written testimony. (See EXHIBIT 4.)

DON REED, representing the Montana Environmental and Information Center, said a study done in 1981 showed taxes paid by large scale mining companies do cover costs of impacts. He urged a do pass on HB 829.

MILES KEOGH, representing the Stillwater Protection Association, said there are several bills that deal with tail end impacts.

House Bill 446 provides for one-third of the metalliferous mines license tax to go to a special fund for tail end impacts, but it is not enough money. House Bill 829 deals with tail end impacts, there is money available when needed, and the tax is not an excessive burden on mining companies. He said all state taxes are deducted from federal taxes, so as state taxes are increased, federal taxes are decreased.

MARY DONOHOE, a rancher, said people who ultimately pay the bill should have the opportunity to vote on this issue. House Bill 829 is important to every county in the state. When any county has adverse financial problems caused by shutdowns, the taxpayers will be affected. This bill would be good insurance for individual counties and the state as a whole.

PAT CLARK, a rancher from Sweet Grass County, said HB 829 is needed to fill gaps in HB 718 for tail end impacts and funding for the grant system. It will be good to let the people of Montana decide this important issue.

JEAN CLARK, a rancher, said she strongly supports this bill. We need some funding for the tail end impacts and I don't believe these are covered by any other bill. The people of this state should be able to decide whether or not they believe they need the severance tax for tail end impacts.

REPRESENTATIVE NANCY KEENAN, District 89, said it is this body's responsibility to look at the future. We have good hindsight but not good foresight. She said she is an A.R.C.O. victim. We cannot penalize all industries because of one bad apple, but now is the time to take those precautions. There is an increase in alcoholism, spouse and child abuse and those problems cannot be taken care of because the funding is not there to cover those services. House Bill 829 should be supported by this body.

REPRESENTATIVE BOB REAM, District 93, said people will argue that this new tax will destroy mining in this state. He said he feels that isn't true because the fluctuation in the world market on metal prices is a greater factor than what we are talking about here. He said deposits found or still hidden are not going to go away. Metal prices will rise.

OPPONENTS

GARY LANGLEY, Executive Director of the Montana Mining Association, said members of the association urge the defeat of HB 829. House Bill 829 not only represents a substantial increase in taxes on the mining, but a new tax on an industry that already pays five separate state and local taxes, three of which are unique to the minerals industry. House Bill 829 runs contrary to the recommendations of two study commissions that have met in the last year.

Both the Montana Economic Development Project and the Governor's Conference on Small Business have recommended that there be no increases in the mineral severance tax. In addition, the Environmental Quality Council's Subcommittee on Hard-Rock Mining, after 18 months of studying the industry in Montana concluded in its report to the 48th Legislature that: "Mining impacts can be effectively mitigated within the context of the current tax system if fair and equitable distribution of revenue is accomplished. No new taxes are necessary to satisfy the state's goal of offsetting social and economic impacts." This report was endorsed by both the full Environmental Quality Council and the Revenue Oversight Committee. The cornerstone of the subcommittee's recommendation is HB 446. It recommends a slight increase in the metal mines license tax and would place one-third of the collections into a local government trust account. The Montana Mining Association recognizes the state's right to levy taxes. However, taxation should be tempered by reasonableness and fairness. The proposals in HB 829 are neither reasonable nor fair. A severance tax by its very nature is unfair because it does not consider production costs. Mr. Langley submitted written testimony. (See EXHIBIT 5.)

JOHN PETERSON, registered lobbyist and Montana counsel for Golden Sunlight Mines, Inc., said HB 829 will add a new tax to their project. He said he would hope this is not the proponents' way of welcoming this development to Montana. After credit for the metalliferous mines license tax, we estimate that tax increase to be in excess of \$750,000 after 1985. This tax would be the sixth state and local tax on our business. We will have to pay additional property taxes if SB 94 is enacted into law. Severance taxes on gross income are the most unfair form of tax because they fail to take into account the cost of operation. This additional tax will be counter-productive. We are mining a low-grade ore deposit. Additional increases in costs of operation will dictate that we by-pass the lowest grade ore because it becomes non-economic to mine. The direct result will be to shorten the mine life of the project, resulting in premature closing of the operations, thereby causing loss of taxes and jobs. Mr. Peterson submitted written testimony. (See EXHIBIT 6.)

REPRESENTATIVE AUBYN CURTISS, District 20, said HB 829 has an effect of eroding the tax base of counties by discouraging jobs.

MIKE FITZGERALD, President of the Montana Trade Commission, said the Environmental Quality Council, in 1981, established a subcommittee on hard-rock mining in Montana. It was joined by the Revenue Oversight Committee to look at and find a solution to effects of hard-rock mining on a large scale in Montana. The final copy of that study was endorsed by both of the committees. Mr. Fitzgerald read portions of that study to the committee. Mr. Fitzgerald said we cannot base the future of Montana on what

has happened in Butte, and punish new businesses that come into the state.

JOE DEWEY, Project Manager of the Stillwater PGM Resources, said Stillwater PGM Resources, a partnership of Manville Sales Corporation and Chevron U.S.A., Inc. has been studying the feasibility of developing an underground platinum and palladium mining facility in the Stillwater complex in south-central Montana for several years. We are optimistic that we will be developing a commercial mine by the mid-1980's. Our mining operation would provide employment for about 200-300 Montanans for 20 years or more. He went over reasons why they are opposed to HB 829, which are contained in EXHIBIT 7, his testimony on the bill.

WARD SHANAHAN, representing the Stillwater PGM Resources, said the bill would double present hard-rock severance tax rates to provide for local impacts, but we believe this impact scheme is just a gimmick to get the public to approve the increase because there would be little, if any money available. For instance:

1. In Section 13, a grant can't be obtained until at least five years after a mine has been permitted to operate, and after that, the grant can't be given if there is a way for the money to be obtained from the Mine Operator under 90-6-301, MCA (HB 718).
2. In Section 14, a loan can't be obtained unless the tax revenues from the hard-rock mine are insufficient. The EQC tax study, just completed, will tell you that the chance of this occurring is almost non-existent.
3. In fact, the bill doesn't provide much impact assistance at all, but it does take all of the metal mines tax out of the general fund and put it in two trust funds, the Coal Trust Fund and the Hard-Rock Mining Impact Trust Account. Why get the Coal Tax Fund involved? Do the voters understand how that operates?

Because the bill would be voted on in 1984 and contains the restrictions mentioned above, this impact tax couldn't possibly provide any aid to local government before 1990.

In addition to the main parts of the bill, it has the following other punitive effects on the industry:

1. It would collect the tax four times faster than it is presently being collected.
2. It imposes a new penalty for tax delinquency.

3. It allows the Department of Revenue to use the imputed value principle rather than sale prices.
4. The tax appears to be imposed upon a value which includes royalties paid to the state or landowners. This committee just unanimously approved HB 706 to eliminate this penalty on coal producers...now you are asked to reimpose it on metal mines.

MR. SHANAHAN said HB 829 increases the already heavy burden imposed upon the hard-rock mining industry by HB 718 in the 1981 legislative session. The bill is, in fact, aimed at only one company - Stillwater PGM Resources. The title leaves no doubt about this. The EQC hard-rock study shows clearly that Montana has almost the highest severance taxes in the rocky mountain west right now. Why do we need to double it at this time?

MR. SHANAHAN asked for a do not pass on HB 829. He left written testimony with the committee. (See EXHIBIT 8.)

GEORGE BENNETT, representing ASARCO, Inc., said HB 829 would impose a graduated gross severance tax upon minerals of 1 1/2% of production between \$250,000 and \$500,000; 2 1/2% for production between \$500,000 and \$1 million; and 3 1/2% for all production over \$1 million for assistance to affected local governmental units. Mr. Bennett left a prepared statement in opposition to HB 829 with the committee. (See EXHIBIT 9.) He also left a copy of a report on The Economic Impact of the East Helena Smelter. (See EXHIBIT 10.)

TED ROLLINS said he was hired in 1979 by ASARCO to work for them as a personnel agent. He said he saw the Troy mine, in the first year of operation, become the largest producing mine in the United States. The ASARCO-Troy mine has been a salvage for the town of Troy. The Troy mine represents a \$700,000 per month payroll. He said the residents of Troy are paying 74 mills less than what they would pay if the mine was not there. He urged this committee to let 718 work to see if it isn't an adequate proposal.

BOB CASE, mayor of Troy, said he agreed with previous testimony given in opposition to HB 829. Mr. Case said the wildlife has not decreased because of the mining operation; social and economic impacts did not occur because of the mine; there has not been a massive influx of people to the area because of the mine; and the mining operation has put people who were out of work back to work. He said there are ample provisions in HB 718 to set aside funds if there are tail end impacts.

BERNADETTE CONNOR, a member of the Whitehall Planning Board, said the state of Montana and especially our area of Jefferson County is in dire need of any industry. We feel this tax is unfair because it taxes all mining operations whether or not they have created an adverse impact on the community. She

submitted written testimony in opposition to HB 829. (See EXHIBIT 11.)

ED BINGLER, State Geologist and Director of the Montana Bureau of Mines and Geology, said his testimony provides a geologist's perspective on some likely effects of imposing a new severance tax on metal mining in the state. In my opinion, enactment of such a tax will have a negative impact on levels of exploration activity, new mine development, the economic health of existing mining activity, and the conservation of mineral resources. First, a new severance tax on metal mining in Montana will strengthen the perception among exploration geologists that the odds have significantly increased against successfully locating and bringing to production new mineral deposits in the state. Simply put, if enacted, the increased cost represented by this new severance tax will be viewed as a significant disincentive to invest professional time and exploration funds in Montana. Exploration programs that might start here as general economic conditions improve will likely be moved to other western states where taxes are lower or where tax policy is perceived as more stable. Montana currently ranks last in dollar value of produced mineral wealth among Rocky Mountain states with similar geology and mineral potential. With an increased tax disincentive working against metals exploration, the conversion of our mineral wealth into improved job opportunities, increased tax revenue and expanded investment will continue to falter.

Almost without exception, metalliferous mineral deposits are composed of high-, intermediate-, and low-grade ore. Increased severance taxes will force mining geologists and mine managers to locate and extract higher grades of ore in the short term and to abandon large tracts of lower-grade ore as uneconomic. Mines with suspended or closed operations due to low metal prices and shortfalls between revenues and total production costs will remain closed or suspended longer if new taxes are added now. New producing mines may be forced to shorten projected operating lifetimes, and an unknown number of planned new operations may be shelved. All of these effects are a type of de facto resource conservation which will result in permanent loss of mineral wealth if lower future metal prices or the development of substitutes make extraction ultimately unfeasible.

The report of the Hard-Rock Mining Subcommittee to this legislature states, among its several conclusions, that no new severance taxes were required to address the socio-economic impacts of large-scale hard-rock mining. If enacted into law, HB 829 will provide modest new tax revenues, but at the expense of current and future mineral resource use. The balancing of short-term revenue increases against the significant potential for lost jobs, wasted reserves, and long-term revenue losses deserves your careful consideration. (See EXHIBIT 12.)

JOHN BROWER, a professor of mineral economics at Montana Tech, said the new tax would be a 12.6% increase in the taxes paid by metal mines (not considering local property taxes). Tax policy is a signal from legislators and citizens as to whether they want to encourage or discourage a given industry. Increasing the taxes on metal mines is a clear signal of discouragement. Such discouragement seems odd, given Montana's desperate need for economic recovery, and the desirability of widening her economic base. Mining companies, just as timber companies, high-tech manufacturers, and a whole range of other kinds of investors, have virtually the whole world in which to locate, aside from a few obvious impossibilities. Since mining projects are long term investments, mining companies will favor locations where tax and investment policies offer assurances that they will get their money back. But unfortunately, policy makers seldom have the luxury of knowing what was lost, since disinterested investors never bother to inquire in the first place - they just go elsewhere. He read a prepared statement to the committee. (See EXHIBIT 13.)

MILDRED BORDSEN, representing the Whitehall Business Association, said she feels HB 829 is aimed at major mineral developers that are said to adversely impact community services. It is the feeling of the association and their experience in Whitehall that this concern is far overrated and by passing a bill of this nature would be far more detrimental to the industry, and the state of Montana as a whole, because of the anti-industry aspect and the loss of high paying jobs. She read a prepared statement to the committee. (See EXHIBIT 14.)

LEE BRUNCKHORST, a building contractor in Absarokee, said HB 829 is anti-business and anti-employment. He said he is concerned about the apparent fact that it is aimed at one area - the Stillwater. It will probably put on hold, several projects now in the works which is not what we need at this time.

BILL KELLEY, from Absarokee, said HB 829 is so flawed as introduced that it has had amendments on nearly all pages and whole sections deleted. Putting a taxation referendum before all the state's voters, which only affects a small percentage of the industry, is unfair and unwise. The areas affected in Stillwater and Sweetgrass counties need the broader tax base, increased job opportunities and the more diversified economy. The state of Montana has a poor reputation for bringing new business and industry to the state and HB 829 can only worsen the problem. He passed out copies of a petition, with 450 signatures, in opposition to HB 829. (See EXHIBIT 15.)

MARY ANN CLARKE, representing the Whitehall Chamber of Commerce, said they would like to go on record in opposition to HB 829.

REPRESENTATIVE DEAN SWITZER, District 54, said he was on the hard-rock committee from EQC and they agreed that the mining

industry cannot stand any more taxes at this time. He said Senator Towe did not disagree publicly with the adjustments made to the coal tax. House Bill 829 sends a threat to the industry. The purpose of this resistance is to determine there will be no expansion and maybe no hard-rock mining.

REPRESENTATIVE DAVE BROWN, District 83, asked to be put in the record of this meeting as being in opposition to HB 829.

Questions from the committee were heard at this time.

REPRESENTATIVE ASAY said this bill is reemphasizing we want to put a tax on a tax.

REPRESENTATIVE UNDERDAL asked how much area of land is disturbed in the mining operation by Stillwater PGM Resources. Mr. Dewey said about twenty acres.

REPRESENTATIVE UNDERDAL asked the same question of the Golden Sunlight Mines. Mr. Jenkins, Administrative Superintendent of the Golden Sunlight Mines, said about 329 acres are disturbed because of the mining operations, over the life of the mine.

REPRESENTATIVE DEVLIN asked if a voter will be able to make an intelligent decision on this issue when they have not had the advantage of testimony from expert witnesses. Senator Towe said there will be a campaign to inform and educate the public on this issue.

REPRESENTATIVE KEENAN asked Senator Towe how he perceives the original intent of the resource indemnity trust fund. Senator Towe said that bill was passed in 1973 and he had the distinct impression, then, that it was not to be for socio-economic development impacts. It was not meant to take care of the total ecology needs and costs of the state. He said he had notes from the hearing on that bill, in 1973, and Robert Carrette, chief lobbyist for Montana Power Company, opposed the bill because it was intended to benefit everyone and not those affected by mining.

REPRESENTATIVE SWITZER asked Mr. Bingler for his opinion on the impact of this bill in regard to a resurgence of copper development in Butte. Mr. Bingler said the selling price of copper is not close to the cost of mining copper in Butte. If the price of copper is raised, there will probably be mining in Butte, again.

REPRESENTATIVE KEENAN said if \$24 million was spent by the Stillwater PGM Resources group and \$15 million was spent by ASARCO, those companies must be optimistic that mining will be developed in the 1980's. Mr. Dewey said it depends on two things: 1) the price of palladium; and 2) the price of doing business.

REPRESENTATIVE KEENAN said she cannot understand how it is so easy to spend \$39 million on feasibility studies but yet the companies kick about the amount of tax. Mr. Dewey said you have

spend money to make money. He said the Golden Sunlight Mine in Whitehall spent \$80 million before one ounce of gold was produced. He said the Stillwater PGM Resources group will spend \$100 million before one ounce of palladium is produced. This tax will reduce the rate of return by 2.5%.

SENATOR TOWE said the study made by EQC was accepted by the Revenue Oversight Committee but not endorsed by the committee. The existing law does not take care of tail end impacts. The EQC study addresses that issue by taking money out of the general fund, and Senator Towe said he doesn't think that is the right place to take the money from.

SENATOR TOWE said he had heard it is a possibility that Stillwater PGM Resources will challenge the law and not comply with the provisions. We could not require them to pay a tax that is not really there, under 718 - House Bill 829 will take care of that.

SENATOR TOWE said the reason for the proposed amendments to HB 829 was because the bill was not reviewed carefully enough before it was drafted.

SENATOR TOWE said the highest tax in the nation is collected on copper in Montana. Before the EQC study was prepared, copper was 70 cents a pound and now the price is 85 cents a pound. If there has been a fluctuation of that much since June of 1982, what is 3.5% on the total impact in Montana. For these people to say that 3.5% will shut down operations is ludicrous - it is not a very significant impact. Three and one-half percent is the price of this bill, that is all. We should let this matter go to the voters to see if we want to let companies pay tail end costs or leave the situation as it is now in Butte.

REPRESENTATIVE SAUNDERS, in closing, said he hoped we do not lose sight of the reason this bill was introduced. This bill was intended to correct a situation of giving away Montana's wealth until there is nothing more to give away.

The hearing on HB 829 was closed.

CHAIRMAN YARDLEY left earlier in the meeting and Vice-Chairman Neuman took over as chairman.

VICE-CHAIRMAN NEUMAN called the meeting into Executive Session.

EXECUTIVE SESSION

Senate Bill 146

REPRESENTATIVE HARP moved SB 146 BE CONCURRED IN.

The motion was voted on and PASSED unanimously. Representative Dozier, Harrington, Nordtvedt and Yardley were excused during the vote.

Senate Bill 72

REPRESENTATIVE VINGER moved the offered amendments to SB 72.

The motion was voted on and PASSED unanimously. Representatives Dozier, Harrington, Nordtvedt and Yardley were excused during the vote.

REPRESENTATIVE VINGER moved SB 72 BE CONCURRED IN AS AMENDED.

The motion was voted on and PASSED unanimously. Representatives Dozier, Harrington, Nordtvedt and Yardley were excused during the vote.

REPRESENTATIVE JACOBSEN said SB 94 will be heard in the House Education Committee and he asked that the bill be heard in this committee. The bill should not be in the Education Committee because it was heard in the Senate Taxation Committee.

REPRESENTATIVE JACOBSEN moved SB 94 BE REFERRED TO THE HOUSE TAXATION COMMITTEE FROM THE HOUSE EDUCATION COMMITTEE.

REPRESENTATIVE WILLIAMS said we should find out why it was assigned to the House Education Committee.

The motion was voted on and PASSED unanimously. Representatives Dozier, Harrington, Nordtvedt and Yardley were excused during the vote. Representative Williams abstained from voting because he did not know why it was not assigned to this committee.

REPRESENTATIVE ASAY passed out copies of proposed amendments to HB 706.

The meeting was adjourned at 11:00 a.m.


TED NEUMAN, Vice-Chairman


Vicki Lofthouse, Secretary

EXPLANATION OF PROPOSED AMENDMENTS TO SB 72

The proposed amendment is necessary because the committee amended the penalty sections of the bill. The 10% penalty in current law has been replaced by a 2% penalty on the failure to file quarterly returns and an 8% penalty on a failure to pay the annual tax. The amendment merely changes the provision for waiver of penalties to reflect the committee action.

PROPOSED AMENDMENTS TO SB 72

1. *am P* page 7, line 4.

Strike: "The 10% penalty"

Insert: "Penalties"

2. *am P* page 7, line 6

Following: "15-38-105"

Insert: "or the failure to pay the tax required by 15-38-106"

PETITION

TO THE HONORABLE MEMBERS OF THE 48TH LEGISLATURE AND TO WHOM IT MAY CONCERN:

We the undersigned, as voters and concerned citizens, are totally opposed to any additional severance tax on hard rock mining i.e. HB829 and SB299.

We feel that the industry cannot withstand such a tax increase and any such will result in jobs lost for Montana. We maintain we need jobs not more taxes.

Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
<u>Eric M. Jellum</u>	<u>Willow St Absarokee Mt</u>	<u>2-22-83</u>
<u>Karla B. Finkel</u>	<u>Absarokee Mt</u>	<u>2-22-83</u>
<u>Marcia L. Cortner</u>	<u>Absarokee, Mt.</u>	<u>2-22-83</u>
<u>Shane Cortner</u>	<u>Absarokee, mt</u>	<u>2/22/83</u>
<u>Joseph D. Plonichuk</u>	<u>Absarokee mt</u>	<u>2/22/83</u>
<u>Edwin Heit</u>	<u>Absarokee Mont</u>	<u>2/22/83</u>
<u>John B. Bjornadal</u>	<u>Absarokee, Mont</u>	<u>2-22-83</u>
<u>John R. Blomberg</u>	<u>Absarokee, mt</u>	<u>2-22-83</u>
<u>John J. Keener</u>	<u>" "</u>	<u>2-22-83</u>
<u>Craig R. Hart</u>	<u>" "</u>	<u>2-23-83</u>
<u>R.A. Mendenhall</u>	<u>" "</u>	<u>2/23/83</u>
<u>Ted Gilje</u>	<u>" "</u>	<u>1-1-11</u>
<u>Lew Thiel</u>	<u>Leather Mont</u>	<u>2-24-83</u>
<u>Joe Hart</u>	<u>Absarokee Mt.</u>	<u>2-24-83</u>
<u>Margaret K. Shel</u>	<u>Absarokee Mt</u>	<u>2-24-83</u>
<u>Billy S. Martin</u>	<u>" "</u>	<u>" " "</u>
<u>Charlie Spenler</u>	<u>Fossil Mt</u>	<u>2/24/83</u>
<u>Richard L. Utzinger</u>	<u>Absarokee mt</u>	<u>" "</u>
<u>Diane Edly</u>	<u>Absarokee, Mt</u>	<u>2-24-83</u>

PETITION

TO THE HONORABLE MEMBERS OF THE 48TH LEGISLATURE AND TO WHOM IT MAY CONCERN:

We the undersigned, as voters and concerned citizens, are totally opposed to any additional severance tax on hard rock mining i.e. HB829 and SB299.

We feel that the industry cannot withstand such a tax increase and any such will result in jobs lost for Montana. We maintain we need jobs not more taxes.

Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Laura W. Roe	Absarokee	2/22/83
Carolyn Stratidge	Absarokee	2/22/83
Gladys Roe	Absarokee	2/2/83
Janice P. Powell	Absarokee	2/22/83
Janet Tyson	Absarokee	2/22/83
Dee Dee Waters	Fishbowl	2-22-83
Ruth E. DeBeauvoir	Absarokee	2-22-83
Ann M. Duvon	Absarokee	2-22-83
Jessie Senter	Absarokee	2-22-83
Bonnie Witte	Absarokee	2-22-83
Jacqueline M. Himpson	Absarokee	2/23/83
Dorothy Nye	Absarokee	2-23-83
Shirley J. Kemmis	Absarokee Mt.	2-23-83
Dorothy Holmes	Absarokee, Mt.	2-23-83
Francis Brady	" "	2-23-83
Tracey Gates	Absarokee Mt.	2-23-83
Mrs. L. Lambert	Absarokee Mt.	2-23-83
Willie Schragg	Absarokee Mt.	2-23-83
Randy Jackson	Absarokee Mt.	2/23/83
Connie Mill	Absarokee Mt.	2-24-83

PETITION

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Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Joseph R. Hart	Absarokee Mt	2/22/83
Craig R. Hart	" "	2/22/83
John W. Johnson	" "	2/22/83
John H. Foster	" "	2-23-83
Hugh W. Brannon	" "	2-23-83
Vernon J. Hoff	" "	2-23-83
L. Michael Bolland	" "	2-23-83
George Broadwater	Fiskel Mont	2-23-83
Chas. J. Baker	Absarokee Mt.	2-23-83
Clara B. Bolland	Absarokee Mt.	2-23-83
Butch W. Hanson	Absarokee, mt.	2-23-83
Art Angelo	Fiskel Mt.	2-23-83
Osborn Stevens	Absarokee	2-23-83
Jack Nash	Boaco	2-23-83
Wayne Blythe	Columbus	2/23/83
W. H. Hendrick	Absarokee	2-23-83
Emanuel Craft	Absarokee Mont	2-23-83
Victor C. Ottogier	Absarokee Mt	2-23-83
David Peterson	Absarokee mt	2-24-83
Fritz Brinkley	Absarokee Mt	2-24-83

PETITION

TO THE HONORABLE MEMBERS OF THE 48TH LEGISLATURE AND TO WHOM IT MAY CONCERN:

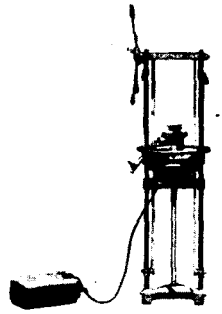
We the undersigned, as voters and concerned citizens, are totally opposed to any additional severance tax on hard rock mining i.e. HB829 and SB299.

We feel that the industry cannot withstand such a tax increase and any such will result in jobs lost for Montana. We maintain we need jobs not more taxes.

Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
<u>Kelly Sue Russell</u>	<u>Nye Mt. 59061</u>	<u>2/22/83</u>
<u>Richard L. Ryan</u>	<u>485 Ardmore, MT 59001</u>	<u>2/22/83</u>
<u>James E. Long</u>	<u>Ardmore, MT 59001</u>	<u>2/22/83</u>
<u>Paul Russell</u>	<u>Nye, Mt 59061</u>	<u>2/22/83</u>
<u>Shannon Hogan</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>Ernest Fairman</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>Robert L. Murre</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>Bill Murr</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>Melissa Murr</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>William M. Hogan</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>James L. Johnson</u>	<u>Columbus, MT</u>	<u>3/5/83</u>
<u>Lawrence Dango</u>	<u>Columbus, MT</u>	<u>3/6/83</u>
<u>Doreen D. Hatfield</u>	<u>Columbus, MT</u>	<u>3/6/83</u>
<u>Victoria Sloan</u>	<u>Columbus, MT</u>	<u>3/6/83</u>
<u>Kenneth E. E. E.</u>	<u>Columbus, MT</u>	<u>3/6/83</u>
<u>Colleen E. Eble</u>	<u>Columbus, MT</u>	<u>3/6/83</u>
<u>Uella Dawson</u>	<u>Colstrip, MT</u>	<u>3/6/83</u>
<u>Cindy Dawson</u>	<u>Colstrip, MT</u>	<u>3/6/83</u>
<u>Stan C. Eble</u>	<u>Columbus, MT</u>	<u>3/6/83</u>
<u>Walter L. Gauryuk</u>	<u>421 Clough Ave Columbus 3-6-83</u>	<u>3-6-83</u>

Bush Drilling Service



David A. Russell
Rt. 2 Box 272
Nye, Montana 59061
Ph. (406) 328-8389

(Winkie) Shallow Hole Diamond Core Drilling
Portable by Plane or Helicopter

March 6, 1983

Mr. Chairman and Committee Members of the House Taxation Committee:

My name is David Russell from Nye, Montana. I am presently self-employed as a core drilling contractor and rancher. Because of the opportunity of mining in the Nye area, I have been able to work on my father's ranch and work at exploration mining. There are a lot of young people my age that would like the opportunity to sustain their living needs. Therefore, the younger people end up moving on.

I am opposed to HB829. I feel that it takes the right to have job opportunity away from the people of Montana. If you tax out mining in Montana, you will be denying a lot of small ranches and businesses the right to survive. During the hard times of bad economy, I would think the people of the State of Montana would appreciate jobs. Other states are pushing for industry to increase and sustain their economic needs. But not this state. Instead, we are known to have some of the highest taxes on mining.

In 1981 EQC/ROC was formed by the legislation as an interim body to study impacts of mineral developments and to examine mineral taxation issues. I say let's look at what we have, and what the interim committee came up with. Please consider what I have said for HB829 will affect the whole state.

We don't need more taxes we need more jobs!

Thank you,

A handwritten signature in cursive script that reads "David A. Russell".

WITNESS STATEMENT

Name TOMI KELLY Committee On TAXATION
Address DEER LODGE, VT Date 3/7/83
Representing NPRC Support ✓
Bill No. 145 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Dolores Anstett Committee On Taxation
 Address McLeod Mt Date 3/7/83
 Representing Boulder Valley Ass'n Support X
 Bill No. 829 Oppose _____
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Long overdue means of funding for tail-end impacts of hard rock mining.
2. Allowing the general electorate to help decide an important issue for the payment of tail-end impacts of hard rock mining in Montana.
3. H.B. 718 does not adequately answer tail-end ~~and~~ financial problems.
4. Mining companies need to be financially responsible for problems they have caused by their operations - even economic impacts & tail end impacts.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Gail Peterson Committee On Taxation
Address 990 Yellowstone Trail, Deer Lodge Date 3/7/83
Representing self Support
Bill No. HB 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Source of Revenue is needed for tail-end impacts when a mining operation shuts down, HB 829 provides this source.
2. HB 718 passed last session does not provide for tail end impacts.
3. Social impacts of alcohol & drug related services; spouse & child abuse services. Increases in all of these when layoffs occur. Where is source of revenue for increases in these services?
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name GARY R. Thomas Committee On Taxation
 Address P.O. 1738, Red Lodge, WY. 82468 Date 3-7-83
 Representing Stillwater Protective Assn. Support
 Bill No. 829 Oppose _____
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: The other bill you are considering, HB 446, will not do the job.

1. That 829 will do, for the following reasons:
 - HB 446 takes its money from the General Fund, which is being stretched too thin already.
- 2.
3. - HB 446 will not provide any near-enough money. Based on '82 License Revenues of 1.8 million, 446 would only provide 600,000, a laughable amount for tail-end impact.
4. - Distribution formula is unworkable. The only counties getting money would be those where a mine is located. People living in Red Lodge, for example, and working in a Stillwater mine, would be a cat to Red Lodge, but no money would come to Red Lodge because the mine would be in Stillwater County, not Carbon County.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Miles Kough Committee On HB 829
Address Nye, nt Date March 7, 1983
Representing Stillwater Protective Assoc. Support X
Bill No. 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. - tail end impacts are not addressed in HB 718 passed 2 yrs ago
- HJR 66 - conducted by ERC during interim - came up with HB 446
2. HB 446
- 1/3 of Metal/iron Mines Licence tax to special fund for tail end impacts
3. - not enough money,
- would amount to 600,000 per year for entire state
4. - robs general fund
- jurisdictional mismatch problem.

SB 829

- would deal with tail end impacts
- money available when needed
- not excessive burden on Mining Companies

All state taxes are deducted from federal taxes
so as state taxes are increased federal taxes are decreased.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name MARY DONOHUE Committee On TAXATION
Address NIJE MONTANA Date MAR 7-83
Representing SELF Support yes
Bill No. 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. PEOPLE, WHO ULTIMALLY PAY THE BILL, SHOULD HAVE THE OPPORTUNITY TO VOTE ON THIS ISSUE
2. THIS BILL IS IMPORTANT TO EVERY COUNTY IN THE STATE WHEN ANY COUNTY HAS ADVERSE FINANCIAL PROBLEMS CAUSED BY SHUT DOWN ETC. IT AFFECTS INDIRECTLY THE TAXPAYERS IN ALL OTHER COUNTIES WHO HAVE TO TAKE UP THE SLACK.
4. This bill would be good insurance for individual Counties & the state as a whole.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Pat Clark Committee On TAXATION
Address McLeod, MT Date March 7, 1983
Representing self Support X
Bill No. 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. HB 829 needed to fill gaps in HB 718
for TAIL END IMPACTS
and FUNDING FOR GRANT SYSTEM

2.

Also good to let the people of Montana decide this
important issue

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Jean Clark Committee On taxation
Address X-A Ranch McLeod, MT Date 3/7/83
Representing self Support ✓
Bill No. H15 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. I strongly support this bill. we need some ~~set~~ of funding for the tail-end impacts & I don't believe these are covered by any other bill.
2. The people of this state should be able to decide weather or not they believe they need the severance tax for tail-end impacts.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Bernadette Connor Committee On _____
 Address 402 E. Yellowstone - Whitehall Date 3/7/83
 Representing Whitehall Planning Board Support _____
 Bill No. 529 Oppose
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Breda Sinalight Mine brought prosperity to Whitehall which has long been a depressed area. Pacer bus came into Whitehall and
 2. worked with the Planning Board, the school and the businessmen in a long range plan
 3. They never promised anything they couldn't fulfill.
 4. They have put the people in Whitehall and surrounding area back to work. They did not over-load any of our facilities. We feel very fortunate to have them in Whitehall.
- The professional people they brought in were a very large asset to the community. If this is put to the voters they probably won't understand it anyway.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Mildred J. Borden Committee On _____
 Address 400 1st E. Whitehall, Mont. Date 3/7/83
 Representing Whitehall Business Assoc Support ~~_____~~
as managers Bill No. § 29 Oppose
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The Golden Sunlight mine was a God send to Whitehall ^{with} Jefferson Co. ~~being~~ one of the most depressed areas. The closure of the
2. Berkeley Pit have a very adverse impact on Whitehall with the lay off of all of
3. men living ~~there~~ in Whitehall, who worked there. Whitehall is known as the bedroom of
4. Butte.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name C. Lee Brunckhorst Jr. Committee On HB 829
Address Absarokee, MT. Date 3/7/83
Representing Self Support _____
Bill No. HB 829 Oppose
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. *This Bill is anti-business and anti jobs or employment.*
2. *I am also concerned about the apparent fact that it is aimed at one area, the Stillwater.*
3. *It will probably put on hold several projects now in the works which is not what we need at this time.*
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name William G. Kelley Committee On Taxation

Address Box 86 Absarokee Mt. 59001 Date 3-7-83

Representing Self Support _____

Bill No. HB 829 Oppose Yes

Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. This bill is so flawed as introduced that it has had amendments on nearly all pages and whole sections deleted.
2. The bill is obstructious to one particular section of the states economy.
3. Putting a taxation Referendum before all the states voters which only affects a small percentage of the industry is unfair and unwise.
4. The areas affected in Stillwater and Sweetgrass counties need the broadened tax base, increased job opportunities and the more diversified economy.
5. The state of Montana has a poor reputation for bringing new business and industry to the state and H.B. 829 can only worsen the problem.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

William G. Kelley

WITNESS STATEMENT

Name Mary Ann Clarke Committee On _____
Address Box 314 Date 3/7/83
Representing Whitehall Chamber of Commerce Support _____
Bill No. 829 Oppose
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. *In representing the Whitehall Chamber of Commerce I want it in record*
2. *that we are opposed to HB # 829.*
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name CARR KAUTSON Committee On TAY
Address EVENDIVE Date 3/7/83
Representing B.M.W.F. Support X
Bill No. SB 247 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. *THIS WILL CLEAR THE OVERSIGHT, ON MT. TAX FOR OUR RAILROAD RETIRES*
- 2.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name M. W. GULLICKSON Committee On TAX
Address LIVINGSTON Date 3/7/83
Representing UNITED TRANSPORTATION UNION Support X
Bill No. SB 247 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. THIS WILL HELP RECTIFY THE OVER SIGHT OF THE 47TH REG.
2. THIS HAS COST THE RAILROAD RETIRES APPROX .25 MILLION IN RETIREMENT FUNDS NOT RECEIVED 1981 & 1982
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name John C. Brower Committee On Taxation
Address Montana Tech Date Mar. 7 '83
Representing " " Support _____
Bill No. HB 329 Oppose X
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Written testimony attached.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Paul Hinkle Committee On Taxation
Address Box 207 Date 2/7/83
Representing myself Support
Bill No. HB 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name W R Mackay Jr Committee On taxation
Address Roswell Date 7 March 83
Representing Self Support
Bill No. 829 Oppose
Amend

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. No other bill effectively deals with total
-end impacts, nor does 718.
2. No other bill effectively deals with
jurisdictional mis-match.
3. 829 gives the people the right to
decide.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name William Olson Committee On Taxation
Address Helena Date 3/7/83
Representing MT. Contractors Assn. Support _____
Bill No. HB 829 Oppose ✓
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. *Creates anti-business climate for new development.*

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name JAC R DEWILY Committee On TAXATION
Address P.O. Box 1125 AK. TIMBER Date MAR 7, 83
Representing SHILLWATER WEA RESOURCES Support _____
Bill No. HR 829 Oppose
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Edward C. Bricker Committee On Taxation
Address 8 Meadowview Dr. Date 3-7-83
Representing Mt Bureau of Mines & Geol Support _____
Bill No. HB 829 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

Absarokee, Montana
24th February 1983

Dan Yardley, Chairman)
Ted Neuman, Vice Chairman)
Hubert Abrams)
Tom Asay)
Vern Bertelsen)
Gerald Devlin)
Bob Dozier)
John Harp)
Dan Harrington)
Glenn Jacobsen)
Nancy Keenan)
Les Nilson)
Ken Nordtbedt)
Bob Ream)
Dean Switzer)
Melvin Underdal)
Orren Vinger)
Mel Williams)
Carl Zabrocki)

Please submit copies to the
rest of the committee members.
Thank you.

Dear Honorable Members of the House Taxation Committee:

We would like to register our disapproval of House Bill 829. Any measure that will discourage the creation of jobs and suppress the business climate of our area and the State should be reviewed very carefully.

As residents and business people of the area most affected by development of the Stillwater Complex, we feel employment and development should be of top priority.

It would be ill-conceived at this time to implement an additional tax upon an already struggling industry. Again, we need employment and an economic base not unemployment and business failure.

Thank you,

*John Plimmons
Blacksmith Shop
5. S POT Bar
Dana Lowman
Lynn W. Rus
Antique & Ceramics*

*C. Lee Brunkhorst Jr.
BRUNKHORST COURT.
Robert Graham
Barwick Road Estate
Jerry Troop - Ciba Heavy P
Alice Powell
Arens Epp*

Exhibit 10
3-7-83

Special Report PI103

THE ECONOMIC IMPACT OF THE EAST HELENA SMELTER
The American Smelting & Refining Company * (ASARCO)
(A With- and Without- Analysis)

Department of Intergovernmental Relations
Information Systems Bureau
Division of Research and Information Systems
State of Montana

Frank McChesney
Director

January, 1974
Helena, Montana

THE ECONOMIC IMPACT OF THE EAST HELENA SMELTER
The American Smelting and Refining Company (ASARCO)
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Information Systems Bureau
Division of Research and Information Systems
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Frank McChesney
Director

January, 1974
Helena, Montana

PREFACE

Economic impact analyses are of two general kinds: those that study actual or potential effects of an addition to the economy, and those that measure the impacts of losing a segment of the economy. This study is one of the latter. One purpose of the investigation was to develop a methodology for studying economic impact that could be applied to similar situations elsewhere in Montana.

This report represents an on-going effort to realize the potential of an extraordinarily useful computerized information file acquired for the state, known as the Regional Economic Information System, or REIS file. It is described in some detail in Appendix A (a separate document).

The method selected for this study was the "with-and-without" analysis; that is, describing the economy of a selected community by use of the REIS data, projecting it a short period into the future, then in effect removing one industry from that economy and tracing the direct and indirect effects on the same measures (earnings and employment) used in the original description and projection.

The community selected for initial study was the two-county area of Lewis and Clark and Jefferson Counties, and the industry was the East Helena plant of the American Smelting and Refining Company, known as ASARCO.

There were a number of reasons for this selection. The size of this plant in relation to the rather small number of manufacturing firms in the community made it comparatively easy to study the interrelationships between ASARCO and its suppliers. Since virtually all of its primary product is exported, the examination of economic relationships with local customers was made quite simple. Also, the prospects for loss of this plant to the local economy are real enough to make the study much more than a mere academic exercise.

An investigation conducted by Arther D. Little, Inc. in 1972 for the Environmental Protection Agency shows that of the 6 lead-producing plants in the Western U.S.A., this ASARCO plant is the one most greatly affected, in terms of capital requirements and operating costs, by pollution abatement requirements.

These requirements, the report says, "will severely affect the East Helena Smelter... Even if (it) were to give up its profit to lessen the cost impact on mines, (that impact) would still be quite high. Because this plant is a custom smelter which imports a significant portion of its concentrate input, it could lose a significant portion of raw material sources and be forced to shut down."

The same study concluded that loss of the smelter would not seriously affect lead and zinc supplies and operations nationwide but, as this study shows, the seriousness of the impact on the local economy is another matter.

This study was not designed to measure costs of detectable environmental degradation resulting from emissions by this or associated manufacturing plants, on the assumption that such analysis has been or will be done by appropriate environmental agencies. It is these costs compared with losses that would follow plant closure, that constitute the tradeoffs which must be evaluated by state government and the community in order to make realistic decisions.

The methodology for the study was adapted by Norm Larson who had specific responsibility for the project and did the research and analysis under the direction of R. Thomas Dundas, Jr. Computer manipulation of the REIS magnetic tapes was handled by Gary Rogers. Dick Dodge provided statistical advice on projections. Completion of the project required the cooperation of many people in the community and elsewhere. Messrs. Stan Lane, Plant Manager, and Claude DeGooyer, Chief Accountant, and their staff provided detailed information on ASARCO plant operation. In the American Chemet Company, President Hoyt Larrison, Senior Vice President Bill Porter, and Treasurer Joe Schell, provided valuable information, as did Mr. Richard Porte, President of Caird Engineering, and Mr. Bill Taylor of the Burlington Northern Railroad. Other businessmen in the area furnished similar information on the relationships of their firms with the ASARCO operations.

Acknowledgement is also due for the valuable assistance provided by the Regional Economics Division, U.S. Department of Commerce. Dr. Bob Graham, Bureau of Economic Analysis, gave advice on methodology; Ed Coleman and his staff on the Measurement Branch supplied the REIS data; and Dr. Dan Garnick and others in the Analysis Branch provided advice on the use of location quotients and multipliers.

Helpful comments on the approach and methodology during early phases were furnished by Mrs. Maxine Johnson of the University of Montana, and Dr. Dick McConnen of Montana State University.

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Technical Appendix

The technical appendix containing the methodology used in the study is a separate document and is available on request.

This report was financed in part through a grant from the U.S. Department of Housing and Urban Development, under the provisions of Section 701 of the Housing Act of 1954, as amended.

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SUMMARY

The American Smelting and Refining Company's (ASARCO) basic metals smelter in East Helena represents the main reason for the existence of at least two additional export based manufacturing facilities: American Chemet, Inc. and the foundry portion of Caird Engineering, Inc.

The hypothetical withdrawal of the ASARCO Smelter from the area economy on January 1, 1973, and the subsequent departure of other dependent manufacturing operations by January 1, 1974, amounts to the direct income and employment effects of 330 full and part-time jobs and \$3,803,748 in earnings for 1974. The indirect employment and income effects of these export manufacturing firms would mean an additional 693 full and part-time jobs, and \$6,428,334 in earnings for 1974 throughout the community.

The economic impact on the Lewis and Clark/Jefferson County area and the state for 1974 would be a projected reduction of 1,023 full and part-time jobs and \$10,232,082 in earnings without the ASARCO smelter and related facilities in the economy.

Annual earnings per worker for the firms affected by the presence of ASARCO average about \$9,810, while for the two-county economy as a whole, the corresponding average is \$7,110, or \$2,700 less per worker.

Without ASARCO in the economy there would be a lowering of the average annual earnings per worker -- from \$7,110 to \$6,980 in 1973, and from \$7,370 to \$7,230 in 1974. These amounts represent a significant portion of earnings and employment in Lewis and Clark and Jefferson Counties: 1 out of 20 jobs or 5% of total employment and \$1 out of \$15 of earnings or 6.8% of total earnings for 1974.

Without the three export-oriented manufacturing facilities and some of the dependent non-export manufacturing establishments in the area, there would be a reduction of 40% to 50% in total job and earnings in the community's manufacturing sector. In the event of withdrawal of these manufacturing operations from the community, the local economy would become much more dependent on the non-goods producing sectors, such as government and the service industries.

Statewide, the economic impact in the event of ASARCO's closing is, of course, much less significant. In 1974, the \$10 million in earnings and the 1,023 jobs related to the ASARCO Smelter would cut only a small slice out of the state's economic growth. However, the lack of economic diversity has been a serious economic problem in the state. Removal of these manufacturing plants from the state's economy would only increase dependence on the non-goods producing sectors and agriculture.

The East Helena ASARCO facility is an unusual plant in Montana. Almost 70% of the "basic metals" it uses come from sources

outside of the United States, and Montana supplies less than 2% of the total. Since these concentrates and ores must be purchased on the international metals market, the East Helena Plant is independent of local or regional natural resources.

This is an economic advantage for the Lewis and Clark/Jefferson County area, and Montana, because in the event of a decline in the natural resource-economic base (agriculture, wood products, metal mining, etc.), this plant will continue to generate jobs and earnings in the community. Thus, the East Helena Smelter of ASARCO provides the local and state economies with a measure of security against the debilitating effects of a decline in the natural resource-economic base.

EMPLOYMENT AND EARNINGS EFFECTS

What are the employment and earnings effects on the Lewis and Clark/Jefferson County community area and the State of Montana, with and without the East Helena ASARCO Plant?

Illustrating the contribution of ASARCO to the State and local economies required projections of employment and earnings for 1972, 1973 and 1974. A straight line projection (linear least squares) method was used for simplicity and ease of understanding.¹

Economic Indicators

The projections were made with the assumption the plant would continue operation. Then the total amount of affected earnings and employment in the communities was computed and subtracted from the projected figures (with ASARCO) to obtain earnings and employment without ASARCO operating in East Helena.

Section II, Inter-industry Relationships, considers the relationship of ASARCO to its supplier firms and to its sales customers, both inside and outside the state. It also includes the amounts of export and non-export jobs and income affected by the ASARCO Plant.²

¹Appendix D contains projections methodology.

²Export or primary employment and earnings are those jobs and dollars created as a result of production of goods and services which are consumed outside of the community or by non-residents of the community. Non-export or residentiary industries are those industries which produce goods or services just for local consumption. They may include city-county government, retail trade, services, a creamery or printing operation.

Affected export earnings and employment are derived as a result of the inter-industry analysis and are summarized in Tables 1 and 2 on page 10. The non-export or residentiary earnings and employment effects are measured by use of multipliers. These multipliers quantify non-export industry changes that occur as a result of primary industry changes within the community.

The multipliers are used to project changes in residentiary industries in the Lewis and Clark/Jefferson County area that probably would occur as a result of alterations in employment and earnings at the ASARCO Plant. These non-export industries and companies include the Burlington Northern, Chemetron, and Maronick Construction, as well as groceries, service stations, hardware stores, professionals and the other retail and service businesses in the community.

The multiplier is derived by dividing total employment or earnings by total export employment or earnings. The result is called an export industry multiplier.³

The earnings and employment multipliers for the Lewis and Clark/Jefferson County area are 2.69 and 3.10 respectively.⁴ They indicate that for every dollar of primary industry earnings an additional \$1.69 in earnings are generated, and for every primary industry full and part-time job, an additional 2.10 full and part-time jobs are sustained in the community.

³There are other types of multipliers. Another type commonly used is an input-output multiplier. This type uses sales, purchases and value added by industry, as well as in the aggregate, to determine the effects of an industry on the community. A discussion of the techniques is contained in Appendix B.

⁴Derivation of the multipliers is contained in Appendix A.

With ASARCO

Projected earnings in the combined Lewis and Clark/Jefferson County areas with ASARCO operating would be \$141,418,000 in 1973 and \$150,100,000 in 1974. Figure 1, below, indicates the community area earnings with ASARCO.

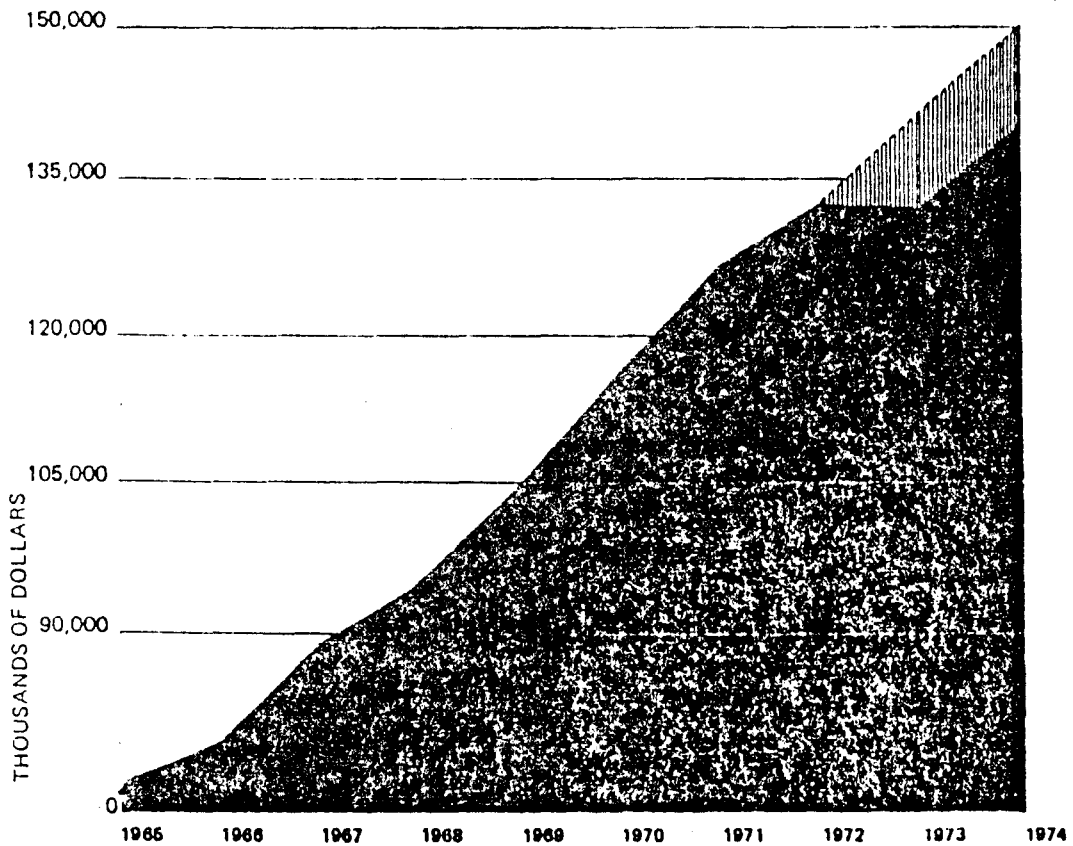
Figure 2 (Page 7) indicates projected employment in these two counties with the plant operating would be 19,878 in 1973 and 20,375 in 1974. These projections reflect past rapid expansion of both employment and earnings in both counties.

COMBINED LEWIS & CLARK AND JEFFERSON COUNTY EARNINGS
AND PROJECTED EARNINGS 1965-1974

IN THOUSANDS OF DOLLARS

FIGURE 1

AFFECTED EARNINGS 0000000



	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Earnings	75,008	79,165	89,365	95,308	104,855	116,116	126,245	132,736	141,418	150,100
Earnings With Shutdowns									131,936	139,868
Affected Earnings									9,482	10,232

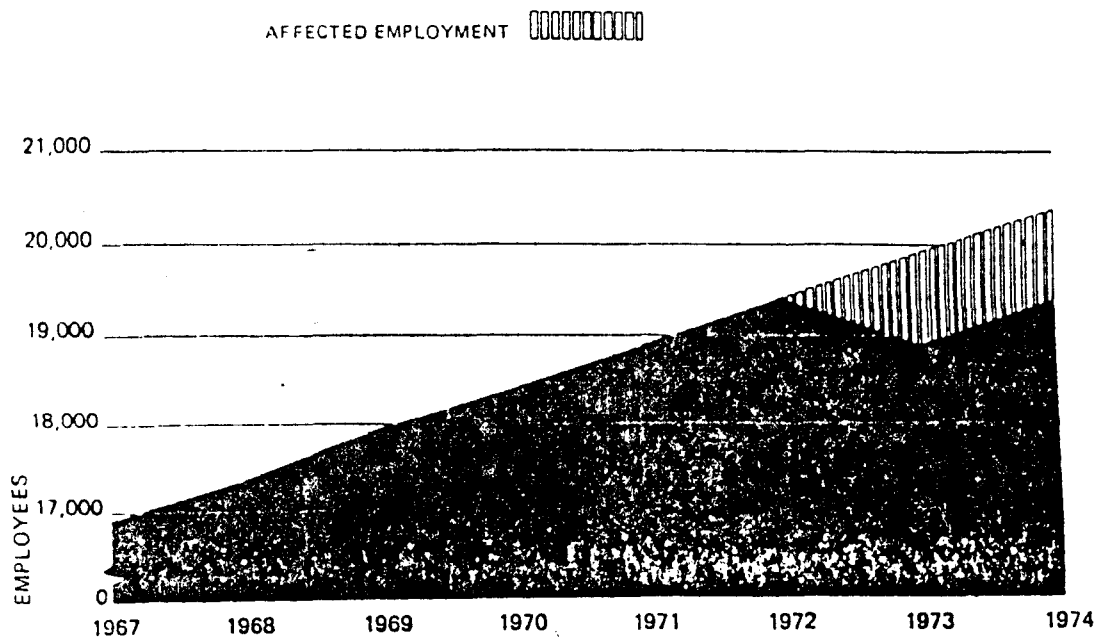
Note: Projected Figures in Bold Face.

For Montana, the projections indicate that with ASARCO in the community, earnings would be \$2,116,480,000 in 1973, and \$2,213,000,000 during 1974. (See Figure 3, Page 8). Employment projections for the state with ASARCO operating indicate employment would be 284,053 in 1973 and 286,232 in 1974. (See Figure 4, Page 9).

Without ASARCO

Measurement of the total area employment and earnings effects without ASARCO operating first requires a determination of which firms would be directly and indirectly affected.

FIGURE 2
COMBINED LEWIS & CLARK AND JEFFERSON COUNTY EMPLOYMENT
AND PROJECTED EMPLOYMENT 1967-1974*



	1967	1968	1969	1970	1971
EMPLOYMENT	16,940	17,306	17,955	18,329 ^r	18,913 ^p
		1972	1973	1974	
Employment Projections		19,381	19,878	20,375	
Employment with Shutdowns			18,911	19,352	
Affected Employment			967	1,023	

p - Preliminary

r - Revised by Regional Economics Division

* Includes both full- and part-time employment.

PROJECTIONS BASED ON U.S. DEPARTMENT OF COMMERCE-BUREAU OF ECONOMIC ANALYSIS DATA

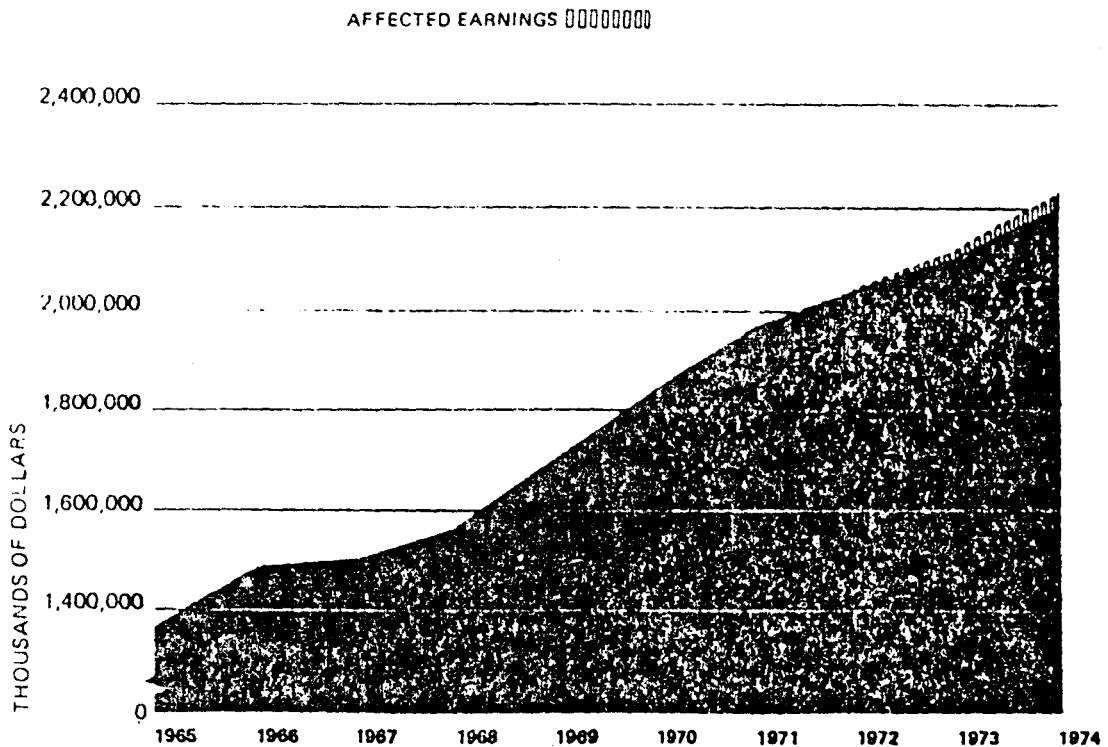
To measure the effects on the economy it was assumed that the ASARCO Plant would be "removed" on January 1, 1973. As is described in the Inter-industry Relations Section, Pages 23 and 24, two additional export-oriented firms, American Chemet and Caird Engineering, in Lewis and Clark County are dependent on the ASARCO facility.

The time sequence of these additional closings, was assumed to be: American Chemet's zinc oxide operation and Caird Engineering's foundry operation would discontinue operations at the same time as the ASARCO plant, while the copper oxide operations of Chemet would cease one year later.

MONTANA EARNINGS AND PROJECTED EARNINGS 1965-1974

IN THOUSANDS OF DOLLARS

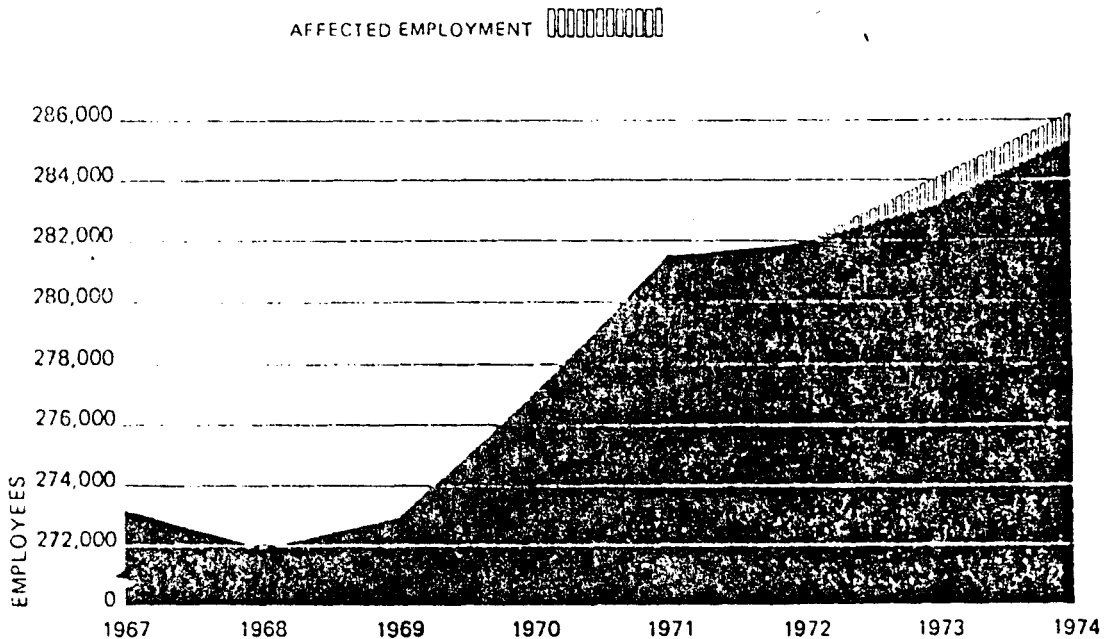
FIGURE 3



	1965	1966	1967	1968	1969	1970	1971
Earnings	1,388,867	1,487,357	1,500,211	1,562,898	1,704,787	1,841,677	1,986,177
		1972	1973	1974			
Earnings Projections		2,019,760	2,116,480	2,213,200			
Earnings With Shutdowns			2,106,998	2,202,908			
Affected Earnings			9,482	10,232			

Tables 1 and 2 (Page 10) summarize the export earnings and employment from export-oriented firms which would be lost to the community economy during 1973 and 1974. Once the amounts of export earnings and employment have been determined, applying the derived multipliers determines the amount of non-export or residentiary earnings or employment affected in the community. The sum of affected export earnings or employment and non-export earnings, or employment, equals the total amount of affected earnings or employment (See Table 2, Page 7).

FIGURE 4
MONTANA EMPLOYMENT AND PROJECTED EMPLOYMENT 1967-1974*



	1967	1968	1969	1970	1971
EMPLOYMENT	273,178	271,983	272,993 ^r	276,950 ^r	281,950 ^p
Employment Projections		281,874	284,053	286,232	
Employment with Shutdowns			283,086	285,209	
Affected Employment			967	1,023	

^p Preliminary

^r Revised by Regional Economics Division

*Includes both full- and part-time employment

PROJECTIONS BASED ON U.S. DEPARTMENT OF COMMERCE- BUREAU OF ECONOMIC ANALYSIS DATA

Economic adjustment (shift and change in the economy) is not new to Montana, and is well illustrated by the numerous agricultural and mining communities depopulated by dependence on one, or a few industries. Lewis and Clark/Jefferson Counties' dependence on government, services and transportation, communication and public utilities sectors would increase as a result of withdrawal of these manufacturing operations.

In Figure 3 (Page 8) the projected effects of an ASARCO closure on Montana as a whole are shown to be relatively small. Based on current trends, and with the ASARCO Plant operating, the state would record earnings of \$2,213,000,000 for 1974. Without the ASARCO Plant, there would be a \$10,000,000 drop in statewide earnings and total earnings would be about \$2,203,000,000 in 1974.

Statewide employment effects would also be comparatively small, with a projected loss of 1,023 jobs during 1974. (See Figure 4, Page 9). Based on current trends and with ASARCO operating, employment in the state in 1974 would be 286,232. Without the Plant in the state, 1974 employment would be 285,209.⁵

Earnings and employment growth in the absence of the ASARCO Smelter, while only slightly flattening out Montana's economic-growth rate, would reduce the important of an already small manufacturing sector.

⁵The statewide amounts of affected jobs and earnings are slightly conservative for several reasons. Only the effects of ASARCO in Lewis and Clark and Jefferson Counties were quantified. In addition, ASARCO's 1972 numbers were used which slightly understates 1973 and 1974 amounts of affected employment and earnings. Lastly, the multipliers are based on 1970 data but their computation reflects four previous years' economic data.

The earnings gap between Montana and the rest of the nation has been widening, and structurally, Montana's manufacturing sector is already very small relative to the nation. Further reduction of this important sector would increase the state's dependence on agriculture, mining, services and government.

Removing the employment and earnings contribution of a manufacturing establishment would not help Montana, and would only aggravate the economic problems from which it currently suffers, and which it seeks to solve.

INTER-INDUSTRY RELATIONSHIPS

Analyzing and understanding the inputs (purchases) ASARCO uses to produce its products, where they come from, as well as the final products of the plant (outputs), and their geographical destinations provides the information needed to make a factual economic analysis of ASARCO's impact.

ASARCO - The Company

The American Smelting and Refining Company (ASARCO) plant at East Helena was established in 1888 to service the growing mining industry of the Helena region. The plant was constructed and owned by the Guggenheim investor group of New York and sold to ASARCO shortly after the turn of the century.

Originally the smelter refined crude ore and concentrates from local operations. As time passed, local sources dried up, and the plant slowly changed from a local customer crude ore smelter to an international custom smelter, using primarily high grade concentrates from other mines worldwide.

In 1972, the zinc fume operation of the Anaconda Company at East Helena was purchased by ASARCO. Thus, the company's East Helena facilities now include a lead smelter and a zinc fume operation.

Currently, many non-ASARCO owned metal mining concerns throughout the world send their concentrates to East Helena to extract metals which cannot be efficiently extracted in

their own plants. This fact makes the East Helena Smelter unusual in terms of providing smelter services. Competitor plants are located at Bunker Hill, Idaho; Ghent, Belgium, and in West Germany.

Now, the only crude ore the smelter uses comes from Montana and Idaho mines. While crude ore amounts are small relative to the total metal charge used in the plant, ASARCO's crude ore purchases sustain many small local mining concerns.

ASARCO Inter-Industry Relationships

Several Lewis and Clark and Jefferson County businesses have been dependent upon the East Helena Plant for many years. This analysis discusses these relationships and describes ASARCO's business relations in the rest of Montana, the United States and throughout the world, by value of inputs and outputs.

The ASARCO inter-industry flow chart shown in Figure 5 (Page 17), describes the firm's inputs and outputs. The value of inputs equals the value of outputs. Outputs represent total sales value, and inputs include value of intermediate products (basic metals, coke and coal, etc.) plus value added (total labor costs, depreciation and corporate profits, etc.). Undistributed corporate profits are included in the value of inputs, but they are not specifically listed. All of the data were furnished by the accounting department of the ASARCO Plant in East Helena.

"Basic metals" (metal ores) constitute 85.1% of the total value of ASARCO's inputs as shown in Figure 5 (Page 17). About 57% of the total are from foreign sources, mostly South America, Australia and Canada. Montana and the rest of the United States provide ores representing 1.5% and 26% respectively, of the total.

Among the basic metals alone, 67.7% come from outside the U.S., 30.5% from within the U.S. other than Montana, and 1.8% come from within the state.

The value of coke and coal represent 2.3% of the total value; coal coming from mines in Utah and the coke from Canada. Limerock, barren silica, scrap iron, natural gas, electricity, and oxygen are all provided by Montana firms. Together, these particular Montana products represent 1.1% of the total value of inputs.

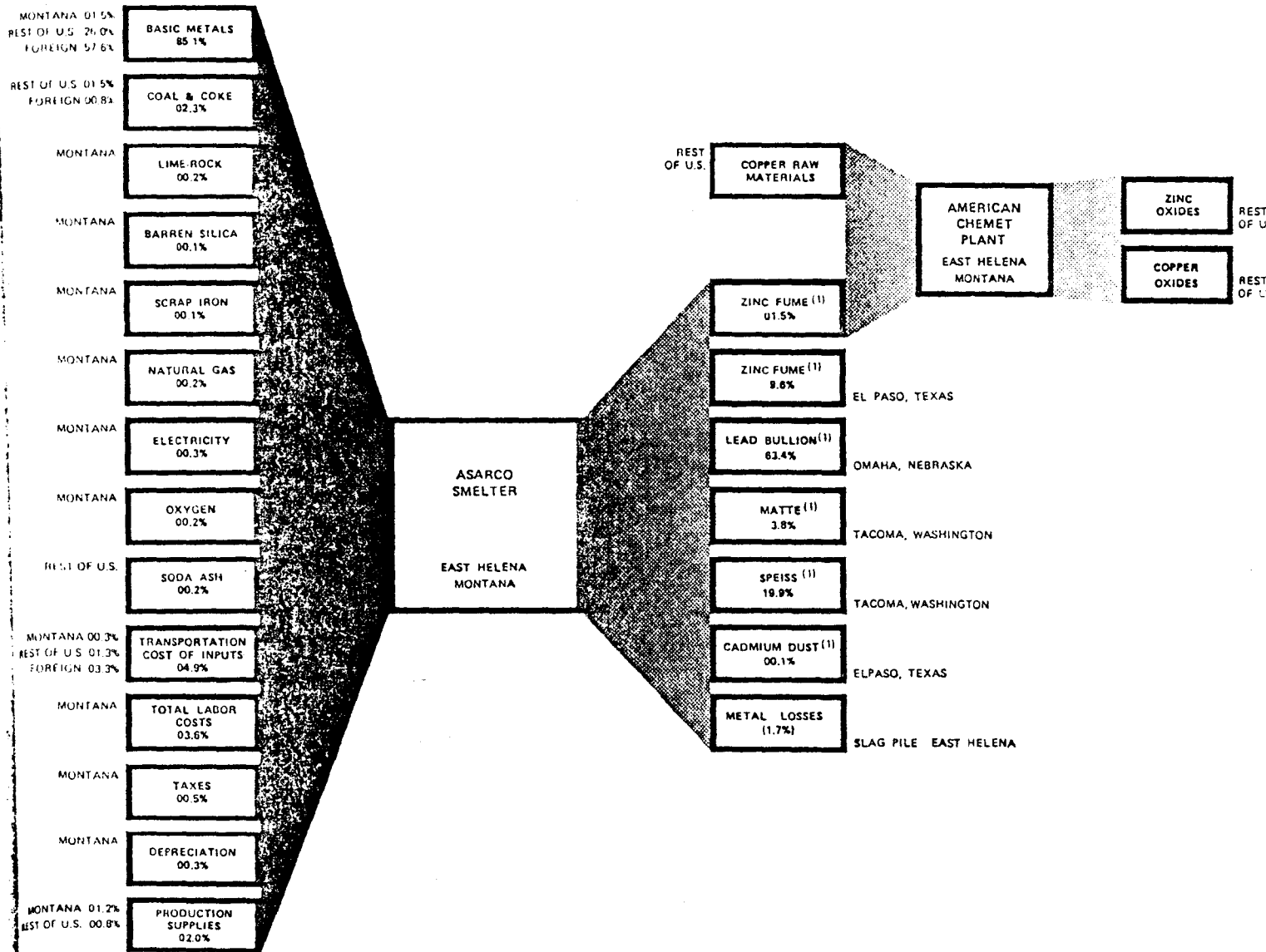
Transportation costs are another important input. ASARCO, and/or the basic metal suppliers expend considerable sums of money to bring ore and other products to East Helena. Ocean shipping expenses represent a significant portion of transportation costs of foreign inputs. However, rail charges are the largest portion¹ of total input transportation costs.

Total labor costs, property taxes and capital consumption allowances (depreciation) represent 4.4% of the total value. The total labor costs represent both total wages and other costs (pension, health, etc.). ASARCO's health plan alone, contributed over \$227,000 in 1972 to Lewis and Clark County

¹For a detailed discussion of the railroad contribution, see Burlington Northern Section of Inter-industry Relationships.

FIGURE 5

ASARCO INTER-INDUSTRY FLOW CHART BY VALUE OF PRODUCT AND GEOGRAPHIC AREA, 1972 PERCENT OF TOTAL VALUE



(1) - Loss

(1) For a detailed description of metallic content see Table 1.

Source: Based on accounting data furnished to Information Systems Bureau, Division of Planning and Economic Development, Department of Intergovernmental Relations by ASARCO.

physicians, hospitals and other health-related practitioners² and facilities.

Supplies, which range from Caird Engineering foundry castings and fabricated metals to hardware from Montana Hardware, represent 2% of the total value of inputs. Most of these are provided by Montana suppliers scattered throughout the state.

Virtually all of ASARCO's output goes out of state. In 1972, 96.8% of the total products went to various ASARCO facilities elsewhere in the United States. Of the remainder, 1.5% went to the American Chemet facility in East Helena, and a portion, 1.7%, was lost in the smelting process and ended up in the slag pile in East Helena as unrecoverable minerals. In Table 3 (below) a breakdown of the metallic content of ASARCO's output is shown.

Table 3 Metallic Content of ASARCO Output
Ounces Per Ton and Percent Per Ton

	Oz/Ton		%Weight			
	Gold	Silver	Lead	Copper	Zinc	Cadmium
Zinc Fume	--	3	9.3	.06	66.9	--
Lead Bullion	1.9	318.0	97.2	.01	--	--
Matte	.1	93.0	7.8	44.9	--	--
Speiss	4.3	422.0	8.7	60.0	--	--
Cadmium Dust	10.3	6.9	23.7	.4		19.9

Source: Data Provided by ASARCO

Totaling the percentage value of inputs and outputs shows that Montana sources provide only 8.5% of the total value of

²Permission to publish obtained from company.

inputs, and that ASARCO supplies only 1.5% of its total product output to Montana businesses. Assuming the total value of ASARCO's inputs and outputs were 100 million dollars, this would mean \$8.5 million in inputs would be purchased by ASARCO in Montana and \$1.5 million of ASARCO output would be sold to the Montana firms.

The largest portion of Montana inputs is the labor contribution, as shown in Figure 6 (Page 20). The total labor costs (wages and salaries, pension costs, etc.) represented 41.2% of the total value of Montana inputs in 1972.

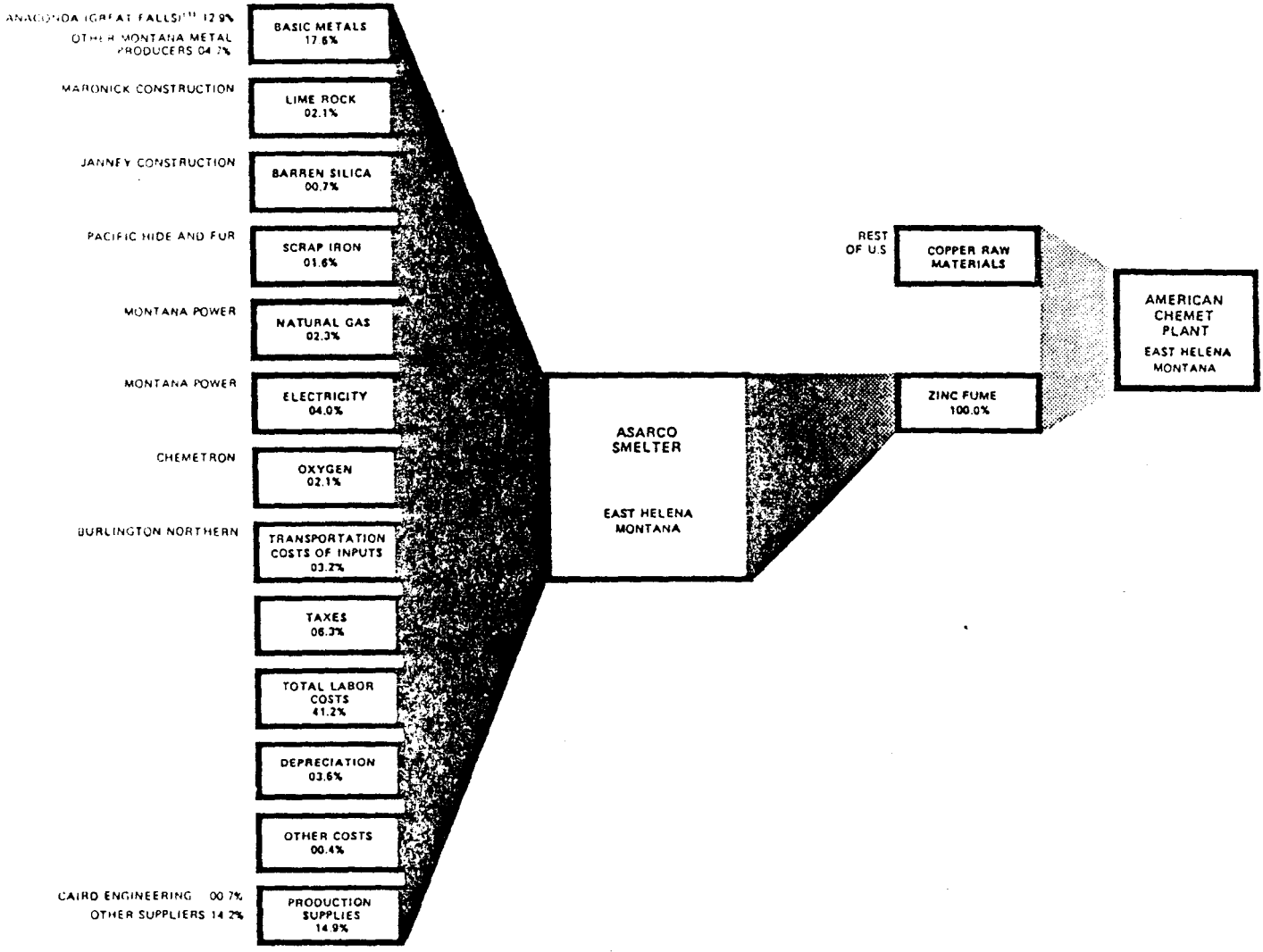
Basic metals from Montana represented 17.6% of the total value of inputs from Montana. Most of the metal was residue provided by the now closed Anaconda zinc plant at Great Falls. The loss of this Montana metals source forced ASARCO to seek new domestic and foreign sources.

ASARCO purchases a wide variety of items from Montana suppliers. The largest supplier, Caird Engineering, provides ASARCO with foundry castings, fabricated metal products and flat steel products. Other major suppliers are located in Butte, Missoula and other Montana cities, selling everything from hardware to industrial bearings.

Figure 7 (Page 21) illustrates the amounts of inputs provided and output produced in physical quantities (tonnages, kilowatt-hours, etc.). Tonnage-wise, Montana inputs of basic metals were larger than those from the rest of the United States.

FIGURE 6

ASARCO INTER-INDUSTRY FLOW CHART BY VALUE OF PRODUCT FOR MONTANA, 1972 PERCENT OF TOTAL MONTANA VALUE



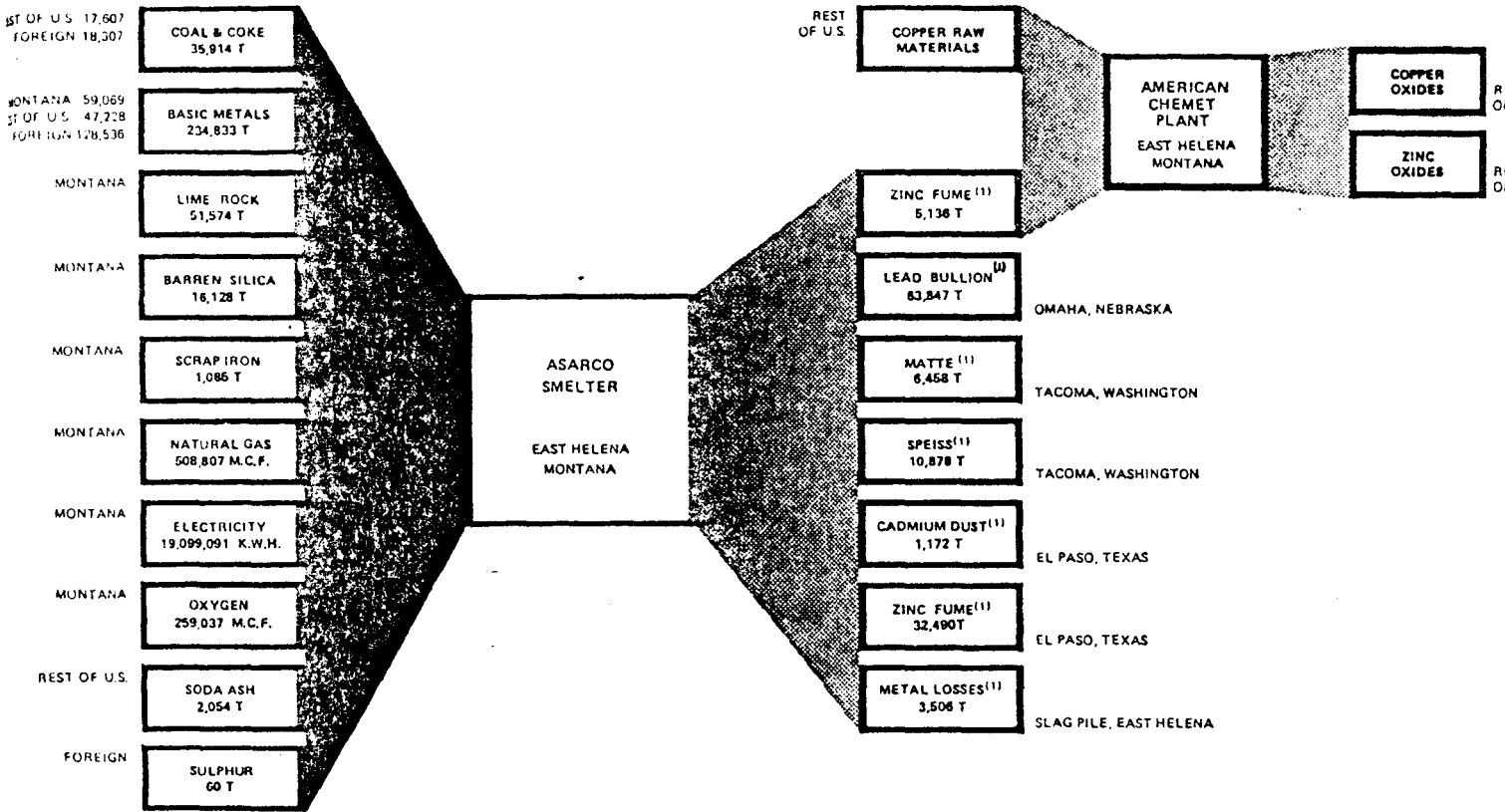
(1) Anaconda Zinc Plant Closed 1972. This represents a half year's supply to ASARCO.

Source: Based on accounting data furnished to Information Systems Bureau, Division of Planning and Economic Development, Department of Intergovernmental Relations by ASARCO.

FIGURE 7

ASARCO INTER-INDUSTRY FLOW CHART BY QUANTITY OF PRODUCT, 1972 (ACTUAL)

Legend: T = Tons Dry Weight
M.C.F. = Million Cubic Feet
K.W.H. = Kilo Watt Hours



(1) For a detailed description of metallic content see Table 1.

Source: Based on accounting data furnished to Information Systems Bureau, Division of Planning and Economic Development, Department of Intergovernmental Relations by ASARCO.

The discrepancy between Montana tonnage and value is due to the weight/value relationships of low-value residues (from Great Falls) and Montana crude ore, versus more valuable metal concentrates from out-of-state smelters and concentrators.

The quantity of inputs and outputs suggests that transportation is important in ASARCO's operation. It is unusual that these large quantities of minerals can be shipped profitably from distant areas of the world to East Helena for processing. The reason probably lies in ASARCO's ability to extract metals from different concentrates at competitive prices more efficiently than other smelters around the world. From a community standpoint, this means the ASARCO Plant is not tied to a local or a regional natural resource base, such as mining, lumber, agriculture, etc.

In essence then, the ASARCO Plant, from an international business standpoint, is relatively sophisticated. It is efficient enough to be able to produce goods based on international competition, rather than on a local or regional economic advantage.

The plant is located in East Helena, not because of any inherent local or regional resource-economic factor, but principally because the cost of a new smelter at a more advantageous location is currently not financially feasible.

American Chemet

The American Chemet Company was formed in 1946 and operates a chemical manufacturing operation in East Helena. It originally utilized the output of the then Anaconda-owned zinc fume plant

in East Helena to produce zinc oxide, all of which was used either by the Columbia Paint manufacturing operation located in Helena or other U.S. paint manufacturers.

As time passed, petro-chemical solvent paints were replaced by water based paints and Chemet was forced to find new markets for its zinc oxide. These markets were found in the midwest in rubber-related manufacturing operations.

About the same time, Chemet began shipping copper raw materials from the Chicago and St. Louis areas to East Helena, where they were manufactured into copper oxide, then shipped back to the rubber markets outside Montana.

Prior to closure of the Great Falls zinc plant, dross (scum waste) was obtained from that source and processed by Chemet in East Helena. Since the Anaconda dross source was lost, a new one has not been located and that portion of American Chemet's business has been discontinued.

The reason for American Chemet's location in East Helena is because the basic materials to operate are located almost next door, at the ASARCO zinc fume plant. Withdrawal of the source of this basic input, zinc fume, would alter the reasons for the plant to be located in East Helena.

In fact, since most of Chemet's sales markets and all of its inputs would have to be purchased from out-of-state sources, the company would probably move its operation to a more advantageous location.

Caird Engineering

Caird Engineering operates the last of several non-captive foundries in Montana. It was established in 1894, in part to provide iron foundry and fabricated metal goods to the mining and smelting industry in the Helena region. With the closing over the years of many Montana smelters, Caird's foundry sales to smelters became dependent upon the ASARCO Plant at East Helena, its largest customer, for foundry work.

Should the ASARCO Smelter terminate operations, Caird's foundry would in all likelihood discontinue. The operation represents eight employees and approximately \$119,000 in earnings.³

Burlington Northern

Burlington Northern's operations in Lewis and Clark County are centered primarily at the East Helena and Helena switchyards. Total rail freight revenue generated from the ASARCO and American Chemet manufacturing operations at East Helena in 1972 was \$3,702,698 in-bound and \$2,442,758 out-bound for a total of \$6,145,456.⁴ Discussions with ASARCO and Chemet officials indicates that nearly two-thirds of the total rail revenue accrues to Burlington Northern, or approximately \$4 million.

Subsequent data furnished by Burlington Northern itemizes their rail revenue generated from ASARCO and American

³Permission to publish obtained from the company.

⁴Based on input-output data furnished by ASARCO and American Chemet (Permission granted to publish).

Chemet plants in East Helena at \$4,122,000.

Without ASARCO and Chemet in East Helena there would be an elimination of the East Helena switch crew, an agent, a clerk and possibly the elimination of a Helena switch engine and crew. Based on the Burlington Northern information, six employees and about \$74,000 in earnings (labor costs only) would be affected in the community.⁶

Chemetron

The Chemetron Corporation, Industrial Gases Division, operates an air separation plant in East Helena. It is capital intensive and highly automated, employing only two individuals. The plant manufactures oxygen, nitrogen and carbon dioxide. Currently, liquid and gaseous oxygen are the only marketable products. While the ASARCO purchases of oxygen are not large in terms of the total value of inputs, approximately 80% of Chemetron's total sales are to ASARCO.

Without the ASARCO Plant, in all probability the Chemetron separation plant would discontinue its operations.

Montana Power

The ASARCO Plant is a major user of electricity and natural gas supplied by the Montana Power Company. Based on accounting data furnished by ASARCO, Chemet and Caird, Montana Power's direct revenue from the ASARCO, Chemet and Caird foundry operations

⁵Permission to publish obtained from the company.

⁶Ibid.

represents more than \$500,000. The direct and indirect employment effects on the company caused by an ASARCO withdrawal are not known.

Basic Metal Producers

The sources of basic metals inputs to ASARCO in 1972 are shown in Table 4 (Page 27). The former Anaconda plant in Great Falls provided 83% of Montana's metal tonnage used in the ASARCO smelting operation. The zinc plant in Great Falls closed in mid-1972, considerably lowering the amount of Montana metal available for processing that year.

The remainder of Montana's basic metal producers are principally part-time mining operations. The ASARCO facility is one of the few large smelters that accepts ores from small independent producers, and without it there would be little chance for the small operations to sell their ore. This would cause the closing of a number of these operations with subsequent loss of earnings and employment, especially in southwest Montana counties.

Maronick Construction

Maronick Construction has been quarrying, crushing and hauling limerock for the ASARCO operation since the turn of the century. In addition to the limerock operation, Maronick hauls about 27 tons daily of dezincd slag from the East Helena slag pile to the Kaiser plant for use in the cement manufacturing operation.

TABLE 4

MONTANA METAL RECEIPTS - ASARCO HELENA PLANT - YEAR 1972

BY DRY WEIGHTS

<u>Shipper</u>	<u>Shipping Point</u>	<u>County</u>	<u>Class</u>	<u>Tons Dry Weight</u>
<u>Montana:</u>				
Sam Mortenson	Sheridan	Madison	Crude	7
R. Robertson	Basin	Jefferson	Crude	1
John Caari	Clancy	Jefferson	Crude	5
E. Terry	Clinton	Missoula	Crude	2
Pete Antonioli	Butte	Silver Bow	Crude	459
Charles Kimball	Toston	Broadwater	Crude	29
Geo. Langstaff	Dillon	Beaverhead	Crude	10
Delbert Bullock	Basin	Jefferson	Crude	1,233
E. Merk	Deer Lodge	Powell	Crude	2
<u>Basic Metal</u>				
Mines	Rimini	Lewis&Clark	Crude	47
Hans Mo	Rimini	Lewis&Clark	Crude	2
W.W. Lindbom	Niarada	Sanders	Crude	2,821
John Byrd	Helena	Lewis&Clark	Crude	81
G. Doornbos	Gall. Gtwy.	Gallatin	Crude	11
A.K. Scharf	Deer Lodge	Powell	Au Nuggets	-*
United Invest.	Silver Star	Madison	Crude	8
C. Ward	Elliston	Powell	Crude	2
Helena Gun Club	Helena	Lewis&Clark	Gun Pellets	14
R. Pellny	Helena	Lewis&Clark	Crude	7
Lewis Const.Co.	Great Falls	Cascade	Cu Wire	2
C. Webber	Whitehall	Jefferson	Crude	11
Hans Mo	Rimini	Lewis&Clark	Crude	1
Manual Sakkinen	Superior	Mineral	Crude	49
Carl Brown	Bannack	Beaverhead	Crude	335
Glen Lince	Elliston	Powell	Crude	4
Pac. Mines Inc.	Alder	Madison	Crude	55
Kuebler &				
Trettin	Boulder	Jefferson	Crude	1,180
Harold Giulio	Boulder	Jefferson	Crude	3,368
W.A. Nagy	Huson	Missoula	Crude	1
Harper Bros.	Dillon	Beaverhead	Crude	12
Western Lab	Helena	Lewis&Clark	Scrap Lead	-*
Rudy Nygren	Argenta	Beaverhead	Crude	20
Ed Scheitlin	Alder	Madison	Crude	355
Western Lab	Helena	Lewis&Clark	Lab Sweeps	10
Rudy Nygren	Argenta	Beaverhead	Crude	7
St. James Hosp.	Butte	Silver Bow	X-Ray Silver	-*
Mico Enterprise	Helena	Lewis&Clark	X-Ray Silver	11
St.Johns Hosp.	Helena	Lewis&Clark	X-Ray Silver	-*
Mont.Deac.Hosp.	Great Falls	Cascade	X-Ray Silver	-*
St.Peters Hosp.	Helena	Lewis&Clark	X-Ray Silver	-*
Sub-Total				10,162
Secondary Metal Receipts from the Anaconda Co., Great Falls				49,447
Total Montana				59,609

*Less than 1 ton.

Source: Data provided by ASARCO.

The limerock quarry, located in Jefferson County, is owned by ASARCO and operated by Maronick. All quarrying is normally done during the winter months, employing five people, usually laid-off construction workers. All of the limerock goes to the ASARCO smelter, so the winter earnings of these people depend completely on the presence of ASARCO.

Janey Construction

Janey Construction operates a barren silica quarry in Jefferson County for E. H. Coltharp, Salt Lake City, Utah. In 1972, Janey supplied ASARCO 5,086 tons of barren silica. This tonnage represented only about one-third of Janey's total annual sales tonnage. However, in the first quarter of 1973, Janey began providing barren silica to ASARCO at nearly four times the annual 1972 rate.

Currently, there are two full-time employees hauling silica, and 10 other men employed quarrying and crushing six months of the year. Without the ASARCO smelter operating, there would be some small employment and income effects on Janey Construction and the community.

Pacific Hide and Fur

Pacific Hide and Fur, Helena, provides scrap iron to the ASARCO Smelter for use in its reduction operation. Pacific Hide and Fur indicated that most of the scrap iron comes from local sources and that ASARCO purchases of scrap iron represent about one-third of the firm's total annual sales

volume. There are six people employed by Pacific, so there may be some small effects from the company's dependence on ASARCO.

Other Montana Suppliers

A list of a few Montana firms supplying goods to ASARCO is shown in Table 5 (Page 30). The firms are ranked by dollar value in decreasing order of importance. Examination of the table indicates that ASARCO uses a wide variety of Montana suppliers scattered throughout the state. Community income and employment effects of sales losses from these firms, other than Caird Engineering, are not known.

Tax Effects

Accounting data furnished indicates that Lewis and Clark and Jefferson Counties received approximately \$344,000 in property taxes in 1972 from the ASARCO and American Chemet facilities at East Helena.

Total property tax billings in the two-county area were \$11,647,713⁷ in 1972-73. The tax payments by the two companies represented 3% of the area's total property tax levies. The effects on governmental units of the public revenue loss is difficult to estimate because the amount of individual emigration occurring as a result of an ASARCO displacement is not known.

Other tax effects would include the loss of about \$179,000 in unemployment insurance taxes to the state. In this case the

⁷Montana Taxation, 1973 Edition, Montana Taxpayers Association, Helena, Montana, P. 26.

Table 5

ASARCO'S MONTANA SUPPLIERS

RANKED BY VALUE OF GOODS PURCHASED

1.	Caird Engineering	Helena	Metals Fabrication & Foundry
2.	Montana Hardware	Butte	General Supplies
3.	Gendco	Great Falls	Parts for Oxygen, Acetylene
4.	Northwest Paramount Supply	Helena	Plumbing & Piping Supplies
5.	Big Sky Ready Mix	Helena	Concrete
6.	Gallatin Equipment	Bozeman	Parts for Front End Loader
7.	Bearing Supply	Billings	Industrial Bearings
8.	AbbcO	Great Falls	Caterpillar & Front End Loader Parts
9.	Whitson Excavating	Helena	Excavation Work
10.	Linderkind Lumber	Helena	Wood Products & Builders Supply
11.	General Electric	Butte	Electrical Supplies
12.	Allied Equipment	Bozeman	Parts for Payloaders & Frontloaders
13.	Valley Motor	Helena	Motor Parts

Source: Data Provided by ASARCO.

tax loss, however, would represent only the "tip of the iceberg" so to speak, since the state would be required to pay unemployment insurance benefits to those workers unemployed, in addition to trying to find scarce Montana manufacturing jobs for them. But the unemployment of skilled smelter workers resulting from ASARCO's closure, and the subsequent social and psychological effects on individuals and families cannot be measured by statistics or costs and benefits.

Also, of the \$10,232,000 in affected 1974 earnings, some 3.9% or \$399,048 would accrue to state government via Montana personal income taxes.⁸ In the event of an ASARCO withdrawal, the extent of diffusion and reassimilation of displaced employees throughout this state's economy would be difficult to trace, making it hard to draw substantive conclusions concerning the effects on the tax base.

⁸Based on estimated Montana personal income tax liability (Calendar 1972) of \$79,070,700 as a percent of 1972 Montana earnings of \$2,019,760,000 (See Figure 3). Tax data was obtained from unpublished, Montana Department of Revenue source.

By: Haiman and members of the Committee

I AM BERNADETTE CONNOR FROM WHITEHALL. I AM A MEMBER OF THE WHITEHALL PLANNING BOARD AND I WOULD LIKE TO EXPRESS MY OPPOSITION OF HB #829 BECAUSE IT IS DETRIMENTAL TO THE MINING INDUSTRY IN MONTANA.

THE STATE OF MONTANA AND ESPECIALLY OUR AREA OF JEFFERSON COUNTY IS IN DIRE NEED OF ANY INDUSTRY. WE HAVE BEEN A DEPRESSED AREA EVEN BEFORE THE RECENT RECESSION. THE NOW DEFUNCT RAILROADS HAVE BEEN A LARGE PART OF OUR TAX BASE IN JEFFERSON COUNTY.

WE FEEL THIS TAX IS UNFAIR BECAUSE IT TAXES ALL MINING OPERATIONS WHETHER OR NOT THEY HAVE CREATED AN ADVERSE IMPACT ON THE COMMUNITY. TO GIVE AN EXAMPLE OF THIS, PLACER AMEX HAS OPENED THE GOLDEN SUNLIGHT MINE IN WHITEHALL. THEY HAVE INVESTED NEARLY 80 MILLION DOLLARS IN THEIR MINING OPERATION NEAR WHITEHALL. THIS GREATLY INCREASES THE COUNTY TAX BASE. THEY HAVE PROVIDED EMPLOYMENT FOR OVER 100 LOCAL PEOPLE FROM WHITEHALL AT ABOVE AVERAGE WAGES.

NOT ONLY HAS THE BUSINESS COMMUNITY IN WHITEHALL BEEN GREATLY ENHANCED BUT THE SURROUNDING AREAS OF BUTTE, BOZEMAN AND HELENA HAVE ALSO BENEFITED FROM THIS VENTURE.

THE GOLDEN SUNLIGHT HAS MADE A GREAT EFFORT TO MAKE ALL OF THEIR PURCHASES FROM LOCAL BUSINESSES WHENEVER POSSIBLE. THEY HAVE SHOWN THEIR CONCERN OVER ANY IMPACT THEY MIGHT HAVE ON WHITEHALL BY DONATING \$20,000 TO THE CITY TO BE USED AT THEIR DISCRETION. THEY DONATED \$5,000 TO THE PLANNING BOARD TO INSURE ORDERLY PLANNING AND \$50,000 TO THE SCHOOL FOR NEEDED REPAIRS AND UPDATING.

WE FEEL THAT IT WOULD CERTAINLY BE UNFAIR TO IMPOSE A SEVERANCE TAX ON AN OPERATION LIKE THIS WHEN THEIR IMPACT HAS BEEN SO POSITIVE ON THE COMMUNITY--IN FACT, WE WOULD WELCOME MORE OF THIS KIND OF IMPACT ON THE COMMUNITY.

THERE IS A PROBABILITY OF ADDITIONAL MINING IN THIS AREA AND SINCE MOST OF THESE OPERATIONS ARE MARGINAL WE WOULD CERTAINLY HATE TO SEE A TAX THAT WOULD DISCOURAGE THESE INDUSTRIES FROM STARTING UP.

THANK YOU.

most deals are worked so that the average taxpayer doesn't understand what his ~~voting~~ ^{voting} is for any

Statement made to the House Taxation Committee at a Hearing on H.B. 829

March 7, 1983

My name is Ed Bingler and I reside at Butte, Montana. I'm employed at Montana Tech as State Geologist and Director of the Montana Bureau of Mines and Geology. I'm also immediate past President of the Montana Chapter of the American Institute of Professional Geologists and a member for twelve years of the national Society of Economic Geologists.

My brief testimony this morning relative to H.B. 829 is intended to provide a geologists perspective on some likely effects of imposing a new severance tax on metal mining in the state. In my opinion, enactment of such a tax will have a negative impact on level of exploration activity, new mine development, the economic health of existing mining activity, and the conservation of mineral resources.

First, a new severance tax on metal mining in Montana will strengthen the perception among exploration geologists that the odds have significantly increased against successfully locating and bringing to production new mineral deposits in the state. Simply put, if enacted, the increased cost represented by this new severance tax will be viewed as a significant disincentive to invest professional time and exploration funds in Montana. Exploration programs that might start here as general economic conditions improve will likely be moved to other western states where taxes are lower or where tax policy is perceived as more stable. Montana currently ranks last in dollar value of produced mineral wealth among Rocky Mountain states with similar geology and mineral potential. With an increased tax disincentive working against metals exploration, the conversion of our mineral wealth

into improved job opportunities, increased tax revenue and expanded investment will continue to falter.

Second, almost without exception, metalliferous mineral deposits are composed of high-, intermediate-, and low-grade ore. Increased severance taxes will force mining geologists and mine managers to locate and extract higher grades of ore in the short term and to abandon large tracts of lower-grade ore as uneconomic. Mines with suspended or closed operations due to low metal prices and shortfalls between revenues and total production costs will remain closed or suspended longer if new taxes are added now. New producing mines may be forced to shorten projected operating lifetimes, and an unknown number of planned new operations may be shelved. All of these effects are a type of de facto resource conservation which will result in permanent loss of mineral wealth if lower future metal prices or the development of substitutes make extraction ultimately unfeasible.

The report of the Hard-Rock Mining Subcommittee to this Legislature stated, among its several conclusions, that no new severance taxes were required to address the socio-economic impacts of large-scale hard-rock mining. If enacted into law, H.B. 829 will provide modest new tax revenues, but at the expense of current and future mineral resource use. The balancing of short-term revenue increases against the significant potential for lost jobs, wasted reserves, and long-term revenue losses deserves your careful consideration.



MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

BUTTE, MONTANA 59701

406/496-4101

Mining Engineering Dept.

March 7, 1983

TESTIMONY, HB 829, SEVERANCE TAX

TO: TAXATION COMMITTEE.

FROM: JOHN C. BROWER, PhD.

Dear Sirs:

I am a Professor of Mineral Economics at Montana Tech. I have had several years of overseas advisory experience in the formulation of mineral policy and legislation, mineral agreement negotiations, and evaluation of mineral projects. The following are my views on the proposed metals severance tax.

I. The Bill proposes to create a severance tax on metal mining, create a hard rock mining impact trust account, and also carries certain other provisions and amendments. My comments relate only to the severance tax, inasmuch as the trust account issue could be dealt with whether or not there is a severance tax.

After 1985 the severance tax on metals would be 3½% for mines that produce at a rate of over \$1,000,000 per year, and lesser rates for small mines. This tax would be added to existing mineral taxes, but the Metal-liferous Mines License Tax (MMLT) of 1.438% would be an allowable credit.

Total Taxes:

<u>Existing</u>		<u>Proposed.</u>
1.438	MMLT	- 1.438 credit
0.500	REIT	0.500
3.000	Gross Proceeds	3.000
<u>0</u>	Severance Tax	<u>3.500</u>
4.938		5.562

II. Impact. The new tax would be a 12.6% increase in the taxes paid by metal mines (not considering local property taxes). In terms of dollar amounts, based on rough estimates of gross value of metal sales of \$180,000,000 for 1982, existing taxes would yield about \$8.9 million, and the proposed severance tax an additional \$1.1 million.

By any measure, for the metal mines involved, the increase is dramatic. And yet, compared to the total estimated 1982 mineral taxes of \$149,000,000 it appears to be of no great significance. However, severance taxes are generally regarded as being the most harmful to the economics of mineral extraction, as explained more fully below.

III. Negative results.

(A). Tax policy is a signal from legislators and citizens as to whether they want to encourage or discourage a given industry. Increasing the taxes on metal mines is a clear signal of discouragement. Such discouragement seems odd, given Montana's desperate need for economic recovery, and the desirability of widening her economic base. Mining companies, just as timber companies, high-tech manufacturers, and a whole range of other kinds of investors have

virtually the whole world in which to locate, aside from a few obvious impossibilities. Since mining projects are long term investments, mining companies will favor locations where tax and investment policies offer assurances that they will get their money back. Investments flow to such locations, and jobs and tax revenues result. But unfortunately, policy makers seldom have the luxury of knowing what was lost, since disinterested investors never bother to inquire in the first place; they just go elsewhere.

(B) Secondly, within Montana, tax policy that selectively taxes one industry as compared to another, has the effect of shifting investments towards the lower-taxed industry, for the simple reason that returns on investment are greater. (And consequently risk is lower, since payback is faster.) If such a shift is the intent of a policy, then fine, assuming sound underlying reasons. But on the other hand, it may be the unfortunate unintended result, instead of the intent. Inasmuch as mining jobs are the highest paying in Montana, is there some reason to shift investment to lower paying industries -- a reason that outweighs the economic loss? In short, the added severance tax could result in long run losses far greater than short run gains.

(C) Thirdly, higher taxes simply mean higher mining costs, which can be borne by industries or individual projects where profits run at the "windfall" level, i.e., greatly in excess of normal profits. I do not see that the metals mining industry in Montana falls into this category. Therefore, it would have to swallow the higher costs resulting from the severance tax, which translates into shorter mine life, and leaving lower grade ore in the ground, which in turn means physical wastage of non-renewable resources. In other words, it means having to pluck the raisins out of the pudding and having to leave the rest behind. An ore deposit that has been high-graded might not be mineable again. Moreover, life of the mine is shortened, expansion and improvements are not undertaken, and jobs and tax bases are lost.

(D) Finally, as regards mineral exploration, while the proposed severance tax on metals may not seem great compared to those of coal and petroleum, the differences in the natures of the targets, related geology and therefore exploration methods makes the proposed tax particularly difficult for metals exploration. The targets are small, the geology and mineralogy complex, and the expected profits are not great. Broadly generalizing, large projects with large cash flows tend to be more robust than the smaller ones typical of the metal mines in Montana. With the difficulties already facing metal exploration, any additional difficulties could lead to the absence of new exploration projects and curtailment of existing projects and plans.

- IV. In summary, the proposed severance tax
- would be a 12.6% increase in taxes based on gross proceeds.
 - would signal mining investors that Montana's tax policy is unfavorable.
 - would shift investment towards sectors with low paying jobs.
 - would result in physical and economic waste.
 - would discourage exploration for metals.


John C. Brower

HOUSE BILL NO. 829

My name is Mildred J. Bordsen and I reside at 400 East ~~Street~~ ~~St.~~ in Whitehall, Montana and I am here to represent the Whitehall Business Association. *Membership of over 100 businesses*

First as their manager I come here to oppose House Bill No. 829 for the following reasons:

I feel that H.B. 829 is aimed at major mineral developers that are said to adversely impact community services.

It is our feeling and our experience in Whitehall that this concern is far overrated and by passing a bill of this nature would be far more detrimental to the industry, and the State of Montana as a whole, because of the anti-industry aspect and the loss of high paying jobs.

In Whitehall the Golden Sunlight Mine has not created an adverse impact but rather a positive one. It has created jobs for local residents, a tax base which we have not enjoyed before. A new grocery store, a new restaurant and other new businesses that were badly needed have come to Whitehall since the mine started. We did not have to add any new community services; the school system has not been overcrowded, the city and water system are adequate. Housing is not a problem, there are still several houses for sale or rent in the area. No mobile home parks have sprung up. A city plan has been developed with the aid of funds contributed by the Golden Sunlight.

If another tax had been placed on this company it may have reconsidered whether to open its mine in Whitehall. Another company may be going through the same process in some other community in Montana right now and this tax could make a difference in their decision. Let them enjoy the same opportunity as we have in Whitehall.

At the present time I understand that mining companies pay five different taxes to the State of Montana, and this would be the sixth. We think enough is enough. If we say Montana is not anti-industry then let's prove it by killing this bill.

If we are going to put this 3 $\frac{1}{2}$ % severance tax on the next ballot as this proposed legislation suggests then why should we discriminate against the hard-rock mining industry. Lets put it on the ballot for being for or against all taxes.

We of the Whitehall Business Association are opposed to House Bill No. 829.

PETITION

TO THE HONORABLE MEMBERS OF THE 48TH LEGISLATURE AND TO WHOM IT MAY CONCERN:

We the undersigned, as voters and concerned citizens, are totally opposed to any additional severance tax on hard rock mining i.e. HB829 and SB299.

We feel that the industry cannot withstand such a tax increase and any such will result in jobs lost for Montana. We maintain we need jobs not more taxes.

Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
<u>London R. Curran</u>	<u>Nye, MT</u>	<u>2-21-83</u>
<u>Dwan H. Curran</u>	<u>Nye, MT</u>	<u>2-21-83</u>
<u>Delmar W. Williams</u>	<u>Fishtail MT</u>	<u>2-22-83</u>
<u>J. E. Langston</u>	<u>Nye, MT</u>	<u>2-22-83</u>
<u>Frank Dye</u>	<u>Nye MT</u>	<u>2-22-83</u>
<u>John E. Kinney</u>	<u>Nye, MT.</u>	<u>2/22/83</u>
<u>William H. Kelley</u>	<u>Box 86 Absarokee MT</u>	<u>2-22-83</u>
<u>Olga S. Kelley</u>	<u>Box 86 Absarokee MT</u>	<u>2-22-83</u>
<u>Judith M. Curran</u>	<u>Rt 2 Box 105 Nye MT</u>	<u>2-22-83</u>
<u>Delores E. Curran</u>	<u>Rt 2 Box 105 Nye MT</u>	<u>2-22-83</u>
<u>Maryann Prescott</u>	<u>Box 524 Absarokee MT</u>	<u>2-22-83</u>
<u>Virginia Lydell</u>	<u>Box 310 Rt 2 Nye</u>	<u>2-22-83</u>
<u>Lucretia Lydell</u>	<u>" " "</u>	<u>"</u>
<u>Ward M. Smith</u>	<u>Nye MT</u>	<u>"</u>
<u>James L. Crawford</u>	<u>735 E. Field Billings MT</u>	<u>2/22/83</u>
<u>Berry Stewart</u>	<u>Nye, mont</u>	<u>2/22/83</u>
<u>Jim Thompson</u>	<u>Fishtail Montana</u>	<u>2-22-83</u>
<u>Donna Hjelm</u>	<u>Nye MT</u>	<u>2-22-83</u>
<u>Lynn S. Houghlin</u>	<u>Nye, MT</u>	<u>2-22-83</u>
<u>Judith Ann Deyale</u>	<u>Nye, Box 375 MT</u>	<u>2-22-83</u>

SIGNATURE PAGE SIGNED AND SUBMITTED IN OPPOSITION TO ANY INCREASED SEVERANCE TAX ON HARD ROCK MINING.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Vincent Olson	RT 2 Box 210 Nye Mt. 59061	2/22/83
Tom Hasbani	P.O. Box 436 Nye Mt. 59061	2/22/83
William Bob Mont	MONMONTA School OF FLY Fishing	2/22/83
Louise Powers	Box 104 Absarokee, mt. 59001	2/22/83
Shannon Kaler	Box 28 Fishtail, Mt	2/22/83
Cynthia Lecha	Box 436 Nye Mt ⁵⁹⁰³⁸	2/22/83
Elizabeth H. Martin	Rt 2 Box 57 Fishtail, ⁵⁹⁰⁶¹ mt	2-22-83
Ed A. Martin	RT 2 Box 57 FISHTAIL- ⁵⁹⁰²⁸ 59028	2-22-83
Harry D. Williams	Fishtail Montana 59028	2-22-83
Richard Nash	FISHTAIL, MONTANA	2-22-83
Robert L. Howard	Fishtail Mont	2-23-83
Robert B. Murphy	Fishtail, mt	2-23-83
H.R. Koch	Nye Mt.	2-24-83
Henry H. Koch	Fishtail mt,	2-24-83
Beverly Kukul	Acton, MT + 59002	2-24-83
Keith E. Brown	Nye, MT 59061	2-24-83
Patrick Pollwit	2611 Ave. B Billings	2-24-83
Steve & Peggy Monat	NYE, MT	2-25-83
Robert L. Smith	NYE, MT.	2-27-83
Carolyn A. Smith	Nye, MT	2-27-83
Milo J. Johnson	Park City, mt	2-27-83
Elizabeth M. Johnson	Park City, mt 59063	2-27-83
Theresa Fletcher	Columbus Mt	2-27-83
Jim Lodo	ABSAROKEE MT	2-27-83
Bob Foregone	Laurel MT.	2-27-83

SIGNATURE PAGE SIGNED AND SUBMITTED IN OPPOSITION TO ANY INCREASED SEVERANCE TAX ON HARD ROCK MINING.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Lynna Schallock	65 Idaho Ave Laurel MT 277	
Dandra Ormogosh	Nye MT	2-28-83
Heck Walton	" "	2-1-83
Nick Walton	Nye MT	3-1-83
Judy Walton	" "	3-8-83
Wick Weber	Blys Mont	3-1-83
Craig J. Haines	Blys, Mont.	3-1-83
Stanley J. Joddy	Billings, MT.	3/1/83
Joe P. Long	Billings, MT	3/1/83
Artificial Tuplin	Billings MT	3/1/83
Couey Hedrick	Reed Point MT	3/1/83
Kew Watto	Absookee, MT.	3-1-83
Bob Meier	NYE, MT.	3-2-83
Tim Cunningham	Blys MT	3-3-83
Lois Ann Cunningham	Blys, MT.	3-3-83
Ray A. Keckman	Fish Tail, MT.	3-3-83
Carmen V. Bardelmeier	Box 405 Nye MT.	3-4-83.
Joe O. Hartman	Blys MT.	3-4-83
Joe O. Hartman	Blys MT	3-4-83
Richard Miller	Blys MT	3-4-83
Adrian Miller	Blys MT	3-4-83
E James Langston	Nye MT	3-4-83
Tom Wolfe	Nye MT.	3-4-83
B S Roberts	Nye MT	3-5-83
Bill Arnold	FISHTAIL MT	3-5-83

PETITION

TO THE HONORABLE MEMBERS OF THE 48TH LEGISLATURE AND TO WHOM IT MAY CONCERN:

We the undersigned, as voters and concerned citizens, are totally opposed to any additional severance tax on hard rock mining i.e. HB829 and SB299.

We feel that the industry cannot withstand such a tax increase and any such will result in jobs lost for Montana. We maintain we need jobs not more taxes.

Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
<u>Thomas G. Eden</u>	<u>Lunesdale St Nye</u>	<u>2/29/83</u>
<u>Jack Kueger Jr.</u>	<u>R.R. 1 Box 192</u>	<u>2/28/83</u>
<u>Margaret A. Kueger</u>	<u>R.R. 1 Box 192</u>	<u>2/28/83</u>
<u>Kathryn S. Eaton</u>	<u>Limestone St. Nye</u>	<u>2-28-83</u>
<u>Jack K. Kueger</u>	<u>Columbus, MT</u>	<u>3-1-83</u>
<u>Ed. Curtiss</u>	<u>Columbus, MT</u>	<u>3-1-83</u>
<u>Tommy S. Brown</u>	<u>Columbus, Mt</u>	<u>3-1-83</u>
<u>Larry Kovanda</u>	<u>Columbus MT</u>	<u>3-1-83</u>
<u>Harold Kovanda</u>	<u>Columbus MT</u>	<u>3-1-83</u>
<u>L. Dale Kovanda</u>	<u>Columbus, MT.</u>	<u>3-1-83</u>
<u>Almond</u>	<u>Columbus MT</u>	<u>3-2-83</u>
<u>Dan Brown</u>	<u>Paducah mt</u>	<u>3-2-83</u>
<u>Judy House</u>	<u>Absarokee MT</u>	<u>3-2-83</u>
<u>Paul J. Wagner</u>	<u>Columbus, Mt</u>	<u>3-2-83</u>
<u>Anton Z. Babrek</u>	<u>Columbus, Mt</u>	<u>3-2-83</u>
<u>Charles L. Beryl</u>	<u>Columbus, mt</u>	<u>3-2-83</u>
<u>Bill Wey</u>	<u>Briggar, Mt</u>	<u>3-2-83</u>
<u>Connie Hamilton</u>	<u>Columbus, MT</u>	<u>3-2-83</u>
<u>Dwight Harmon</u>	<u>Columbus, MT</u>	<u>3-2-83</u>
<u>Myra Cabrette</u>	<u>Columbus mt</u>	<u>3-2-83</u>

SIGNATURE PAGE SIGNED AND SUBMITTED IN OPPOSITION TO ANY INCREASED SEVERANCE TAX ON HARD ROCK MINING.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Chris Kurney	Columbus, MT	3-2-83
Joni Johnson	Abbeville, MT	3/2/83
Jane McVieci	Columbus, MT.	3-2-83
Marilyn H. Williams	Columbus, Montana	3-2-83
Ronald Norman	Columbus, MT.	3-2-83
Tom Savage	Columbus, MT	3-2-83
May & Sybil	Columbus, Mt.	3-2-83
Archie MacIntyre	Dr. Hob Nye, mt.	3-2-83
DeAnn Linn	Baselje	3-2-83
Warty L. Hanson	Columbus	3-2-83
Albi Peter	Columbus	3-2-83
Dolores J. Lind	Columbus	3-2-83
Lynne Kratochvil	Abbeville	3-2-83
Ronald G. Shearer	Columbus, 9/10/83	3/2/83
Jani E. Shearer	Columbus, Mt.	3/2/83
Bessie F. Holmgren	Columbus, mt	3/2/83
Frances Hamlett	Columbus, Mt	3/2/83
Ada Harper	Columbus, mt.	3/2/83
Walter & Paula Cooper	" "	3/2/83
Jim Rapp	Columbus	3-2-83
Alie Colstad	Bellingham Mt	3-2-83
Lorina Bjork	Laurel Mont	3-2-83
Rudolf Weininger	Columbus	3/2/83
Tom & Carol	Laurel mt	3-2-83
Deane Bradley	Columbus	3-2-83

SIGNATURE PAGE SIGNED AND SUBMITTED IN OPPOSITION TO ANY INCREASED SEVERANCE TAX ON HARD ROCK MINING.

Name	Address	Date
Debbie Vandersonick	Absarokee, MT	3/2/83
Cindy Alderson	Columbus, Mt.	3/2/83
H. E. [unclear]	Columbus, MT	3/2/83
Case Kennedy	COLUMBUS Mont	3-2-83
Sharon Kennedy	Columbus mont	3/2/83
Theresa Brumgard	Columbus MT	3/2/83
Margaret Skene	"	"
Kirk Watters	Columbus	3/2/83
Robert W. Pillion	Columbus	3/2/83
Bonnie Watter	Park city	3-2-83
Dennis [unclear]	Absarokee mont.	3-2-83
Clarence Thant	Columbus	3-2-83
Kathy Wagon	Columbus, mt	3-2-83
Dorothy S. Thant	Columbus mont	3-2-83
Keith A. Lockman	Columbus mt.	3-2-83
John T. [unclear]	Columbus Mont.	3-2-83
Frank [unclear]	Columbus mt.	3-2-83
Terry Hanson	Columbus MT	3-2-83
Wayne [unclear]	Columbus Mt.	3-2-83
David [unclear]	Columbus mt	3/2/83
Beatrice E. [unclear]	Columbus, mt.	3-2-83
Carol [unclear]	Columbus, Mont.	3-2-83
Gene [unclear]	Columbus mt	3-2-83
[unclear]	Columbus mt	3-2-83
Chuck Carlson	Columbus, MT.	3-2-83

PETITION

TO THE HONORABLE MEMBERS OF THE 48TH LEGISLATURE AND TO WHOM IT MAY CONCERN:

We the undersigned, as voters and concerned citizens, are totally opposed to any additional severance tax on hard rock mining i.e. HB829 and SB299.

We feel that the industry cannot withstand such a tax increase and any such will result in jobs lost for Montana. We maintain we need jobs not more taxes.

Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Dean A. Rickma	FISHTAIL	2-22-83
Randy Hendenhall	Abbeville	2-22-83
Robert Kessin	Fishtail	2-22-83
William F. Skates	Fishtail Mt.	2-23-83
Helen E. Smiley	Fishtail, Mt.	2-22-83
Karen M. Peterson	Prescott, Mt.	2/22/83
Donna Jones	Fishtail Mt	2/23/83
Benedy Skate	Fishtail Mont	2-28-83
Debbie Denton	Fishtail, mt.	2-23-83
Scott Hamel	Fishtail Mont	2-23-83
Dana Denton	Fishtail mont	2-23-83
Dorely Valgamore	Nye Mont.	2-28-83
Olivia Nash	Fishtail, Mt.	2-28-83
Glenn Hawks	Fishtail Mt.	3-1-83
Dale Chalmers	Nye, mt	3-5-83
Mr. G. C. Haines	Fishtail Mt	3-4-83

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<u>Name</u>	<u>Address</u>	<u>Date</u>
Danette Lisdahl	Nye Mt	2/22
Linda Cannon	Absaroka, 797	2/22
Christopher S Arnold	Fishtail MT	2/22
Aharon Orclberg	Liberal Mt.	2/22
Justy Barker	Columbus MT	2/22/83
Connie Hawn	Absarokee, MT	2/22/83
John Smiley	Fishtail mt.	2/23/83
Donald S McClurg	FISHTAIL	2/23/83
John L Ledy	ABSAROKEE	2/23/83
Byron Cunningham	ABSAROKEE	2/23/83
Lily Johnson	Col.	2/24/83
Don Parks	Columbus	2/24/83
Steve Bennett	McClurg	2/24/83
Sarah Kromer	Bullinger	2/24/83
E. Mittala	Red Lodge	2-24-83
Tom Hays	Edgar MT	2-24-83
Mike Black	Sawyer	2-24-83
Jim Johnson	Bullinger	2/24/83
Steve Knudt	Fishtail	2/24/83
Kathleen	Red Lodge	2/24/83

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<u>Name</u>	<u>Address</u>	<u>Date</u>
<u>Kenneth C. Kissler</u>	<u>Box 64 Columbus Mt.</u>	<u>2-27-83</u>
<u>E. Ray Kissler</u>	<u>Box 64 Columbus Mt</u>	<u>2-27-83</u>
<u>Gregory Keller</u>	<u>Rt. 11 Box 137 Fishtail Mt</u>	<u>2-27-83</u>
<u>Judy Harris</u>	<u>Rt. Box 133 Fishtail Mt</u>	<u>2-27-83</u>
<u>Angel Broadwater</u>	<u>Rt. Box 125 Fishtail</u>	<u>2-27-83</u>
<u>Helen Broadwater</u>	<u>Rt. Box 125 Fishtail</u>	<u>2-27-83</u>
<u>Charles R. Mussetter</u>	<u>Rt 1 Box 124 Fishtail</u>	<u>2-27-83</u>
<u>Mary J Mussetter</u>	<u>Rt 1, Box 124 Fishtail</u>	<u>2-27-83</u>
<u>Anthony C. Bramfield</u>	<u>Rt 1 Box 126 Fishtail</u>	<u>2-27-83</u>
<u>Michael B. Bramfield</u>	<u>Rt. 1 Box 126 Fishtail</u>	<u>2/27/83</u>
<u>John Mayhew</u>	<u>Box 128 Fishtail</u>	<u>2/27/83</u>
<u>John Mayhew</u>	<u>Box 128 Fishtail</u>	<u>2/27/83</u>
<u>William Keithhead</u>	<u>Fishtail</u>	<u>2/27/83</u>
<u>George W. Arnold</u>	<u>Fishtail, Mt</u>	<u>2/27/83</u>
<u>William R. Arnold</u>	<u>Picaville</u>	<u>2/27/83</u>
<u>Charles P. Blalock</u>	<u>Opasokee</u>	<u>2/27/83</u>
<u>Harriet Keller</u>	<u>Fishtail Mt</u>	<u>2/27/83</u>
<u>John F. Jensen</u>	<u>Opasokee</u>	<u>2/27/83</u>
<u>Keith E. Martin</u>	<u>Nye</u>	<u>3/1/83</u>
<u>Kathryn E. Martin</u>	<u>Rt. 2 Box 230, Nye</u>	<u>3-2-83</u>

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<u>Name</u>	<u>Address</u>	<u>Date</u>
<u>Rodney D. Schertz</u>	<u>Columbus, Mont.</u>	<u>3-2-83</u>
<u>Manuel Butler</u>	<u>Columbus MT</u>	<u>3-2-83</u>
<u>Wilfred Galore</u>	<u>Columbus Mont.</u>	<u>3-2-83</u>
<u>Sharon Fletcher</u>	<u>Columbus, MT</u>	<u>3-2-83</u>
<u>Cherita F. Moran</u>	<u>Columbus mt</u>	<u>3/2/83</u>
<u>Zoni Thyron</u>	<u>Columbus Mt</u>	<u>3-3-83</u>
<u>Carl J. Myers</u>	<u>Columbus Mont</u>	<u>3-3-83</u>
<u>Edward Whipple</u>	<u>Columbus Mont</u>	<u>3-3-83</u>
<u>Anton E. Edling</u>	<u>Columbus Mont</u>	<u>3-3-83</u>
<u>Ronald J. Kempbell</u>	<u>Columbus Mt.</u>	<u>3-3-83</u>
<u>Leola H. Hegg</u>	<u>Columbus MT</u>	<u>3-3-83</u>
<u>Therman Hoping</u>	<u>Columbus Mt</u>	<u>3-3-83</u>
<u>Margaret H. Hagg</u>	<u>Columbus Mt</u>	<u>3-3-83</u>
<u>Judith B. Borchert</u>	<u>Columbus MT</u>	<u>3-3-83</u>
<u>Oliver Palmer</u>	<u>Columbus, Mt.</u>	<u>3-3-83</u>
<u>Robert L. Tradet</u>	<u>Columbus Mt</u>	<u>3-3-83</u>
<u>Edna A.</u>	<u>Columbus mt.</u>	<u>3-3-83</u>
<u>Thomas H. King</u>	<u>Columbus, Mt</u>	<u>3-3-83</u>
<u>Chuck Maki</u>	<u>Columbus Mt.</u>	<u>3/3/83</u>
<u>Buell Johnson</u>	<u>Columbus Mt</u>	<u>3/3/83</u>

PETITION

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Signed and submitted in opposition to any increased severance tax on hard rock mining.

<u>Name</u>	<u>Address</u>	<u>Date</u>
Lee E Campbell	Absarokee, MT	2/22/83
Jerry D. Laska	Absarokee MT	2-22-83
Robert Duncanson	" "	2-22-83
Brian Lee Jantzen	" "	2-22-83
David O. ...	PO BOX 100-1114	2-22-83
Frank ...	Fish Tail, MT	2-22-83
Marian ...	...	...
Ernest ...	Absarokee	2-23-83
Alva ...	Absarokee	2-23-83
William ...	Fish Tail MT	2-24-83
Ula ...	...	2-28-83
Kelvin ...	... MT	3-1-83
Brian ...	Box 206 MT	3-1-83
Joan ...	...	...
Dale ...	R.R. 2 Box 170 Day, MT	3-2-83
Bob ...	RR2 Box 118, Nay, MT. 59061	3-2-83
...	Box 306 Absarokee, MT	3/2/83
...	... MT	3-3-83
A. F. ...	... MT	3/5/83

Testimony of Dolores J. Anstett, McLeod Mt
as B.U.A. & as individual.

EXHIBIT 3
3-7-83

My name is ^{Dolores} D. Anstett, a resident of Park County and also a homeowner in Big Timber, Sweet Grass Co. Testifying as B.U.A. & individual.

I adopted Montana over 15 years ago and truly love this adopted country. As a responsible citizen of this state, I fail to understand why a realistic tax on hard-rock mining has not been enacted before this time. It does no good to pass legislation to mitigate impacts unless there is proper funding to follow through and I think this is long overdue. H.B. 829 would afford the electorate a chance to vote for such funding - an important issue that gives the public a chance to have a say in these matters which so greatly affect us all, now & in the future.

It certainly behooves mining companies as good citizens to be responsible, in part, for financing not only initial and ensuing impacts but also the tail-end impacts that inevitably come when non-renewable resources are mined. That they are allowed to come into an area, take our natural resources, make a large profit in the process and not be held accountable is unthinkable - especially now that we witness the problems besetting Butte, Anaconda & Great Falls.

Personally, I am greatly concerned as our land borders the Gallatin Natl Forest where thousands of mining claims have been filed. We do need these minerals. I'm not against mining but I am against corporate irresponsibility. We are past due as individuals to have a personal say in how responsible mining is done. Why shouldn't the individuals of this state be allowed to help make these

decisions thro' the ballot box to help pay these bills of the future. H. B. 718 has not adequately covered all of these problems - especially tail-end impacts - we must supplement this bill with something of substance and H. B. 829 does address these problems. Please Give us voters a chance to vote on this at the Ballot box.

3-7-83

Mr. Chairman, members of the committee, my name is Paul Hawks.

I ranch near Melville in Sweet Grass County.

Three years ago, just before the 1981 Legislature met, Anaconda shut down. Last year, just before this session, Butte shut down. What has the Legislature done to help? Not much.

Now Butte and Anaconda are having to scramble around looking for a source of funds to help their severely dislocated economies. I don't want to wake up in 20 or 30 or 40 years and realize that Big Timber is in the same mess.

The Legislature did take a great step forward last session with the passage of HB718. Requiring upfront money to help impacted counties provide services has established the ground rules of mineral development in our state. However, HB718 did not address the tail-end costs of a mine shutdown, nor those costs unforeseen in the economic impact plan.

I am not opposed to mineral development in my county, provided that it pays its own way. I believe a company should know all of the rules before investing in Montana. And the first rule must be that mineral development pay its own way. Other taxpayers in the county should not be burdened when a company decides it's no longer profitable to run a mine. By the same token, it's unfair to a company to be badgered for funds it doesn't have at the time of shutdown. HB829 offers a very sensible approach by establishing a savings account.

No one likes to pay taxes, and I know that the opponents of this bill will be telling us shortly that the proposed severance tax will stop development dead in its tracks. That is not the intent of HB829. Someone has to pay for mine shutdowns, and it's better the mineral than the local taxpayer.

A 3½% tax will not make an ounce of difference to a company deciding to open a mine. When the economy is healthy, and the

price of the metal in the marketplace is right, the minerals are there and they will be mined. → Bureau of mines study

HB829 is aimed only at those large developments that severely disrupt the local economy. It exempts the small miner, and it provides a 150% tax credit to the company granting impact money. I think it's a fair bill.

Sweet Grass County is blessed with one of the largest deposits of platinum-palladium group metals in the world. We need the assurances provided by HB829 that this blessing will not be viewed as a curse when the deposit plays out.

It's about time the Legislature addresses this problem before it happens again. You, as Legislators, have an obligation not to pass the buck. The least you can do is put HB829 on the ballot and let the people decide.

TESTIMONY OF THE MONTANA MINING ASSOCIATION
REGARDING HOUSE BILL 829
BEFORE THE HOUSE TAXATION COMMITTEE

EXHIBIT 5
3-7-83

MARCH 7, 1983

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE

MY NAME IS GARY A. LANGLEY. I AM EXECUTIVE DIRECTOR OF THE MONTANA MINING ASSOCIATION. THE ASSOCIATION REPRESENTS EVERY MAJOR PRODUCER OF HARDROCK MINERALS IN MONTANA AS WELL AS SEVERAL COMPANIES THAT HOPE TO BECOME ACTIVE IN MONTANA IN THE FUTURE.

EACH OF OUR MEMBERS HAS A VITAL INTEREST IN HOUSE BILL 829, AND WE URGE ITS DEFEAT.

HOUSE BILL 829 NOT ONLY REPRESENTS A SUBSTANTIAL INCREASE IN TAXES ON THE MINING, BUT A NEW TAX ON AN INDUSTRY THAT ALREADY PAYS FIVE SEPARATE STATE AND LOCAL TAXES, THREE OF WHICH ARE UNIQUE TO THE MINERALS INDUSTRY.

HOUSE BILL 829 RUNS CONTRARY TO THE RECOMMENDATIONS OF TWO STUDY COMMISSIONS THAT HAVE MET IN THE LAST YEAR. BOTH THE MONTANA ECONOMIC DEVELOPMENT PROJECT AND THE GOVERNOR'S CONFERENCE ON SMALL BUSINESS HAVE RECOMMENDED THAT THERE BE NO INCREASES IN THE MINERAL SEVERANCE TAX.

IN ADDITION, THE ENVIRONMENTAL QUALITY COUNCIL'S SUBCOMMITTEE ON HARDROCK MINING, AFTER 18 MONTHS OF STUDYING THE INDUSTRY IN MONTANA, CONCLUDED IN ITS REPORT TO THE 48TH LEGISLATURE THAT: "MINING IMPACTS CAN BE EFFECTIVELY MITIGATED WITHIN THE CONTEXT OF THE CURRENT TAX SYSTEM IF FAIR AND EQUITABLE DISTRIBUTION OF REVENUE IS ACCOMPLISHED. NO NEW TAXES ARE NECESSARY TO SATISFY THE STATE'S GOAL OF OFFSETTING SOCIAL AND ECONOMIC IMPACTS."

THIS REPORT WAS ENDORSED BY BOTH THE FULL ENVIRONMENTAL QUALITY COUNCIL AND THE REVENUE OVERSIGHT COMMITTEE.

THE CORNERSTONE OF THE SUBCOMMITTEE'S RECOMMENDATION IS HOUSE BILL 446, WHICH YOU CURRENTLY HAVE BEFORE YOU. IT RECOMMENDS A SLIGHT

INCREASE IN THE METAL MINES LICENSE TAX AND WOULD PLACE ONE-THIRD OF THE COLLECTIONS INTO A LOCAL GOVERNMENT TRUST ACCOUNT.

THE MONTANA MINING ASSOCIATION RECOGNIZES THE STATE'S RIGHT TO LEVY TAXES. HOWEVER, TAXATION SHOULD BE TEMPERED BY REASONABLENESS AND FAIRNESS. THE PROPOSALS IN HOUSE BILL 829 ARE NEITHER REASONABLE NOR FAIR. A SEVERANCE TAX BY ITS VERY NATURE IS UNFAIR BECAUSE IT DOES NOT CONSIDER PRODUCTION COSTS.

BEFORE YOU DECIDE ON HOUSE BILL 829, IT IS NECESSARY FOR YOU TO UNDERSTAND THE COMPLEXITIES OF SEVERANCE TAXATION AS IT RELATES TO THE MINING INDUSTRY.

THE MINING INDUSTRY IN MONTANA ALREADY PAYS FIVE SEPARATE TAXES. IN ADDITION TO THE CORPORATE LICENSE TAX AND TAXES ON REAL AND PERSONAL PROPERTY, MINING COMPANIES PAY THREE TAXES THAT ARE UNIQUE TO THE MINERALS INDUSTRY. THESE ARE THE METAL MINES LICENSE TAX, THE RESOURCE INDEMNITY TRUST TAX AND THE NET PROCEEDS OR GROSS PROCEEDS TAX, DEPENDING ON THE MINERAL MINED. THE LATTER TAX GOES DIRECTLY TO THE COUNTY OR SCHOOL DISTRICT IN WHICH THE MINE IS LOCATED. EXCLUDING CORPORATE LICENSE TAXES, THE MINING INDUSTRY PAID \$16 MILLION IN STATE AND LOCAL TAXES IN 1981.

IN THE CASE OF A MINE COMPARABLE TO THE ASARCO TROY PROJECT, ANNUAL CORPORATE TAXES WOULD AMOUNT TO \$800,000 TO LOCAL GOVERNMENT AND \$1.3 MILLION TO THE STATE.

IT WOULD BE DIFFICULT TO PROVE THAT ANY SEVERANCE TAX, BY ITSELF, WOULD SHUT DOWN A PRODUCING MINE IN MONTANA OR KEEP A POTENTIAL MINE FROM OPENING. HOWEVER, TAXATION IS A COMPONENT AFFECTING THE DELICATE BALANCE OF ECONOMIC FACTORS THAT LEAD TO SUCH DECISIONS.

IT WOULD BE A FAIR STATEMENT TO MAKE, HOWEVER, THAT THE IMPOSITION OF AN ADDITIONAL SEVERANCE TAX ON THE MINING INDUSTRY WILL

SHORTEN THE LIFE OF EXISTING MINES AND DISCOURAGE NEW MINING VENTURES.

LIKE FARM PRODUCTS, HARDROCK MINERALS ARE COMMODITIES. A MINING COMPANY CANNOT INFLUENCE OR SET THE PRICE OF ITS PRODUCTS. THE PRICE IS SET ON A WORLD MARKET, AND MONTANA MINERALS MUST BE ABLE TO COMPETE ON THAT MARKET. THEREFORE, PRODUCTION COSTS, OF WHICH TAXES ARE A PART DETERMINE WHETHER MONTANA MINES ARE COMPETITIVE WITH THOSE IN OTHER MINERAL-PRODUCING STATES.

ACCORDING TO THE U.S. BUREAU OF MINES STUDY CONDUCTED FOR THE ENVIRONMENTAL QUALITY COUNCIL, MONTANA HAS THE HIGHEST SEVERANCE TAXES ON COPPER AND AMONG THE HIGHEST TAXES ON OTHER HARDROCK MINERALS IN THE WEST. IN A RECENT STUDY BY THE BUREAU OF MINES SHOWED THAT ALTHOUGH MONTANA'S MINERAL PRODUCTION POTENTIAL IS SIMILAR TO ITS SISTER STATES IN THE ROCKIES, OUR STATE IS BRINGING UP THE REAR IN PRODUCED MINERAL VALUE.

THUS, A LEGITIMATE QUESTION IS WHETHER THERE IS A CORRELATION BETWEEN MINERAL PRODUCTION AND STATE TAX POLICY.

ALSO, BEFORE YOU CONSIDER SENATE BILL 829, IT IS NECESSARY FOR YOU TO UNDERSTAND THE ROLE OF THE MINING INDUSTRY IN MONTANA'S ECONOMY.

1. IN 1981, THE NON-FUELS MINERALS INDUSTRY REPRESENTED TEN AND A HALF PERCENT OF MONTANA'S ECONOMIC BASE.

2. THE NON-FUELS MINERALS INDUSTRY IS A BASIC OR EXPORT INDUSTRY IN MONTANA. THAT IS, THE INDUSTRY SELLS ITS PRODUCTS OUTSIDE THE STATE AND, THUS, INJECTS NEW FUNDS INTO THE MONTANA ECONOMY. THESE DOLLARS CREATE ADDITIONAL INCOMES FOR MONTANANS AS THEY ARE SPENT AND RESPENT IN THE LOCAL ECONOMY.

3. WHEN A BASIC INDUSTRY, SUCH AS MINING, GROWS AND INCREASES ITS OUT-OF-STATE SALES, IT CREATES GROWTH IN OTHER BUSINESSES. AS

A RESULT, TRADE AND SERVICE ESTABLISHMENTS, FINANCIAL INSTITUTIONS AND OTHER BUSINESSES SERVING THE LOCAL POPULATION MAY INCREASE THEIR EMPLOYMENT AND THE WAGES THEY PAY THEIR WORKERS.

4. EXCLUDING COPPER, MINING IN THE NON-FUELS MINERALS INDUSTRY EXPERIENCED SIGNIFICANT GROWTH DURING THE 1970'S. SPECIFICALLY, THE EXTRACTION OF GOLD, SILVER AND OTHER METALS WAS ONE OF THE FASTEST GROWING OF MONTANA'S BASIC INDUSTRIES. THE INCREASE IN METAL MINING IS SECOND ONLY TO COAL MINING AND OIL AND GAS EXTRACTION. THE GROWTH OCCURRED WHILE OTHER INDUSTRIES EITHER SHOWED MODEST INCREASES OR DECLINED.

5. WORKERS IN THE NON-FUELS MINERALS INDUSTRY ARE AMONG THE BEST PAID IN MONTANA. THE NON-FUELS MINERALS INDUSTRY EMPLOYS OVER FIVE THOUSAND WORKERS AND LABOR INCOME AMOUNTED TO \$147 MILLION.

IN 1981, WORKERS IN THE NON-FUELS MINERALS INDUSTRY WERE PAID AN AVERAGE OF \$25,300 EXCLUDING FRINGE BENEFITS. THIS FIGURE WAS EXCEEDED ONLY BY COAL MINING AND HEAVY CONSTRUCTION.

6. EXCLUDING COPPER, MINING AND REFINING IN THE NON-FUELS MINERALS INDUSTRY DID NOT CONTRIBUTE TO ECONOMIC INSTABILITY IN MONTANA IN EITHER THE 1974-75 OR CURRENT RECESSIONS. IN FACT, RECENT GROWTH IN THE MINING INDUSTRY, PARTICULARLY IN NORTHWEST MONTANA, HAS HELPED COUNTERBALANCE DECREASES ELSEWHERE IN MONTANA'S ECONOMIC BASE. FOR EXAMPLE, THE NEW ASARCO MINE AT TROY CONTRIBUTES SIGNIFICANTLY TO LINCOLN COUNTY'S ECONOMY. THE MINE PROVIDED 200 CONSTRUCTION JOBS AND NOW EMPLOYS 340 OPERATIONS WORKERS EARNING AN AVERAGE OF \$27,000 A YEAR. THIS NEW MINE WILL COUNTERACT INSTABILITY IN OTHER SECTORS OF LINCOLN COUNTY'S ECONOMY, PARTICULARLY IN THE TIMBER INDUSTRY.

THE MINING INDUSTRY MUST REMAIN STRONG, NOT ONLY TO PROVIDE FOR ITSELF, BUT TO MAKE A POSITIVE ECONOMIC CONTRIBUTION TO THE STATE.

TESTIMONY
MARCH 7, 1983
PAGE 5

AT PRESENT, BECAUSE OF ECONOMIC CONDITIONS, THE MINING INDUSTRY IS NOT DOING WELL IN MONTANA.

HOWEVER, THE POTENTIAL EXISTS FOR GROWTH, AND STATE TAX POLICY WILL BE A MAJOR FACTOR IN DETERMING THE EXTENT OF THE GROWTH.

THANK YOU.

STATEMENT OF GOLDEN SUNLIGHT MINES, INC.
IN OPPOSITION TO H.B. 829

My name is John L. Peterson, 27 West Broadway Street, Butte, Montana, registered lobbyist and Montana counsel for Golden Sunlight Mines, Inc.

Golden Sunlight Mines, Inc. is a wholly owned subsidiary of Placer Amex Inc. Placer Amex is a medium sized, San Francisco based mining company which has for the past 22 years conducted an evaluation program on a property known as the Golden Sunlight Mine, located 5 miles northeast of Whitehall. That continual evaluation of the mine property proved positive, and during 1982 and this year Placer commenced and completed construction of new ore crushers, milling circuit and tailings disposal pond at a cost of approximately 50 million dollars. Naturally, all necessary open-pit mining and air and water quality permits were received before construction. Actual operation of the mine began in the first part of February and the first gold bar was poured February 17, 1983. Thus, we are now in operation with 113 employees.

Part of the economic feasibility study for this project included a projection of taxes to be paid as a cost of operation. We estimated, based on present law, and at an assumed price of gold at \$500 per ounce the following taxes to be paid on an annual basis:

1. Property Taxes to Jefferson County (based on 183.28 mills)	\$540,000.00
2. Gross Proceeds Tax (186.89 mills at 3% of market value of metal)	200,000.00
3. Resource Indemnity Trust (0.5%)	175,000.00

4. Metalliferous Mines License Tax
(0.15 to 1.438%) 500,000.00

Total taxes exclusive of corporate
license tax (6.75%), truck licensing,
inventory or business tax \$1,415,000.00

As one can see, the Golden Sunlight Mine will contribute substantially to local and state governments.

Our mine venture will have a positive rather than negative impact on the local community. As I already noted, we have 113 employees on the payroll on an annual basis. Community services such as roads, sewer, and water are already in place and no adverse impact has resulted by reason of our new development. Our project will help the community and in fact replace tax revenues lost through closure of such businesses as the Milwaukee railroad.

As to H.B. 829, its enactment will add a new tax to our project. I would hope this is not the proponents way of welcoming this development to Montana. After credit for the metalliferous mines license tax we estimate that tax increase to be in excess of \$750,000 after 1985.

Further, this would be the sixth state and local tax on our business. We will already have to pay additional property taxes if S.B. 94 is enacted into law. Severance taxes on gross income are the most unfair form of tax because they fail to take into account the cost of operation.

Moreover, this additional tax will be counter-productive. We are mining a low grade ore deposit. Additional increases in costs of operation will dictate that we by-pass the lowest grade ore because it becomes non-economic to mine. The direct result will be

to shorten the mine life of the project, resulting in premature closing of the operations thereby causing loss of taxes and jobs.

We recognize that Montana as a state must establish its own philosophy toward economic growth, industrial development and growth. In this decision making process, which we feel is best addressed at the legislative level, we hope Montana will recognize and appreciate that taxes based on gross proceeds may in fact, and probably will, retard economic growth of the hard rock mining industry. We therefore oppose the tax concept of H.B. 829 and urge its defeat.

Dated: March 7, 1983.

TESTIMONY OF JOE R. DEWEY, PROJECT MANAGER,
STILLWATER PGM RESOURCES

BEFORE THE HOUSE TAXATION COMMITTEE REGARDING HB 629
March 7, 1983

Mr. Chairman, Members of the Committee:

My name is Joe Dewey; I'm Project Manager for Stillwater PGM Resources. Stillwater PGM Resources, a partnership of Manville Sales Corporation and Chevron U.S.A., Inc., has been studying the feasibility of developing an underground platinum and palladium mining facility in the Stillwater complex in south-central Montana for several years. We are optimistic that we will be developing a commercial mine by the mid-1980's. Our mining operation would provide employment for about 200-300 Montanans for 20 years or more.

We are opposed to House Bill 829 for the following reasons:

1. This bill would double current hard-rock severance tax rates. High severance taxes tend to shorten the economic life of hard-rock mining operations in the state and would make such mining more susceptible to shutdowns during low metal price cycles.

The reasons for needing this additional severance tax, according to the bills sponsors, is to provide grant money to local governments to mitigate impacts of mine closures. There are two other bills before your committee which deal with this problem: HB 446, HB 31. We have endorsed HB 446. HB 724 has already been passed to the Senate. It does the same thing.

2. The state already imposes three severance taxes on the mining industry: These are the Gross Proceeds Tax, the Metalliferous Mines License Tax and the Resource Indemnity Trust Tax.

In addition, mining companies pay property taxes and state and federal corporate income taxes. The frequently made statement that Montana does not have a severance tax on hard-rock mining is simply not true. If there is some overwhelming reason that the state have a tax on hard-rock mining that is actually called a severance tax, we suggest that you change the title of the Resource Indemnity Trust Tax or Metalliferous Mines License Tax, because that is what they are.

3. The provision in this bill for a public referendum on this additional severance tax abrogates the legislatures responsibility in setting the tax policy for the state.

The language of the referendum issue is worded such that there is little doubt that the question would receive favorable approval by voters. This provision would result in the urban areas of the state which have virtually no mineral resources dictating the economic future of rural areas like Stillwater, Lincoln and Sweet Grass Counties. Neither Sweet Grass nor Stillwater County's Commissioners are supporting this bill even though the Northern Plains Resources Council made attempts to solicit such support.

We're sure that we don't need to remind this Committee that considerable time was taken in the 1981 session discussing a severance tax bill virtually identical to HB 829. The reasons given for needing the tax revenue at that time was the great hardships forecast to be forced upon rural communities if a new mine was to locate nearby. House Bill 718, which we supported, passed that session to directly deal with "front-end impacts" and the new severance tax bill was defeated. Since then two new mines of the size that is expected to be commonplace to all new hard-rock mining in the state opened. We ask you to visit the communities surrounding these two new mines to find out if they had or are having "front-end impact" problems.

HB 829, according to its sponsors is now needed to provide revenue for "closure" impact mitigation which, obviously, is one of the major topics of the Legislature this session. We can only guess what reasons will be thought up in the 1985 legislative session for an increased severance tax on mining if this bill fails, as it should, here in this committee.

We were hopeful, following the 1981 session, that the HJR 66 study, which directed an interim committee of the Legislature to review hard-rock mining taxation, would put to rest some of the continuing misinformation regarding mining industry taxation. The subcommittee held hearings throughout the state, gathered testimony from a number of individuals, and commissioned the U.S. Bureau of Mines and others to do tax comparison studies and found;

- " ● Total local tax revenues will generally exceed expenditures - the typical mine will pay for itself.
- Some local jurisdictions, usually counties, will enjoy a revenue surplus, but other jurisdictions will experience a deficit . . .
- Even though a mine may more than meet its costs, there is a need for a more equitable distribution of revenues among affected government units on the basis of where expenditures (impacts) are actually experienced.
- Imperfections in how revenues and expenditures are distributed between cities, towns, counties, or schools are due to inadequacies in public policies and/or the current organization of local governments. This problem however is not unique to the minerals industry.
- Mining impacts can be effectively mitigated within the context of the current tax system if fair and equitable distribution of revenue is accomplished. No new taxes are necessary to satisfy the state's goal of offsetting social and economic impacts.
- Remedial measures designed to ensure a more equitable distribution of revenues among affected jurisdictions may result in an increase in the total property taxes paid by mineral developers.
- To ensure fair mitigation of impacts to local government units, some refinements to existing legislation (HB 718) are necessary."

Stillwater PGM Resources has supported all the bills that have come out of the interim committee which are designed to correct the problems identified in the above findings. HB 472 amends the Impact

Law, HB 446 funds the Hard-Rock Board and provides monies for closure impact mitigation with a small increase in taxes; and HB 870, to be heard by this committee on Wednesday, is a product of our work with county representatives and presents a good plan to solve the tax base disparity problem.

We have worked long and hard with those responsible individuals who care about solving real problems with mining development in rural areas. The events over the last two legislative sessions suggest, to us, that those who continue to find, or perhaps invent, new problems with hard-rock mining in the state are motivated by differing objectives than those in the state who are promoting the "Building of Montana". We can only assume that the sponsors of HB 829 either have not read the interim committee's report, or do not care to be swayed by the facts of that report in their continuing efforts to tax the mining industry in the state.

If this state is to develop economically it must develop its basic mineral assets. No amount of I-95 sponsored spending for economic development is going to attract industry to Montana if it has one of the highest taxing structures in the nation on one of its most valuable assets -- its mineral resources.

We urge this Committee to support a DO NOT PASS recommendation on HB 829.

Thank you.

NAME Ward A. Shanahan

BILL NO. HB 829

EXHIBIT 8

3-7-83

ADDRESS 3rd Floor First Bank Bldg- Helena Box 1715 DATE March 7th 1983

WHOM DO YOU REPRESENT STILLWATER PGM RESOURCES Big Timber, Montana

SUPPORT _____ OPPOSE X X X X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: We oppose this bill because:

1. It misleads not only the voters who are intended to finally approve it, but also this committee. For example:
 - (a) An environmental group representative admitted at a public meeting held at Absarokee about a week ago that "they" had a part in the preparation and sponsorship of the bill. The bill is a tax bill which has very little to do with the "environment". (Please see how little below).
 - (b) The bill would "double" present hard rock "severance" tax rates..to provide for local "impacts" but we believe this "impact" scheme is just a "gimmick" to get the public to approve the increase, because there would be little, if any money available. For instance:
 - (i) In Section 13-a grant can't be obtained until at least five years after a mine has been permitted to operate, and after that the grant can't be given if there is a way for the money to be obtained from the Mine Operator under 90-6-301 M.C.A.(HB718).
 - (ii) In Section 14-a loan can't be obtained unless the tax revenues from the hard rock mine are insufficient. The EQC tax study just completed will tell you that the chance of this occurring is almost non-existent.
 - (iii) In fact the bill doesn't provide much "impact" assistance at all, but it does take all of the Metal Mines Tax out of the General Fund and put it in two TRUST FUNDS (The Coal Trust Fund-see Section 8(1) and The Hard Rock Mining Impact Trust Account Section 8 (2)). Why get the Coal Tax Fund involved? Do the voters understand how that operates? Do you?
 - (c) The Referendum Ballot (Section 20) doesn't correctly state what would actually happen. It says, YES or NO on 3½ per cent. But, since the Resource Indemnity Trust Tax isn't one of the "credits" under Section 4 of the bill the TAX which the voters would be approving would be one for a FOUR PER CENT(4%) Severance Tax.
 - (d) Because this bill would be voted on in 1984 and contains the restrictions mentioned in (b)(i) above, this "impact tax" couldn't possibly provide any aid to local government before 1990.

(See Next Page)

2. In addition to the main parts of the Bill it has the following other "punitive" effects on the industry:
 - (a) It would collect the tax four times faster than it is presently being collected (Section 5).
 - (b) It imposes a new penalty for tax delinquency(Section 6).
 - (c) It allows the Department of Revenue to use the "imputed value" principle rather than sale prices -Section 7.
 - (d) The tax appears to be imposed upon a value which includes royalties paid to the state or landowners(Section 3(2) and Section 9(1)&(2). This committee just unanimously approved a Bill(HB 706) to eliminate this penalty on Coal Producers..now you are asked to reimpose it on Metal Mines.
3. THIS BILL INCREASES THE ALREADY HEAVY BURDEN IMPOSED UPON THE HARD ROCK MINING INDUSTRY BY HB 718 IN THE 1981 Legislative Session.(See 90-6-301 M.C.A.). This 1981 law is being strengthened this session (See HB 446, HB 472 now pending).
4. THIS BILL IS IN FACT AIMED AT ONLY ONE COMPANY-STILLWATER PGM RESOURCES, THE TITLE LEAVES NO DOUBT ABOUT THIS- - "Severance of Palladium Platinum, and any other metal or precious or semi-precious gem or stones;" But the rest of the industry will be involved. Yet Stillwater PGM has yet to apply for a mining permit.

THE EQC HARDROCK STUDY JUST COMPLETED SHOWS CLEARLY THAT MONTANA HAS ALMOST THE HIGHEST SEVERANCE TAXES IN THE ROCKY MOUNTAIN WEST-RIGHT NOW! WHY DO WE NEED TO DOUBLE IT AT THIS TIME?

IS THIS A PREVENTION BILL OR A GOOD INTENTION BILL? When you answer this question we think you should vote "DO NOT PASS" on HB 829!

Respectfully submitted,


Stillwater PGM Resources.

STATEMENT OF ASARCO, INC.
IN OPPOSITION TO HOUSE BILL 829

I am George T. Bennett, an attorney from Helena, Montana, speaking on behalf of ASARCO, Inc. ASARCO, Inc. has a long history in Montana as a mining and minerals producing company. ASARCO operates a copper and silver mine near Troy, Montana, has for many, many years operated a custom lead and zinc smelter in East Helena, Montana, and owns mining properties in this state.

More about ASARCO in the latter portion of this statement.

House Bill 829 would impose a graduated gross severance tax upon minerals of 1½% of production between \$250,000 and \$500,000; 2½% for production between \$500,000 and \$1,000,000; and 3½% for all production over \$1,000,000, for "assistance to affected local governmental units."

This committee should vote do not pass with respect to House Bill 829 because it is:

CONTRARY to the policies of Governor Schwinden. The Governor in his state of the state address, and most recently, has pledged the state would not provide any general tax increases. See Exhibit A hereto.

CONTRARY to the report of the EQC/ROC. The Montana Environmental Quality Council and the Legislative Revenue Oversight Committee studied hard rock mining in Montana for two years, holding extensive hearings and gathering considerable information from a variety of experts and the public at large. The recommendations of the EQC/ROC are contained in its report to this legislature and there is hereunto attached as Exhibit B the executive summary therefrom. The report states in pertinent part:

"Mining impacts can be effectively mitigated within the context of the current tax system if fair and equitable distribution of revenues is accomplished. No new taxes are necessary to satisfy the state's goal of offsetting social and economic impacts."
Emphasis supplied.

CONTRARY to the "Build Montana Program." The major emphasis of the Build Montana Program is to "diversify and stabilize the Montana economy and to maintain and create jobs." The EQC in its study found:

"Mining has always been one of Montana's most important sources of primary jobs and income."

The effect of this bill would be to place an additional burden upon one of Montana's three primary industries at a time when the industry is struggling to exist.

CONTRARY to economic good sense. Recently Maxine Johnson, Director of the Bureau of Business and Economic Research at the University of Montana stated (see Exhibit C):

"Governor Ted Schwinden's 'Build Montana' program is a step in the right direction. But if it goes to non-basic industries, it's not going to create growth. The program is going to need a lot of careful thought by everyone.

And I'm sorry but building new banks and shopping centers just isn't going to do it. Building new retail type industries would just move segments of the same pie around - there would be no expansion."

Johnson also stated:

"Taxes on resource industries, have jumped by 2000% since 1979 and now constitutes 36% of the total state tax collections."

Agriculture, forest products and mining are the basic industries to which Maxine Johnson refers. A further tax on mining as a basic industry would work adversely to that industry and to those people employed thereby and the communities dependent thereon. It also places Montana in the vulnerable position of being heavily dependent upon resource taxes. Montana has acted favorably in the taxation of agriculture. For example, by taxing farm land based upon productivity rather than market value, additional state and federal programs favor agriculture, as for example the most recent PIK (payment in kind) program which is a recognition of the problems agriculture is suffering because of inflated

equipment prices and high interest and freight rates with low crop prices. The same type of problems encountered by mining. To impose the tax contemplated by House Bill 829 upon the minerals industry at this time or in the foreseeable future would act adversely to that industry.

ASARCO produces copper and silver. We have been told that the most efficient copper producer in the United States has a break-even point of \$.86 with respect to copper. While copper prices are coming up they have been well below this \$.86 break-even point for a considerable time. The price of silver is very volatile. In 1973 there was a level of just under \$3 per ounce, while in January of 1980 silver shot to \$50 per ounce. On March 27, 1980 the crash came sending silver prices below the \$10 level where they have remained until relatively recently. In June of 1982 the price of silver bottomed at \$5, the lowest since May of 1978. By September 1982 the price had risen to \$11 primarily because of Russian purchases through Switzerland of some 10 million ounces of silver.

ASARCO is presently operating near Troy, Montana, this country's largest silver producing mine (see Exhibit D). This, however, could change over night because of the cyclical nature of metal prices. ASARCO is much like the farmer in that it must sell in a world market where other countries are dumping their production or their holdings of metals. This punitive gross severance tax contemplated by House Bill 829 would only aggravate the already precarious nature of metal production from the ASARCO mine.

CONTRARY to the best interests of the local jurisdictions. Modern mining in Montana is a local phenomenon as one can tell from a reading of the EQC's report to this legislature. Outside of the Butte/Anaconda area the Troy Mine is the first major operation to come on line under Montana's rigid environmental laws. This was followed by the Golden Sunlight Mine near Whitehall, Montana. ASARCO employs some 340 persons, all but 29 hired local-

ly. Golden Sunlight employs approximately 113 in its operation. It is predicted that mining in Montana will take the pattern of ASARCO and Golden Sunlight and that the impacts and the concerns will be those of the local people who work and live in the communities affected by the mining operation. House Bill 718 passed in the last session of the legislature and was specifically directed at the impact costs where a mining operation commences in a certain area. This bill (House Bill 718) the EQC found adequately addressed the problems. More importantly, House Bill 718 allows the local governmental units to address the specific impacts caused by a mining operation in their area. This is a much more logical approach than that of House Bill 829 which takes the revenues and places them in the Coal Tax Trust Fund and in a second newly created fund and allocates the revenues in an illogical manner.

This bill would allow all of the people in the state of Montana to impose a severance tax upon mining operations which are totally the concern of the people living and working in the area in which the minerals are located. This is totally unfair. Only those persons affected by mining should be allowed to determine the policy with respect thereto since their communities, their economy and their livelihood depend thereon in most cases.

CONTRARY to the long run economic best interests of the state. The fiscal note (copy attached as Exhibit E) to this bill indicates that it will not start generating revenue until fiscal year 1987 (for one quarter producing \$288,000 and \$1,152,000 thereafter). Thus, while this bill will only start producing 1.152 million dollars in fiscal year 1988, it will signal to mining and exploration companies that Montana finds that industry to be undesirable in contradiction to the findings of the EQC/ROC committees which studied this area for 2 years and set forth Montana's policy with respect thereto in their study.

BRIEF HISTORY OF ASARCO OPERATIONS IN MONTANA

ASARCO has been a factor in Montana since before the turn of the century, and operates a custom smelter at East Helena, Montana. We are delivering to the Chairman one copy of a study done in 1974 by the Department of Inter-Governmental Relations and entitled "The Economic Impact Of The East Helena Smelter". This study shows the impact of mineral smelting in the East Helena area which is quite considerable. ASARCO is a major factor in the economy of Lewis and Clark County. We are also delivering to the Chairman one copy of a study entitled "The ASARCO Troy Unit - Economic Impacts", done jointly by ASARCO and TAP, Inc. of Bozeman, Montana. We are also attaching an article from the Independent Record of Helena, Montana, Sunday January 9, 1983 concerning the ASARCO Troy Mine (Exhibit D).

ASARCO already pays property, corporate income, metal mines license, resource indemnity, gross proceeds, motor vehicle and fuel, unemployment, workmens' compensation and other taxes to the state of Montana and there is hereunto attached, p. 10 of the ASARCO Troy Unit Economic Impact Study showing the taxes estimated for 1982 to be paid by ASARCO, as Exhibit F.

ASARCO has added diversity to Lincoln County where there has been heavy unemployment because of its dependency upon the forest products industry. ASARCO is providing 331 new jobs in the area with only 39 employees being hired from outside of the area. It is making a major tax contribution to the area and state, and has done this under Montana's extremely rigid and exacting environmental laws. This is the story of modern mining in Montana at this time.

Operations like the ASARCO Troy Mine should be encouraged so that Montana can truly improve and diversify its economy as to a basic industry which creates jobs rather than to shift jobs from one area to another. In summary we believe that House Bill 829 goes contrary to the policies of Govenor Schwinden, the stated

policy of the EQC/ROC committees which studied the impact problems relating to hard rock exploration and development, contrary to the Build Montana Program, contrary to economic good sense and contrary to the best interests of those persons and communities where minerals have been or will be developed. House Bill 829 is clearly a tool being used by environmental groups to ban or curtail mining and it is opposed almost universally by those persons who are from the affected areas. We would urge that you vote do not pass with respect to House Bill 829.

of tickets. Rep. Jerry Billings, D-Billings, said legislators ran up a bar bill of \$1,200 at the Colonial Inn on one occasion when they were hosted by a special interest group, and no tips were paid.

On the other hand, it was noted some establishments add a mandatory 15 percent for tips at banquets. A show of hands indicated most of the waitresses received less than 10 percent in tips.

The bill is a reaction to the federal government's new reporting requirements for large food and beverage establishments. It requires em-

ployees to release to the IRS when employees claim tips totaling less than 8 percent of gross receipts.

Employees are required to pay taxes only on the amount of actual tips if they keep accurate records to substantiate their claims, according to a "fact sheet" given the committee by an IRS representative.

The committee seemed eager to pass the bill but deferred action so the Revenue Department could draft an amendment taking tips out of the withholding law. The bill is signed by 50 legislators.

The subcommittee also agreed to continue the practice of turning 10 percent of federal funds in the Legislature's Early Assistance Program to finance social services for the developmentally disabled.

The first \$1.7 million transfer was authorized by the 1981 Legislature's special session.

Subcommittee members agreed to accept the prediction of S.A. Max Baucus, D-Mont., that present annual federal funding of \$11 million will be maintained.

The subcommittee will continue final action on the department's budget Saturday.

House Republicans unsuccessfully tried to change the rules to require the House to submit a balanced budget to the Senate by the 70th legislative day. Friday was the 50th day.

"I find it very difficult to understand why a leadership that was so bound and determined to push for a balanced budget on the 70th day is now on a crusade to move it up 20 days earlier," Schwinden said.

Schwinden said he isn't sure why House Republicans are trying this approach.

But he speculated that political reasons may be at the root of the GOP effort. House Republicans may be trying to pressure House Democrats into calling for a tax increase to fund their programs, he said. At the same time, the House Republicans may be trying to drive a wedge between the Democratic legislative leadership and himself over the tax increase issue, according to Schwinden.

Senate Minority Leader Chet Blaylock, D-Laurel, already has said the Legislature should consider raising taxes by modifying the income tax indexing initiative passed in 1983

so the state can collect more revenue.

The governor also served notice he will fight for legislative approval and funding of his Build Montana program.

"We are going to continue to press forward with whatever resources we have," Schwinden said.

The governor said he believes the Build Montana program enjoys broad public and private support.

His comments were in response to statements made earlier this week by House Republican leaders Bob Marks and Jack Ramirez. They said the Build Montana program may have to be junked if not enough money is not available to pay for it.

The program calls for block grants to local governments, highway building, increased capital assistance to businesses and upgrading the state's economic development and tourist promotion efforts. The House already approved a package of bills to implement Initiative 93, the in-state coal tax investment incentive, and bills to create a Montana capital company.

Schwinden renews vow to pass Build Montana, hold taxes

BY CHARLES S. JOHNSON
Tribune Capitol Bureau

HELENA — Gov. Ted Schwinden said Friday he will stand by his earlier pledge against a general tax increase and will vigorously oppose any efforts to cut his Build Montana program.

Although some Democrats have talked about the possibility of boosting taxes to raise more revenue, the Democratic governor said that is "not a viable option" as far as he is concerned.

"I can't conceive of a circumstance by which I would back off that promise," Schwinden said in an interview.

In his State of the State message to the Legislature in January, Schwinden had said he wouldn't go along with any general tax increase.

Schwinden returned from the National Governors Association meeting in Washington this week to find the state's revenue picture the prime topic of conversation in the Capitol. Earlier in the week, the Legislative Fiscal Analyst's Office lowered its state revenue projections for the

next two years by \$6 million, mainly because of lower world oil prices.

But Schwinden said he believes the legislative revenue estimate is

unduly pessimistic."

His own budget office has not yet revised its revenue projections to take into account the declining oil prices. But the governor's budget office has projected more revenue will be available than has the Legislative Fiscal Analyst's Office.

What must be done, Schwinden said, is for all sides to agree on a revenue estimate within the next week or so. At that point, the Legislature can proceed to make its appropriations decisions based on the revenue available. (The framework for that may have been established Friday when leaders of both parties in the House sponsored a resolution calling for the Legislature to set a state revenue estimate for the next two years.)

Schwinden said he was perplexed by "this sudden flurry of activity," mainly originating with House Republicans, over trying to speed up the budgeting process.

House Republicans have been pressuring the House Democrats, who are in the majority, to begin making some of the budget decisions

now. The Republican leaders have been trying to get the House Democrats to decide now on the level of school foundation program increases for the next two years.

The GOP has said these decisions should be made soon so legislators get an idea of how much money will be available for other programs.

But Schwinden stood by the House Democrats, who have resisted the Republican demands.

Schwinden said it makes no sense to send "budget ships across the legislative ocean one at a time" because it only invited a great deal of "political game playing."

That approach, he said, "puts in place the budgetary blocks before the people of the state have a chance to see the whole picture."

The more responsible approach, he said, is to settle on a revenue estimate and proceed from there with the budgeting process.

Schwinden also expressed surprise that House Republicans would push for expedited budget decisions now when they advocated a different approach earlier in the session.

House Republicans are trying this approach.

But he speculated that political reasons may be at the root of the GOP effort. House Republicans may be trying to pressure House Democrats into calling for a tax increase to fund their programs, he said. At the same time, the House Republicans may be trying to drive a wedge between the Democratic legislative leadership and himself over the tax increase issue, according to Schwinden.

Senate Minority Leader Chet Blaylock, D-Laurel, already has said the Legislature should consider raising taxes by modifying the income tax indexing initiative passed in 1983



Ted Schwinden

next two years by \$6 million, mainly because of lower world oil prices.

But Schwinden said he believes the legislative revenue estimate is

Page 8 of the Montana Environmental Quality Council, January 1983, Report to the 48th Montana Legislature on the Socio-Economic Impacts of Large-scale Hard-Rock Mining.

EXECUTIVE SUMMARY

This study addresses among other things, the basic question: Does a mine cover its costs? In other words, given the existing level of taxation, are revenues and expenditures balanced at the local level? The findings are as follows:

- o Total local tax revenues will generally exceed expenditures - the typical mine will pay for itself.
- o Some local jurisdictions, usually counties, will enjoy a revenue surplus, but other jurisdictions will experience a deficit. In particular, cities and elementary school districts may experience a shortfall since revenues and expenditures are not always generated in their jurisdictions.
- o Even though a mine may more than meet its costs, there is a need for a more equitable distribution of revenues among affected government units on the basis of where expenditures (impacts) are actually experienced.
- o Imperfections in how revenues and expenditures are distributed between cities, towns, counties, or schools are due to inadequacies in public policies and/or the current organization of local governments. This problem however is not unique to the minerals industry.
- o Mining impacts can be effectively mitigated within the context of the current tax system if fair and equitable distribution of revenue is accomplished. No new taxes are necessary to satisfy the state's goal of offsetting social and economic impacts.
- o Remedial measures designed to ensure a more equitable distribution of revenues among affected jurisdictions may result in an increase in the total property taxes paid by mineral developers.
- o To ensure fair mitigation of impacts to local government units, some refinements to existing legislation (HB 718) are necessary.

Bureau head laments state economic troubles

By KETH HAUGLAND
Tribune Staff Writer

Montana is in big economic trouble, according to Maxine Johnson, director of the Bureau of Business and Economic Research at the University of Montana.

Speaking before the Energy Committee of the Great Falls Chamber, Johnson said that at a time when the state economy is being pushed backward by the national recession, the state must rebuild its economic base to make up for more than 6,000 basic industry jobs lost during the last year.

In addition, the state's basic industries, those which import out-of-state investments and sell products out of state, are on the decline. The strongest, the oil and gas industry, is backpedaling because of the recession, a world-wide oil glut and

falling oil prices.

During the last year, about 1,300 jobs have been lost in the oil and gas industry, Johnson said, which amounts to a \$38 million loss in wages and salaries paid in the state.

At the same time, the oil and gas industry, as well as other natural resource industries, find their tax burden has escalated dramatically during the past few years, she said.

Resource industries include mining, oil and gas, coal and electrical power companies.

"Taxes on the resource industries," she said, "have jumped by 2,000 percent since 1979 and now constitute 36 percent of total state tax collections."

Some of that increase, she cautioned, was from sharply higher prices paid on production. However, taxes also have been increased

sharply.

Currently, Johnson said, the state is "heavily dependent on natural resource taxes — in a period of recession — faced with a probable slow recovery in the resource industry — the industry finding the tax burden onerous — and legislators wondering where to find funds to operate state government."

And while facing those problems, the state must begin rebuilding its economic base and replacing lost jobs, she said.

Johnson said Gov. Ted Schwinden's "Build Montana" program is a step in the right direction. "But if it goes to non-basic industries, it's not going to create growth. That program is going to need a lot of careful thought by everyone."

"And I'm sorry, but building new banks and shopping centers just

isn't going to do it," she said.

"Building new retail-type industries would just move segments of the same pie around — there would be no expansion."

One of the state's biggest problems in attracting out-of-state investments in a perception that Montana is "anti-business," Johnson said.

She said much of the state's reputation is "based on the way environmental regulations are administered."

Out-of-state businesses claim state officials are inconsistent in the administration of environmental regulations, she said.

However, Montana's "anti-business" reputation is beginning to change, and Johnson credited Schwinden with trying to change that image.

"I believe that state government and industry are working better together now than they had for some time in the past," she said.

She also said recent Montana Polls have shown Montanans to be "very middle of the road and responsible" in regards to economic

development.

Johnson said that when Montana's environmental laws were passed, "I'm not so sure that some of those legislators didn't hope that (the environmental laws) would prevent development. We had a pretty young bunch in there then."

Wednesday's low sets warm record

An all-time temperature record went into the books Wednesday when the day's minimum temperature, 46 degrees Fahrenheit, was recorded by meteorologists at the National Weather Service's State Forecast Center here.

The temperature not only eclipsed the mark for highest minimum for Jan. 12, it also was higher than previous minimum

oming area. This is all with warmer air to move up from the south.

There is little snow cover, except for the mountains, in Montana. There is little radiational cooling, night. Stronger than usual southwest winds have reduced the snow cover, they said.

Great Falls residents can expect from three to five days more of it

EXHIBIT 1

EXHIBIT 2

" D "
EXHIBIT

Country's largest silver producer is a bright spot for a depressed industry

Asarco Incorporated's new Troy silver-copper mine in northwestern Montana will contribute substantially to the Company's pre-tax earnings at current metal prices, Thomas C. Osborne, executive vice president, told securities analysts in a report recently.

Asarco has invested more than \$110 million to bring the Troy mine into production. Development of the mine began in 1979. The mine and mill achieved full capacity operation of 3,700 tons of ore daily in February 1982. And the grade of the ore has been averaging 1.54 troy ounce of silver per ton and .74 percent copper. During the first nine months of last year, the mine produced 3.6 million troy ounces of silver and 12 million tons of copper contained in concentrate.

Projected annual production at Troy will rank it as the largest operating silver mine in the United States.

The deposit lies 1,100 feet under the top of Mount Vernon near Troy. The horizontal ore zone is shaped like a slab and measures approximately 7,400 feet long, 1,300 feet wide and 60 feet thick. Ore reserves at the start of mining were 64 million tons, approximately 25 percent of which will be left as support pillars when mining is completed in about 10 years.

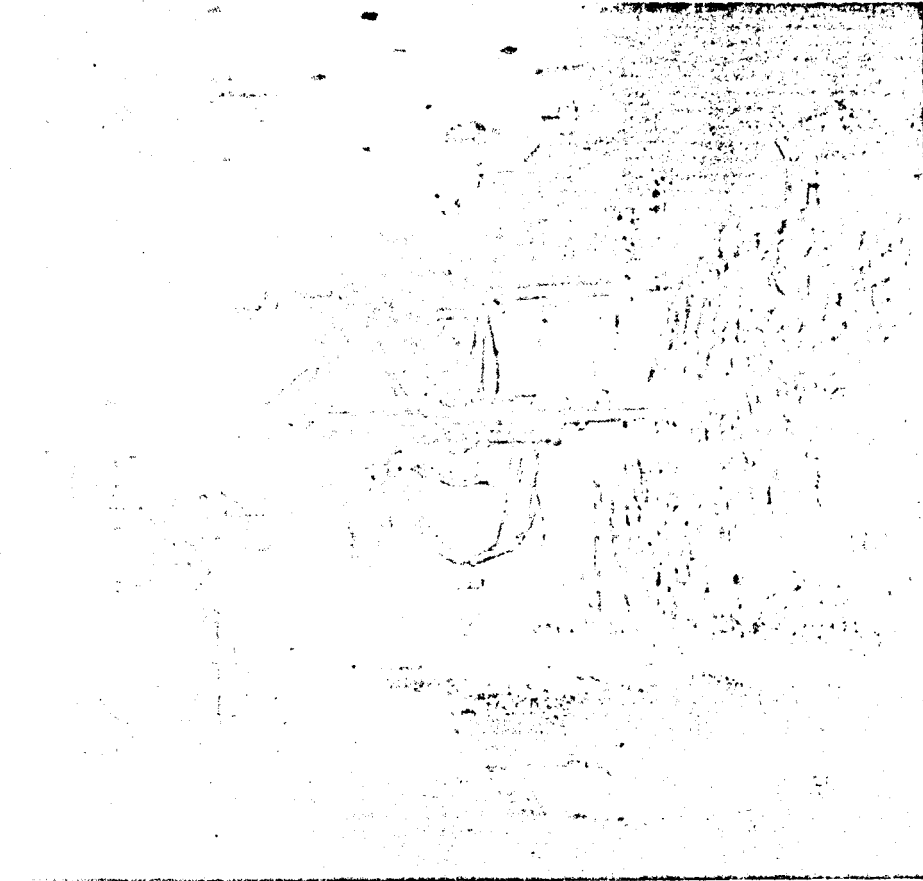
The underground mine is leased by Asarco from a subsidiary of Kennecott Corporation which holds a royalty interest amounting to 25 percent of net proceeds after deduction of operating expenses.

To reach the ore body, tunnels were drilled into the side of the mountain. Ore is milled in the primary crusher located underground and is conveyed by belt about four-tenths of a mile through one of the tunnels to the mill at the surface. At the mill, the ore is crushed twice more, ground, and the valuable minerals separated from the waste by the flotation process. The thickened concentrate, containing about 40 percent copper and 50 ounces of silver per ton, is filtered and shipped to a smelter.

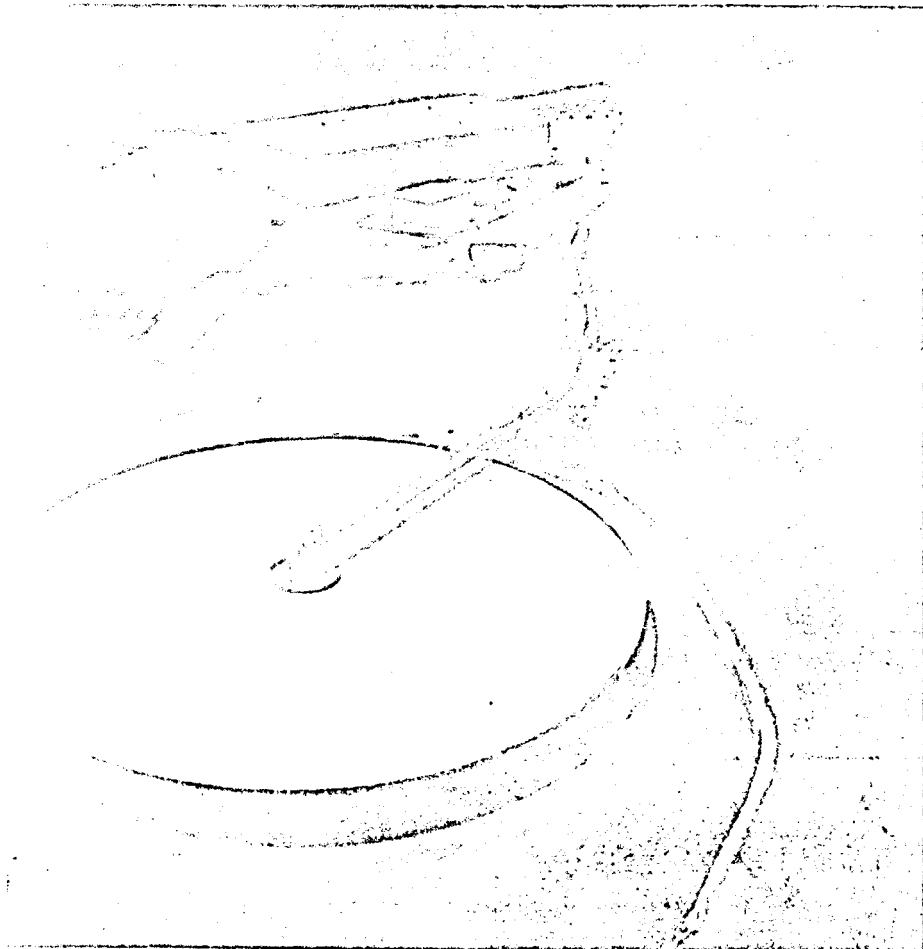
From the beginning, Asarco has taken all the steps necessary to mitigate any impact on the environment surrounding the Troy Unit, company officials say. The Company has worked with the United States Forest Service and the Montana Department of State Lands in planning and development of the mine.

When mining operations are terminated, evidence of man's presence in the mine and mill area will be erased. The mine will be sealed, the surface structures removed and the area reclaimed.

"The Troy mine demonstrates that hard-rock mining can co-exist with the wilderness. The mine is a functioning example of a mining company's ability to develop natural resources with minimum disturbance to the surrounding area," Osborne said.



...of the ore body into the holes and detonated to loosen the ore.
...to be placed



...the concentrator at the top of the photo are the mine's office building and warehouse.
...the slope of Mount Vernon. Water is recovered from the tailings pond and recirculated for use in mining operations. At the top of the photo are the mine's office building and warehouse.
...the slope of Mount Vernon. Water is recovered from the tailings pond and recirculated for use in mining operations. At the top of the photo are the mine's office building and warehouse.

EXHIBIT " D "

STATE OF MONTANA

REQUEST NO. 442-83

FISCAL NOTE

Form ED-15

In compliance with a written request received February 16, 1983, there is hereby submitted a Fiscal Note on House Bill 829 pursuant to Title E, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 829 imposes a severance tax on the severance of palladium, platinum, or any other metal or precious or semiprecious gems or stones; provides exemptions for small mines; creates the hard-rock mining impact trust account; provides limitations on uses of account; provides an effective date and an applicability date; and provides that the proposed act be submitted to the electors of the State of Montana.

FISCAL IMPACT:

The bill would have no fiscal impact this biennium.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

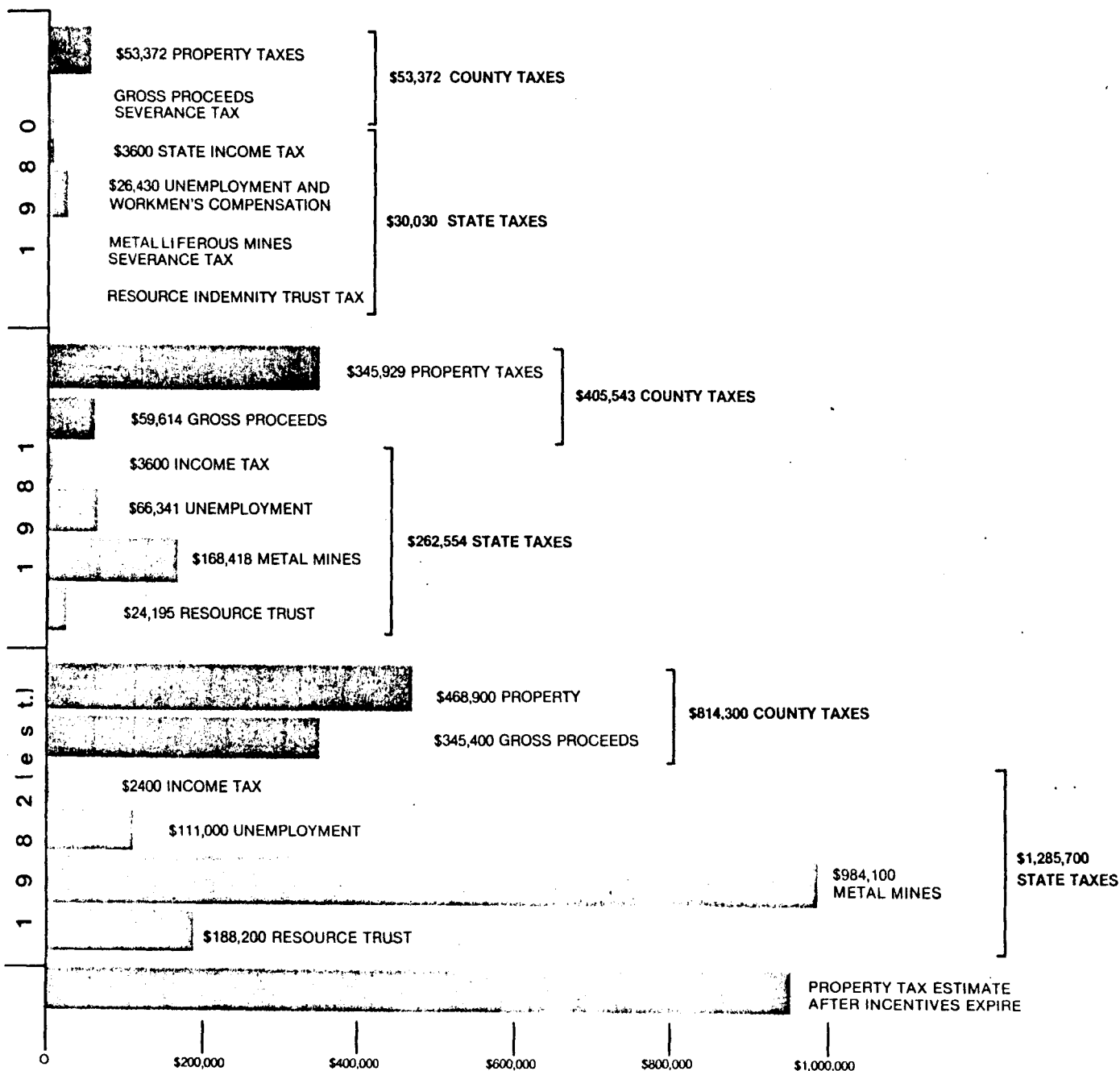
No forecasts of the value of mineral production beyond FY 85 have been prepared. Assuming FY 85 will be fairly representative of production in FY 86, it appears the proposal would generate \$288,000 in FY 87 (only pick up 1 quarter) and \$1,152,000 thereafter. Revenues should increase substantially when the Stillwater Complex begins production.

FISCAL NOTE 14:P/1

David M. Leim
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2-18-83

Taxes paid to the state of Montana from 1982 operations are estimated at nearly 1.3 million dollars. Operational taxes paid to state and local governments will be approximately \$2,100,000 in 1982, rising to 2.5 million in several years. Property, income, and severance taxes, like business purchases, have a multiplying effect. Thus the total impact is even greater.

CORPORATE TAXES PAID BY ASARCO TO LINCOLN COUNTY AND MONTANA



Source: ASARCO, Inc.

William W. Brunkhorst

Brunkhorst Painting & Insulation

John H. Shepard Rth Absarokee Dwg

Olga L. Keely - Absarokee Hardware & Keely Construction

Gene Kenny - ARENE BAR

Guy Gardner - Milligons Inc.

Ralph Young - Lambos

Ray Jantzen - Living Stone Masonry

Richard Mil Absarokee Processing Plant

Jim Blanchard Absarokee JP's metal + Antiques

Joseph D. Plomchek Absarokee, Stillwater Insurance Agency, INC.

Ellen March Iron Kettle Absarokee

Stacy Vacher Vacher Real Estate Absarokee

William United Bank of Absarokee

James G. Bryson Jim's Electric, Absarokee MT

Betty Schubert (Cafe operator -) Absarokee

David W. Martin D.W.M. Const Absarokee MT

Betty Martin Jim's Better Diner -

Frederick Lumber & Hardware

Eric C. Eidenbush president

Harold's Ranch Supply Inc.

Long Station, Nevada

Carl's Barber Shop Washburn

Ken's Cottages

STRASSE CONST, INC.

Self construction - Rande Mendelhall

John Engstroms Tompkins & Yates St.

D. Michael Borland Borland Dist. Inc.

Thomas L. Thayer Burgess Home, etc.

Bob Murphy B & B Drilling

Frank Russell Bush Drilling Service

Byron Combs ROOST BAR

Keith E. Martin KEM Ready Mix Nye

Pete F. Morse - Stillwater Electric - Observed

Judy Hansen My Trading Post & Huggy Buggy Bar

Paulo L. Combs - Carvers Camp

C.A. Prudett Esom Co.

Bill's All Service

William H. Kelley Kelley Construction

VISITOR'S REGISTER

HOUSE

TAXATION

COMMITTEE

BILL HB 829

DATE March 7, 1983

SPONSOR Representative Saunders

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
Donna Adams	Columbus			✓
Cindy Fletcher	Billings			✓
Mariann Rowett	Absarokee			✓
Kirk E. Martin	Nye	Self		X
Mullin D. Kelly	Absarokee	Self		X
J. Van Langston	Nye	Self		X
James E. Langston	Nye	Self		X
Ch. Brunchhorst	Absarokee	Self		✓
Pete France	absarokee	Stillwater Electric		✓
Miles Kemp	Nye	SPA - Self	✓	
Mary Donohue	Nye	Self	✓	
Gary R. Thomas	Reel Lodge	Self	✓	
W. R. Mackay Sr	Butte	Self	✓	
John Dewey	Big Timber	Stillwater Electric	✓	✓
Carole Dewey	" "	Self	✓	✓
JOHN L PETERSON	BUTTE	Golden Sunlight Mines		X
Mary A. Lanaly	Helena	Montana Mining Assn.		✓
Ward Stanahr	Helena	SPGMR		✓
Les Darling	Big Timber	SPGMR		✓
Pat Clark	McLeod	Self	✓	
Gene Clark	McLeod	Self	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Ed Buehler
J.C. Brown
T.M. Rollins

M + Bun Mwin
Montana Tech
ASARCO, INC

Butte MT ^{Oppo} ✓
Butte ✓
Tracy, mt ✓

Bob Case

BUSINESS

Tracy mt. ✓

Ken Wilho ✓

Western Energy

Butte MT. ✓

~~Jim Clark~~

~~Res.~~

VISITOR'S REGISTER - Cont'd

HOUSE TAXATION

COMMITTEE

BILL HB 829

DATE 3/7/1983

SPONSOR REP SHUNDERS

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
TOM KELLEY	DEER LODGE, MT	NPRC	✓	
Bill Olzga	Mt. Contractors	Helena		✓
William [unclear]	Helena	Mt. Trade Assoc		✓
Paul [unclear]	Metairie	myself	✓	
Don Perkins	Whitehall	Green Sunlight		✓
Colyn Curtis	Jurison	District 20		✓
Don Reed	Helena	MEIC	✓	
Carol Peterson	Deer Lodge	self	✓	
Mike Styer	Helena	MALO	X	
Dave Brown	Butte	Dist. 83		X
Jeanne [unclear]	Samuel	self		X
Evelyn [unclear]	Helena	self		X
Paul R. [unclear]	Billings	Self	X	
Kimberly [unclear]	Butte	Assoc. [unclear]		X
Dr. M. Kirkman	Missoula	Self		X
W. [unclear]	Helena	MERIDIAN LAND & MINERAL		X
Bernadette [unclear]	Whitehall	Planning Board		X
Mary A. Clarke	Whitehall	Chamber of Commerce		X
Jane [unclear]	Whitehall	self		X
Mildred [unclear]	Whitehall	Whitehall Business Assoc		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATE OF MONTANA

REQUEST NO. 442-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 829 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 829 imposes a severance tax on the severance of palladium, platinum, or any other metal or precious or semiprecious gems or stones; provides exemptions for small mines; creates the hard-rock mining impact trust account; provides limitations on uses of account; provides an effective date and an applicability date; and provides that the proposed act be submitted to the electors of the State of Montana.

FISCAL IMPACT:

The bill would have no fiscal impact this biennium.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

No forecasts of the value of mineral production beyond FY 85 have been prepared. Assuming FY 85 will be fairly representative of production in FY 86, it appears the proposal would generate \$288,000 in FY 87 (only pick up 1 quarter) and \$1,152,000 thereafter. Revenues should increase substantially when the Stillwater Complex begins production.

FISCAL NOTE 14:P/1

David M. Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-18-83

STATE OF MONTANA

REQUEST NO. 058-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 7, , 19 83 , there is hereby submitted a Fiscal Note for Senate Bill 72 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

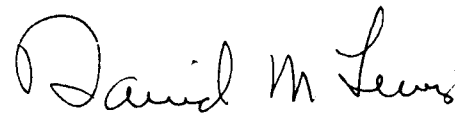
DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 72 changes the resource indemnity trust tax from a yearly tax to a quarterly tax and provides an applicability date.

FISCAL IMPACT:

The proposed legislation should have no fiscal impact other than accelerating tax collections, which may result in a slight increase in investment earnings.

FISCAL NOTE2:D/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-10-83

STANDING COMMITTEE REPORT

March 7,

83

19.....

MR. **SPEAKER:**.....

We, your committee on..... **TAXATION**.....

having had under consideration..... **SENATE** Bill No. **72**.....

Third reading copy (Blue)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE A QUARTERLY REPORT OF GROSS YIELD FOR PURPOSES OF THE RESOURCE INDEMNITY TRUST TAX; AMENDING SECTIONS 15-38-105 THROUGH 15-38-107, MCA; AND PROVIDING AN APPLICABILITY DATE."

Respectfully report as follows: That..... **SENATE** Bill No. **72**.....

be amended as follows:

1. Page 7, line 4.

Following: **"(4)"**

Strike: **"The 10% penalty"**

Insert: **"Penalties"**

2. Page 7, line 6.

Following: **"15-38-105"**

Insert: **"or the failure to pay the tax required by 15-38-106"**

~~XXXXXX~~
~~DO PASS~~

**AND AS AMENDED
BE CONCURRED IN**

STANDING COMMITTEE REPORT

March 7,

1983

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 146

Third reading copy (Blue color)

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE AND CLARIFY THE LAWS RELATING TO THE WATER DEVELOPMENT PROGRAM; AMENDING SECTIONS 17-5-704, 85-1-604, 85-1-605, 85-1-613, 85-1-616, AND 85-1-617, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That SENATE Bill No. 146

~~XXXXXX~~ BE CONCURRED IN

STANDING COMMITTEE REPORT

March 15, 1983

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 247

Third reading copy (Blue)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THAT RAILROAD RETIREMENT ACT BENEFIT PAYMENTS RECEIVED DURING CLAIM PERIODS BEGINNING IN 1981 OR 1982 AS A RESULT OF FULFILLMENT OF FEDERAL SOCIAL SECURITY REQUIREMENTS ARE NOT TO BE INCLUDED AS INCOME FOR THE PURPOSE OF COMPUTING ELIGIBILITY FOR THE RESIDENTIAL PROPERTY TAX CREDIT FOR ELDERLY; AMENDING SECTION 15-30-171, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

Respectfully report as follows: That SENATE Bill No. 247

~~XXXXXX~~ BE CONCURRED IN

DAN YARDLEY, Chairman.

STANDING COMMITTEE REPORT

March 16, 19 83

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **829**

First reading copy (White)
Color

A BILL FOR AN ACT ENTITLED: "AN ACT IMPOSING A SEVERANCE TAX ON THE SEVERANCE OF PALLADIUM, PLATINUM, OR ANY OTHER METAL OR PRECIOUS OR SEMIPRECIOUS GEMS OR STONES; PROVIDING EXEMPTIONS FOR SMALL MINES; CREATING THE HARD-ROCK MINING IMPACT TRUST ACCOUNT; PROVIDING LIMITATIONS ON USES OF THE ACCOUNT; AMENDING SECTIONS 90-6-205, 90-6-304, AND 90-6-305, MCA; PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE; AND PROVIDING THAT THE PROPOSED ACT BE SUBMITTED TO THE ELECTORS OF THE STATE OF MONTANA."

Respectfully report as follows: That **HOUSE** Bill No. **829**

~~DO NOT PASS~~ DO NOT PASS