#### MINUTES OF THE MEETING TAXATION COMMITTEE MONTANA STATE SENATE

June 18, 1986

The first meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:07 am, Wednesday, in Room 325 of the State Capitol.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF SB 3: Senator Matt Himsl, Senate District 3, was recognized as the principle sponsor of the bill. He submitted written testimony (Exhibit 1).

#### PROPONENTS

Mr. Marvin Eicholtz, Department of Administration, appeared before the committee as a proponent of the bill. He said that the state is in a unique situation not to pay income taxes on the money earned and that the spread between that and taxable income allows the state to make money with these short-term investments. He encouraged passage of SB 3.

#### OPPONENTS

None were heard.

Chairman Towe asked for questions from the committee.

Senator Towe asked Mr. Eicholtz about changes in federal tax law. Mr. Eicholtz responded that under new federal legislation the arbitrage earned would revert to the federal government after December 1. Before December 1 the state could earn this money. He said the rates are around 4 1/2 percent, the state can reinvest the money at 7 percent and thus earn 2 1/2 percent.

In response to a question from Senator Eck, Mr. Eicholtz said that notes could still be issued after December 1, but that the earnings could no longer be kept by the state. He said it would cost the state whatever the cost of getting the notes into the market. He noted that the rating on the notes dictated what they would sell for.

Senator Himsl thanked the committee and closed on SB 3.

CONSIDERATION OF SB 4: Senator Pat Goodover, Senate District 20, was recognized as chief sponsor of the bill. He said that the budgets of all state dependant groups should be subject to the appropriations process during each session of the Legislature. He said that the Coal Board had fulfilled its original need. He said that the Governor also realized this when he asked the coal board and alternative energy agencies to revert dollars to the general fund. He said that this would not affect the funds received in these areas, but would only alter the appropriation process. He said that as coal tax income fluctuates those using that money

Taxation Committee
June 18, 1986
page two

subject to both shortfall and windfall and that this bill would correct that. He then discussed Exhibit 2 which he had distributed to the committee.

#### PROPONENTS

Mr. Keith Anderson, Montana Taxpayers Association, said that it was the position of the MTA that all taxes should be decarmarked. He said the fiscal problem the state is experiencing is in part because of earmarking. He said that in 1941 the state legislature passed HB 10 which decarmarked all taxes at that time. He said that Colorado had recently done this by constitutional amendment and that each appropriation should be considered on its own merit during each session. He said that the Legislature would other wise lose control over revenue. He submitted Exhibit 3 to the committee.

#### OPPONENTS

Mr. Ted Schmidt of the Tamarack Federation of Libraries introduced Mr. Bill Scott, Chairman of the Board for the Federation and a Missoula Public Library trustee. He said they appeared in opposition to excluding libraries from earmarked funding of the coal tax revenue.

Mr. Scott discussed the purpose and function of the library federations and submitted to the committee Exhibit 4. He said that the federations purchase books, circulate material for the visually impaired, bought microfish readers for smaller libraries, catalogue the holdings of the entire federation, provide training for staff in small libraries, arrange inner library loans, and generally arrange for greater services to smaller libraries. He said that they have already curtailed their services in response to the budget crunch, as in no longer granting money to libraries, reducing training programs by 50 percent and working out a feasability study with respect to joint purchasing. He urged that the committee defeat the bill and continue funding in the status quo manner.

Mr. Russ Brown, representing the Northern Plains Resource Council, rose to oppose SB 4 and submitted his testimony in writing (Exibit 5).

Mr. Bill Olsen, Montana Contractors Association and Montana Highway Users Federation, said that historically highway users oppose the deearmarking of highway funds because it does not allow them to do long term construction and repair planning. He said anything less than 10-year planning for this kind of work would be regressive.

Ms. Martha Davis, Dillion, a member of the State Library Commission, said she had two levels of concern about the bill. First she said the existing plan opened libraries to the state collection and that secondly, it allowed maintenance of effort to receive federal funds. She noted that she understood the budget crisis and that Beaverhead

Taxation Committee
June 18, 1986
page three

County had experienced more bankruptcies in the last year than in the deepest of depression years.

Mr. Ron Jackson, Legislative Chairman of the Montana Association of Conservation Districts, opposed SB 4 and said that conservation districts had used their monies wisely. He submitted his testimoney in writing (Exhibit 6). He also presented to the committee a report on the use of earmarked revenue accounts of the conservation districts (Exhibit 7).

Mr. Al Kirke, Alernate Energy Resource Organization, said that the bill was a short-sighted attempt to solve the problem and that his organization opposed the bill.

Ms. Louise Moore, Chief of the Energy Resource Bureau of the Department of Natural Resources and Conservation said that the bill provided no provision for continuing the activities currently funded with the dollars. She said further that the figures Senator Goodover submitted in Exhibit 2 were not understandable to her. She explained how much money was actually there and discussed where it was obtained. She then used examples of the programs funded this way such as the low grade barley being used to feed cattle and the densified wood pellets being made from sawdust. She said the latter effort employed 12 people in Livingston. She said that DNRC had previously reverted funds when they could not be put to good use and that further they had scaled down the current efforts in response to the budget crunch. She urged that the committee vote do not pass on SB 4.

Mr. David Nelson, Executive Director of the Montana Arts Council said that they have always opposed deearmarking because that process has proven unsuccessful in funding these kinds of efforts. He said that the state cultural resource policy recommends spending \$1/person in Montana/year from a stable income source. He said the Governor had already capped the trust for three years. He noted that the fund also supports historical activites. He said that these activities counted and should be supported by defeating SB 4.

Ms. Judy Borneson, Broad Valleys Library Federation, emphasized the need to protect the readers of the state and defeat SB 4.

Ms. Caralee Cheney, Chief of the Water Development Bureau of the Department of Natural Resources said that SB 4 does not recognize existing grants in progress or the renewable resource development loan program. She said that currently \$1.1 million is outstanding in bonds and that the commitment of the coal tax trust is \$300,000 per year. She said if this bill passed continuation of those programs would be impossible.

Taxation Committee June 18, 1986 page four

Mr. Phil Campbell, representing the Montana Education Association, said that while education was left alone by SB 4 the \$7 million to the educational trust fund was removed. He said that his organization supported the coal tax as it exists. He noted that it would not be so simple as just asking for an appropriation to replace the lost funds.

Ms. Brenda Schye of the Montana Cultural Advocacy submitted her testimony in opposition to SB 4 in writing (Exhibit 8).

Mr. Don Hippa of the Department of Fish, Wildlife, and Parks submitted his testimony in writing (Exhibit 9).

Senator Goodover closed saying that he appreciated the second thoughts folks had about opposition. He said that the intent of the bill would be visable when no coal tax money was available. He said that no one would oppose library funding. He said the testimony in opposition to the bill was based on the assumption that they would lose funding. He said all they had to do was let the Legislature know what needs they had. He said that earmarking allowed funding to outlive its priority. He said that Montana has a 4,000 year reserve and that modern technology would make coal obsolete before we could use it. He said that the coal must be mined while the demand exists. He said that it was not his intent to affect highway construction. He said the ranchers in the Legislature would keep the conservation districts funded. He said that coal revenue earmarking was not a stable source of revenue anyway as coal revenue would be decreased and these groups would eventually need to come for supplemental appropriations. He finished saying that the bill was not designed to take the money away.

Questions from the committee were called for.

Senator Mazurek asked Ms. Sarah Parker if the libraries submitted a budget for these funds through the regular appropriation process. She said that they did, that they were heard by subcommittee, committee, and the House and Senate in sequence.

Senator Towe said that these budgets also came before the Coal Tax Oversight Committee each bienium.

Senator Neuman asked Ms. Cheney about the DNRC programs and she said that they were also approved by the Legislature each session.

Senator Towe then noted that the bill was technically flawed as it would appropriate the amount and then deduct the amount of the appropriation.

Senator Goodover requested time to correct the problem with the bill.

Taxation Committee June 18, 1986 page five

MOTION: Senator Mazurek moved that SB 3 do pass. The motion carried unanimously.

Chairman Towe adjourned the meeting at 9:26 am.

Chairman

# Senate Taxation Committee ROLL CALL VOTE

Date	-18-86	to demand the William William Street		
Bill No.				
Motion: _				
		AH-	<u> </u>	
		allend	anel	

		YES	NO
Senator	Brown		
Senator	Eck	V	
Senator	Goodover	V	
Senator	Hager	V	
Senator	Halligan	V.	
Senator	Hirsch	V	
Senator	Lybeck	V	
Senator	McCallum		
Senator	Neuman	~	
Senator	Severson		
Senator	Mazurek		
Chairman	ı Towe		

	VISITORS' REGISTER			
NAME	REPRESENTING	BILL #	Check Support	
Line Schler	malin the conson.	4		V V
Turn Jurgery	Statistica & Commellio	SB 4		V
John Sohrmen	Lebroriei	SB4		~
Mithe Davi	State Let com	SBU		
Keila Cata	State Kilrary Com	4		
B. 11 Olson	Montana Contractors	4		
or Jackson	Montana ass of Co. Mid	CBY		
tienda Schye	Most Cultural Advocacy	SB4		
ouise Moore	DURC	SBH		W
HUSS BROWN	NPRC	3341		1/
12 MacKleR	MT. Con/Council			
MATI THIEL	MFT		and recognition of the state of	- Ann Anna and Anna a
MARJ EICHOLFZ	DOA	SK 3	<u></u>	
Lovid Nelson	mr Arte Connail	SB4		
Callan Kasnin	L. C	5134		
S. Keith Anderson	Montax	5134		
Grony Wicks	MD01+	SBY	<u>_</u>	
Jun Manion	Montem AAA			
Jun Jewen Linker	MT. ENVIRON, INFO. Center	534	**************************************	
al times	Alternatin Energy Resume	5/34		
Jamy Menany	MFT Drg. 11			
The Can still	MEA	3B4		1
Da Haypp	DFWP	SBY		<u>L</u>
Lorna Trank	Montana Darm Buran	1 . 7 /	1	9
Larales Cheney	DURC,	534		V
Gircle Szetela-Brien	Tamarak Federation of Libraries	4		\ \ \

DATE	June 18, 1966

COMMITTEE ON Taxation

NAME	REPRESENTING	BILL #	Check Support	0000 10000	
NAME CLSchmidt	Tamarach Federateix	<del></del>	Duppoec		
***					
The state of the s					
				<del></del>	

NAME: Martha Davis	DATE: 6-18-86
ADDRESS: Baf 187 - Dilla, mt 59	
PHONE: 653-2034	
REPRESENTING WHOM? State Library	
appearing on which proposal: $SB4$	
DO YOU: SUPPORT? AMEND?	OPPOSE?
COMMENTS:	

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Senate Bill # 3 is a proposal to remove the limitation on the amount of Tax Revenue Anticipation Notes (TRANS) that the Board of Examiners may issue at any time.

The 1979 legislature authorized the borrowing on these notes primarily to use the state's good credit and to invest the borrowed money for a short term interest difference, thereby covering any cash shortage and producing income to the general fund.

Subsequently, the legislature put a limit on the amount providing that no more than \$50 million notes could be outstanding at any time.

The Internal Revenue Service has come to recognize that these tax-free anticipation revenue notes serve a convenience for government entities to cover cash deficits pending the collection of taxes, but they now limit the amount that can be issued, to a maximum of one month's projected general fund deficit FLUS the next month's projected general fund expenditure——so the IRS actually sets the limit——along with the judgment of the Board of Examiners.

This fiscal year the state money managers issued \$46 million in TRANS, without the state's arbitrary ceiling they could have issued \$80 million and with a short term investment spread of  $2\frac{1}{2}\%$ , could have generated about an additional \$780,000. The department figures each \$1 million would generate \$22,917 for the general fund.

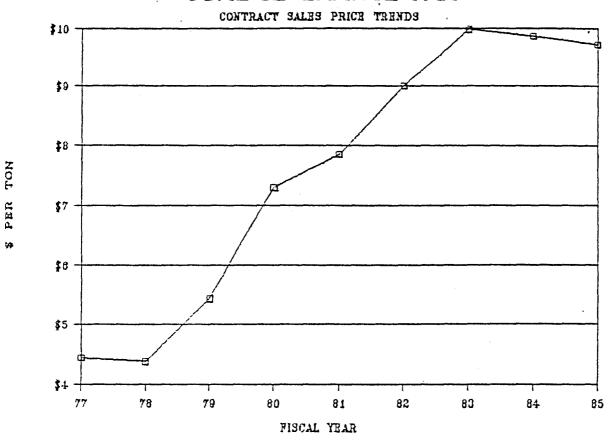
These tax-free short term notes back by the taxing power of the state have a ready acceptore in the money market and serves the state in covering cash deficits and also allows the state to generate some general fund income by way of the interest spread.

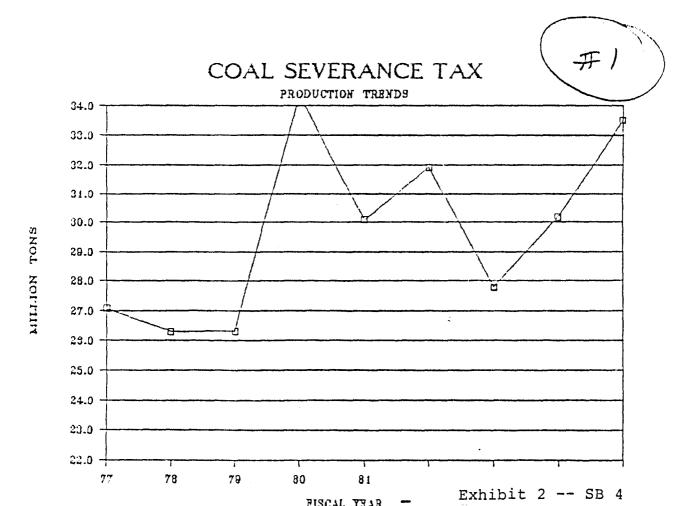
This may be the last year that the IRS will allow arbitrage--the practice of the state making and beeping the money made on the
interest stread.

This bill is at the request of the Department of Administration

(17-1-202)

### COAL SEVERANCE TAX





SENATE
EXHIBIT I
DATE
BILL NO.

SENATE TA	XATION	
EXHIBIT NO.	_ 2_	٠
DATE	6-18-86	1
BILL NO.	S.B. 4	100
	7	ا ' (زار سرت

		-		*	
					in the second second
	1987		AS OF 6/14/8	'6	
0/0					j stját já opi
50.00	38, 371,000		-		
					12 14 14 14 14 14
7.76	5,955,179		2,427,787.80	HIWAY RECENS	<i>7.</i>
1.10	844,162		4,872,816 45		
11.44	8,779,285		346,756 3		
			1,585,9867	EDUCATION TIZUST	
4.40	3,376,648		21,265,336=	)	
				•	
0.44	337,665		-0-		
0.55	422,081		480,26508		
					1 N 3 2.4
2,20	1,688,324	·	3,356 53		
			•		
0.44	337,665		111.874 35:		
					1. 17. 17. 17. 17. 17. 17. 17. 17. 17. 1
6.22	162 222		80,825.24	enter en enterente de la companya del la companya de la companya d	
		a delp ala religiora de la rel		er e	Creation.
0.55	422,021		.618,083	No. all the state of the state	
<u>'</u>					
				ing a grant of the contract of	The second secon
	Coro!		b p. references pagasan accepted to	li viitak ala uusakoolaanii yaa aa <b>a uku uu uu</b> usaysii.	
				and the second s	
20.90	16,039.078				
					-
100.00	F76.742.000				
	7.76 1.10 11.44 4.40 0.44 0.55 2.20	0/0 50.00 **38,371,000  7.76 .5,955,179  1.10 .844,162  11.44 .8,779,285  4.40 .3,376,648  0.44 .337,665  0.55 .422,081  2.20 .1,688,324  0.44 .337,665	9/0 50.00	1987  9/0  50.00  38,371,000  7.76  5,955,179  1.10  844,162  4,872,8/6 42  11.44  8,779,285  4.40  3,376,648  21,265,336  0.44  337,665  -0-  0.55  422,0\$1  480,265  111,874  35-  60.825,24  0.55  422,0\$1  0.55  422,0\$1  0.55  422,0\$1  0.55  422,0\$1  0.68,324  0.68,083  20.90  1/4,039,078	9/0 50.00 \$\frac{3}{3}P, 371,000\$  7.76 \$\frac{5}{3}P\$\frac{3}{5}\] 1.10 \$\frac{844}{162}\$ \$\frac{4}{872}\] 1.10 \$\frac{844}{162}\$ \$\frac{4}{872}\] 1.44 \$\frac{8}{2}\] 7.76 \$\frac{3}{3}P\] 1.40 \$\frac{344}{162}\$ \$\frac{3}{4}\] 1.585 \$\frac{7}{3}\] 1.65 \$\frac{7}{2}\] 2.120 \$\frac{1}{168P}\] 2.20 \$\frac{1}{168P}\] 2.21 \$\frac{1}{168P}\] 2.22 \$\frac{1}{168P}\] 2.22 \$\frac{1}{168P}\] 2.23 \$\frac{1}{168P}\] 2.24 \$\frac{1}{168P}\] 2.25 \$\frac{1}{168P}\] 2.27 \$\frac{1}{168P}\] 2.29 \$\frac{1}{168P}\] 2.20 \$

SENATE TAXATION EXHIBIT NO. 6-18-86 S.B. 4 DATE

BILL NO.

EFFECTIVE THROUGH JUNE 30, 1986 COAL SEVERANCE TAX DISTRIBUTION

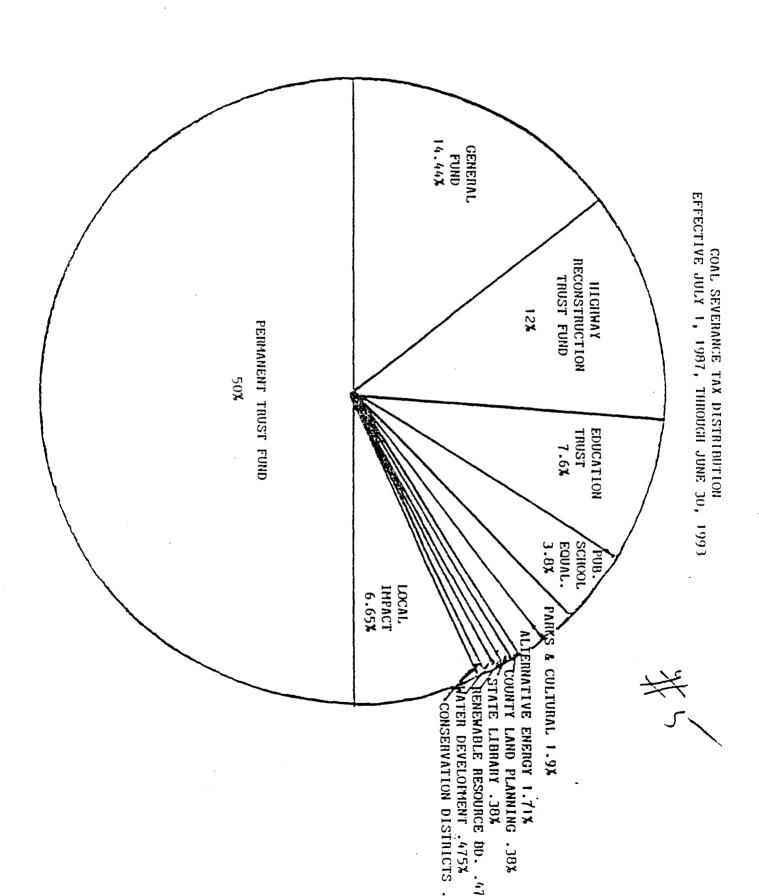
CENERAL GNUT 23.75% PERMANENT TRUST FUND **EDUCATION** TRUST **50%** 10% **5**% EQUAL. SCHOOL PUS HIGHWAY NECON. THUST FD. 2% CULTURAL ACQUISITION 2.5% IMPACT 3% DANXS AND TOCAL ALTERNATIVE ENERGY 1.25 % COUNTY LAND PLANNING STATE LIBRARY .5% THENER. RESOURCES BD. .625% CONSERVATION DISTS. .25% . 5**%** 

 SENATE TAXATION

 EXHIBIT NO.
 2

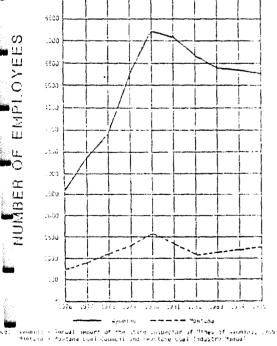
 DATE
 6-18-86

 BILL NO.
 5.8.4



EFFECTIVE JULY 1, 1986, THROUGH JUNE 0, 1987, WESSELVE

SENAIL IAXAIIUN EXHIBIT NO ... DATE BILL NO.\_\_\_ MONTANA - WYOMING MONTANA'S SHARE OF COAL PRODUCTION WESTERN COAL PRODUCTION i 30 1975 1977 1978 1979 1940 MONTANA - WYOMING Source: Avoming - Annual Report or the State Inspector of Mines of Syumist, 1985 Montana - Norkers Compensation Division, Lureau of Eurety and Members COAL MINE EMPLOYMENT MONTANA - WYOMING 7000 COAL PRODUCTION TAXES 5500 5500 5000 - .50



MILLIONS OF

#### History Continues To Repeat Itself

It seems we never learn from history or mistakes of the past. Maybe this is the price we pay for Democracy but the errors in fiscal judgement can be costly.

What we have in mind is the excessive earmarking of taxes by the Montana Legislature. The Legislature is slowing letting the fiscal reins of government slip from their grasp. This happened in Montana once before and the 1941 Legislature was forced to pass House Bill 10 in order to regain control of the state's purse strings. It has happened in other states and they too have had to either take Constitutional or statutory action.

In Montana the Legislature has essentially lost control of motor fuel taxes, most liquor taxes, 36 percent of the personal and corporate income tax, 81% of the coal tax, part of insurance revenue, the automobile sales tax, grazing, mineral and royalty fees, and more.

Now enter the 1985 Legislature. Bills have been introduced to earmark more of the income tax for local government and the public schools; automobile fees for the courts, sales taxes on hotels-motels for local governments--on and on.

Every special interest group wants to get their hands in the money trough so their tax dollars are guaranteed and they don't have to justify their budgets to the Legislature through the appropriation process.

It's the best of all worlds for the spenders of tax money. But what about the Legislature? They have less and less dollars to meet more and more demands because they have lost control of the purse strings of government.

The Legislature should regain control. All taxes should be de-earmarked and put in the general fund. All those who spend tax funds should be under review of the Legislature every two years, including local governments, the public schools, the Department of Highways and others who feel safe because "they've got theirs" in earmarked tax dollars.

If action isn't taken soon to reverse this trend of lost control over revenue, the Legislature will soon end up being little more than a debating society, meeting to referee the allocation of the few million left over.

History continues to repeat itself.

FEDERATIONS AND HEADQUARTERS LIBRARY LOCATIONS

BOAD VALLEYS
F DERATION
OF LIBRARIES

Beaverhead County

Badwater County Townsend, Broadwater Co.

Der Lodge County anaconda, Hearst Free

Gallatin County
Belgrade Public
Sozeman Public\*\*\*
Manhattan Community
Three Forks Community
West Yellowstone Public

Ginite County Drummond Public Philipsburg Public

Jerson County

Joulder Community

Whitehall, John Gregory

vis & Clark County Helena, Lewis & Clark

Ennis, Clancy Memorial
Sheridan Public
win Bridges Public
Virginia City, Thompson
Hickman

Magher County
White Sulpher Springs
Meagher County

P k County Livingston Public

Powell County
Deer Lodge, Kohrs
Memorial

Silver Bow County
Butte-Silver Bow Public

G LDEN PLAINS FEDERATION OF LIBRARIES

Caniels County
Scobey, Daniels Co.

Phillips County Malta, Phillips Co.

osevelt County Wolf Point, Roosevelt

Sheridan County Plentywood, Sheridan PATHFINDER FEDERATION OF LIBRARIES

Blaine County Chinook, Blaine Co. Harlem Public

Cascade County
Belt Public
Cascade, Wedsworth
Memorial
Great Falls Public\*\*\*\*

Chouteau County
Fort Benton, Chouteau Co.

Glacier County
Cut Bank, Glacier Co.

Hill County
Havre, Havre-Hill Co.

Liberty County
Chester, Liberty Co.

Pondera County Conrad Public Valier Public

Teton County
Choteau Public
Dutton Public
Fairfield Public

Toole County Shelby, Toole Co.

SAGEBRUSH FEDERATION OF LIBRARIES

Carter County Ekalaka, Carter Co.

Custer County
Miles City Public\*\*\*\*

Dawson County Glendive Public

Fallon County Baker, Fallon Co.

Garfield County
Jordan, Garfield Co.

McCone County Circle, McCone Co. Powder River County
Broadus, Malley Memorial

**PATHFINDER** 

Great Falls

18931.

Billings

SOUTH CENTRAL

TAMARACK

Missoula

Prairie County Terry, Prairie Co.

50 400

BROAD VALLEYS

Bozeman

Richland County Sidney Public

Rosebud County Forsyth, Rosebud Co.

The Treasure County

Wibaux County
Wibaux Public

SOUTH CENTRAL FEDERATION

OF LIBRARIES

Big Horn County
Hardin, Big Horn Co.

Carbon County
Bridger Public
Red Lodge Carnegie

Fergus County
Denton Public
Lewistown City
Moore Memorial

Golden Valley County

Judith Basin County Stanford, Judith Basin Co.

Musselshell County
Roundup Community

Petroleum County
Winnett, Petroleum Co.
Community

Stillwater County Columbus, Stillwater Co.

Sweet Grass County
Big Timber, Carnegie

Wheatland County Harlowton Public

Yellowstone County
Billings, Parmly\*\*\*\*
Laurel

TAMARACK FEDERATION OF LIBRARIES

**GOLDEN PLAINS** 

Glasgow

**SAGEBRUSH** 

Miles City

Flathead County Kalispell, Flathead Co.

Lake County
Polson City
St. Ignatius Public
Swan Lake Library

Lincoln County
Libby, Luncoln Co.

Mineral County Superior, Mineral Co.

Missoula County
Missoula, City-Co.\*\*\*\*

Ravalli County
Darby Public
Hamilton Public
Stevensville Public

Sanders County
Dixon Public
Hot Springs Public
Plains Public
Thompson Falls Pub.

\*\*\*\*Headquarters Library

"...1% to the state special revenue fund to the credit of the State Library Commission for the purpose of providing basic library services for the residents of all counties through library federations..."

# LIBRARY FEDERATIONS AND THE COAL SEVERANCE TAX

Since 1956, Montana has had libraries join together in federations "to pool resources and information and avoid duplication of effort." (MCA 22-1-401). In 1979 the Legislature allotted coal severance taxes to enable federations to aid local libraries in providing basic service.

and the second of the second o

4. 3. 4. 6. 6. 6. 7

Last year (FY 1985) federations received \$377.518, or the equivalent of 48 cents per capita. The allocation ranged from \$36,106 in Golden Plains Federation (Northeastern Montana) to \$82,069 in Broad Valleys Federation (western part of the State). strong of a sufficient of 多中国的特别是

.These funds support several key services which are important to everyone Twho lives in Montana: Stancostant . 1986 of the Press

interlibrary loan of materials - the ability to get a book or piece of material which the local library doesn't have, usually from another library in the State or Pacific Northwest;

reference and information services - being able to go into a community library and have it be part of an information system group to be specifical that is regional and nationwide; Fort Ber in Drumer in

collection of books and other materials - at one's own library and at the headquarters library;

a better local library through staff training, joint of good and planning, participation; posin automation, who help 物的 serving 砂木 墨 with the children; a support system that helps in many ways. o tropped a symmeth

والمراجع والمحارث والمحار The \$377,518 was used for 42,205 interlibrary loan requests for materials, 35 library meetings and workshops, and approximately 3,087 hours of assistance to local libraries by the staff of the federations. \$86,163 was used to purchase books and materials. Caffor Points

Coal Severance Tax Revenues are used each year for services and operation of the federations. They are not accumulated as a growth fund. and the second of the second

RAMEGORGAR

FEDERATION	in the prosequency	- 1000 00000 ·	yer or s	
	FY 1981 FY 1982	FY 1983 FY 1984	FY 1985	
Broad Valleys	\$ 73,121 \$ 73,175	\$ 67,205 \$ 73,001	\$ 82,069	
Golden Plains	33,579 33,365	32,524 33,311	÷36,106	
Pathfinder	62,776 62,228	57,394 62,087	69,431	
Sagebrush	41,096 41,152	38,504 41,075	45,097	
South Central	66,027	61,357 66,495	74,535	
Tamarack	75,435	70,692	70,280	
State Library*	27,300 (1)	73,549 61,268	63,817	
TOTALS	\$352,033 \$430,934	\$400,225 \$414,117	\$441,335	

<sup>\*</sup>used to provide book and information location services.

ج ۾ نور آهي

## NORTHERN PLAINS RESOURCE COUNCIL

Field Office Box 858 Helena, MT 59624 (406) 443-4965 Main Office 419 Stapleton Building Billings, MT 59101 (406) 248-1154 Field Office Box 886 Glendive, MT 59330 (406) 365-2525

TESTIMONY PRESENTED BEFORE SENATE TAXATION COMMITTEE IN OPPOSITION TO SB 4

Mr, Chairman, and members of the Senate Taxation Committee.

For the record, my name is Russ Brown, and I'm testifying on behalf of the Northern Plains Resource Council. We are testifying in opposition to Senate Bill 4. We are opposed to this "reallocation" of coal severence taxes to the General Fund.

As most of you are aware, Northern Plains has members who live in areas of Montana that have been, are currently, and will be directly impacted by coal mining development. Needless to say, Northern Plains has been directly involved in those matters dealing with coal production, impact mitigation and taxation.

Our members, as taxpaying property owners are deeply concerned with the BUDGETARY CRISIS facing our State. Let me emphasize our concern that we are facing a budgetary crisis as opposed to a "temporary" crunch.

Measures that eliminate the revenues available for those impacts associated with coal development highway reconstruction. alternative energy funding, local impact and educational trust fund accounts renewable resource development bond funds and others that this bill addresses. are short sighted and fly in the face of the intent and the wisdom of those that enacted legislation setting aside or "earmarking" monies for fiftere generations of Montanans.

Members of the committee. the earmarked funds that were established, were set up for a definite purpose; to deal with those impacts associated with coal and energy development. Let us look at the reality, that be it a blessing or curse, Montana sits on some of the worlds largest coal deposits.

. 3:

However, this coal resource and the revenue that it produduces for the State of Montana is not infinite. We quote, "Eastern Montana has one of the largest coal reserves in the world., but once that coal is gone, life must go on....I will not allow Eastern Montana to be turned upside down without proper reclamation and present and future benefits to offset social and economic impacts" (Congressman Rop Marlenee, January 4, 1978)

Mr. Chairman, and members of the Committee. Northern Plains is committed to promoting agriculture as the State's #1 industry.

While coal and other non-renewable resource development and subsequent taxation revenues are an integral component of our economic base, we must change our emphasis from this non-renewable energy dependency, to an economic and energy policy that promotes sustainable renewable energy revenues. We must realize that coal related development will continue, and that the rationale for for setting up these earmarked accounts is still valid.

We urge that this Committee oppose SB 4 and any other attempts to "reallocate" coal severentax revenues to the general fund, that ignores the reality of energy related impacts; and that approach our present economic situation as just a "temporary crunch" and not a crisis.



# Association Of Conservation Districts

7 Edwards Helena, Montana 59601 Ph. 406-443-5711

Mr. Chairman and members of the committee, my name is Ron Jackson. I am the legislative chairman for the Montana Conservation Association of Conservation Districts.

Our Association would like to go on record as being opposed to Senate Bill 4. In particular, lines 15 and 16, page 3, that removes the coal tax portion for conservation district projects. We feel that the 1/2 of 1 percent of the coal tax has been used very wisely by the local districts and the use of these funds have resulted in many beneficial projects for the state of Montana.

Just yesterday the figures were released showing that Montana had 1.6 million acres damaged by wind erosion from November to May. This puts Montana second in the nation.

These coal tax funds are used by districts to address this problem by assisting in shelter belt plantings, proper management practices, providing range drills for rent, weed control assistance, land use ordinances such as the plow out ordinance in Petroleum County, etc.

This is not the only concern that districts address with the assistance of these funds. Other activities include streambank stabilization and management, water reservations, water management, education activities, and urban assistance such as water quality improvements, sewage disposal, and flood control. They also have used these funds to assist in forest management, wildlife management, farmland protection, soil survey, mine reclamation, and the list goes on.

We feel that these funds are being used in accordance with the intent of the source.

These funds are essential if the districts are to continue their efforts which will directly benefit Montana.

We urge your vote against Senate Bill 4.

Thank you.

Ron Jackson

Legislative Chairman

MT Association of Conservation

Districts

Conservation District Earmarked Revenue Account (HB 223 Program)

Status Report

August 1981 through March 1986

#### INTRODUCTION

The 1981 Montana Legislature earmarked 1/2 of 1 percent of the coal severence tax proceeds for grants to conservation districts for conservation related projects. Funds may be used for planning, feasibility studies, construction or equipment, but must result in applied conservation practices.

To be eligible for a 223 grant, conservation districts must show a need for additional funds over and above their 1.5 mill county tax levy and be in the process of developing a special project.

A seven-member Resource Conservation Advisory Council makes quarterly grant funding recommendations to the Department of Natural Resources (DNRC) director. The Conservation Districts Division administers the grant program.

The following narrative summarizes the projects funded by the program through March 1986. A total of \$901,689 have been allocated to conservation districts through the program.

Conservation Tillage and Grass Seeding Equipment, and related projects

Twenty three of 35 applications for various types of grain, grass, and range drills and related projects have been funded for a total of \$227,009. Of these grants, 20 have been used to purchase 19 drills, one funded a hand seeder and seed purchase, one was used to help publish a conservation tillage drill publication, and one funded a custom-built trailer for a drill.

SENATE TAXATION

EXHIBIT NO. 7

DATE 66-18-86

#### Conservation tillage drills:

Thirteen of the drills have been purchased specifically to demonstrate the benefits of various types of conservation tillage as soil, water, time, and energy saving cropping practices to conservation district residents. These drills are leased to cooperators who desire to experiment with conservation tillage, but are not able to purchase drills. The drills are equiped to seed into stubble left from the previous harvest to prevent wind erosion. In some cases, the drills are part of a total conservation tillage program involving a CD conservation tillage committee and tours, workshops, and tillage demonstration plots.

Although three years of drought have limited the success of these programs somewhat, cooperator demand for leasing these drills has generally been heavy. The CD drill programs appear to have influenced many cooperators to become involved in conservation tillage.

Appendix 1 lists the drills purchased with 223 funds.

Appendix 2 summarizes available information about CD experiences with the drills.

#### Grass Drills:

Four of the drills have been purchased to assist CD cooperators with grass seedings for erosion control and saline seep reclamation. These drills and seeders have been rented for grassed waterway establishment, planting grass and alfalfa on saline seep recharge areas, reseeding marginal cropland to permanent cover, and suburban erosion control. Drought has limited the success of some seedings over the past three years, but all four drills have performed satisfactorily and have been serving their purpose well.

SENATE TAXATION

EXHIBIT NO. 7

DATE 06-18-86

See Appendices 1 and 2 for specific information on drill models and CD experiences with them.

#### Rangeland Drills:

Two conservation districts have used 223 funds to purchase drills for rangeland improvement. These drills have been used for seeding native and introduced species into depleted rangeland and for converting marginal cropland to permanent grass cover.

#### Hand Seeder:

The Broadwater CD used 223 funds to purchase a Cyclone Seeder and grass seed for controlling erosion on small projects such as irrigation headgate developments.

#### Saline Seep Reclamation and Prevention

A total of \$76,872 in 223 grants has been used to fund saline seep-related projects.

#### Triangle Saline Seep Project:

The Triangle Conservation District, composed of ten conservation districts, received a \$22,500 grant to assist landowners with saline seep management and reclamation. The Triangle has provided a drill rig and geologists/soil scientists to identify seep recharge areas, develop reclamation plans and provide followup. The reclamation plans usually involve planting deep-rooted crops such as alfalfa and tall wheatgrass (to dry up the recharge areas) in rotation with small grain cash crops. Recropping is also used when possible as an alternative to the crop-fallow system. Monitoring wells are established so that cooperators can monitor the effects of reclamation practices on

saline seep recharge areas. The Big Sandy Conservation District received a \$2,500 grant to further support the work of the Triangle CD.

The Northeast Montana Saline Seep Association (NEMTSSA):

NEMTSSA, including Daniels, McCone, Richland, and Valley
Conservation Districts, received a \$22,400 grant to extend the
work of the Triangle Conservation District into eastern
Montana. TCD and NEMTSSA have combined with some additional CDs
to form the Montana Salinity Control Association, which is
currently providing saline seep reclamation planning services
throughout the affected areas of Montana. Followup on
reclamation plans has indicated that the Montana Salinity
Control Association has been very effective in controlling and
preventing saline seep.

#### Stillwater Conservation District Project:

Stillwater CD received \$4,545 to purchase an EM38 electromagnetic soil conductivity meter. This meter is being used as an alternative to the more expensive well drilling to map saline seep boundaries and identify recharge areas. The CD has been pleased with the EM 38's performance. Stillwater CD received an additional \$17,927 to establish a well monitoring network on the Hertzog Demonstration Site to answer two questions: 1) can surface and groundwater affected by saline seep development be improved by saline seep reclamation practices; and 2) can the application of saline seep control measures to new areas of newly plowed native rangeland prevent the degradation of water quality? The study is on-going.

#### Weed Control Projects

A total of \$61,553 has been granted to conservation districts for weed control related projects. Weed control projects have

SENATE TAXATION

EXHIBIT NO. 7

not been funded by the RCAC since the establishment of the Weed Trust Fund, administered by the Montana Department of Agriculture.

#### Weed Awareness and Education Projects:

The 223 program has helped fund the annual Montana Weed Fair in Bitterroot, Stillwater, Toole, and Fergus Conservation Districts. This event has been very successful in building awareness of the weed problem and in providing the public with weed identification and control knowledge. Following the 1986 weed fair in Lewistown, the RCAC will refer weed fair funding applicants to the Weed Trust Fund program.

Lewis and Clark and Lincoln County CDs each received \$1,500 to print weed awareness literature. Lewis and Clark CD used the funds to print knapweed awareness posters, place mats, and calling cards as well as partially funding the 1984 Knapweed Symposium in Great Falls. Lincoln CD used the grant to reprint the Extension Service Circular 307 "Knapweed--Its Cause, Effect, and Spread in Montana."

Lewis and Clark CD received two additional 223 grants to purchase weed educational materials and portable weed sprayers for its project WOW (War on Weeds), print bumper stickers and weed awareness flyers, as well as develop radio and TV public service announcements.

#### Herbicide and Sprayer Purchases:

Carter County and Petroleum CDs used 223 grants to purchase herbicides and sprayers for assisting cooperators with weed control. Carter Co. CD cost-shares the herbicide with cooperators.

SENATE TAXATION EXHIBIT NO. 7

DATE 06-18-86

#### Coordinated Weed Control Projects:

Jefferson Valley, Liberty, Ruby Valley, and Teton County CDs are using 223 funds to participate in coordinated weed control projects involving all landowners and land managers within a specified control area. These projects use chemical, biological, mechanical, and cultural methods of weed control. These projects have been quite successful in building awareness and cooperation in noxious weed control.

#### Streambank Stabilization and Management

A variety of streambank stabilization and stream corridor management projects have been funded for a total of \$72,907. Conservation districts are heavily involved in streambank management; both through their conservation planning work with cooperators and as administrators of the Natural Streambed and Land Preservation Act of 1975, which requires individuals to obtain a permit from the local conservation district before disturbing the bed or immediate banks of a perennial flowing stream.

#### Streambank Inventories:

- Four streambank inventories have been supported by the 223 program. These projects involve taking aerial photographs, which then are used as base maps for recording specific
  - streambank problems while floating and walking downstream. The
- four projects included Lower Musselshell CD (Musselshell River); Meagher and Cascade County CDs (Smith River; Cascade, Teton,
- Lewis and Clark Co. CDs (Sun River); and Sweet Grass CD (Otter Creek).

#### Rock Riprap Projects:

Four 223 grants have funded streambank stabilization projects using only rock riprap. These have included Flathead CD (Flathead River), Lincoln CD (development of a rock quarry for Tobacco River projects); Petroleum Co. CD (Musselshell River); and Stillwater CD (Yellowstone River). These projects have been quite successful, although rock riprap is very expensive.

#### Vegetative Streambank Stabilization Projects:

Vegetative streambank stabilization is considerably less expensive than rock riprap and has the added benefits of providing better fish, wildlife, and livestock habitat, cooler water temperatures, and better aesthetics.

Lincoln CD used 223 funds to purchase willow cuttings for streambank stabilization. Some of these were planted by volunteer Boy Scouts. These projects have been very successful; both for streambank stabilization and for stimulating increased public awareness and involvement in conservation issues.

Carbon County CD received a \$10,000 223 grant for its Willow Creek Streambank Corridor Management Project. This project involves vegetative streambank plantings as well as fencing for livestock control and some construction work such as backsloping and diking.

Lewis and Clark CD has established a streambank stabilization demonstration project comparing the effectiveness of various types of vegetative plantings compared to riprap. The area has been fenced to exclude livestock. Public tours will be conducted to inform the district cooperators about streambank management alternatives.

#### Miscellaneous Projects:

Flathead CD used 223 funds to remove willow trees and other vegetation from Trumbull Creek to eliminate flooding of a highway, houses, and agricultural land.

Lincoln CD received a grant to fund the removal of a delta at the mouth of Libby Creek, which was causing excessive bank erosion along the Kootenai River.

Beaverhead CD received 223 funds to assist supervisors in inspecting Natural Streambed and Land Preservation Act projects during the "310" permitting process.

#### Erosion Control

This somewhat miscellaneous category includes emergency erosion control measures and the purchase of tree planters for wind erosion control. A total of \$38,736 have been allocated to these projects.

#### Tree Planters:

Four CDs have purchased tree planting machines to assist cooperators in establishing field windbreaks and shelterbelts. The tree planters have been purchased for an average of \$2,934. All four CDs feel that the tree planters have been successful in increasing the number of trees planted for erosion control, water conservation, aesthetics and wildlife habitat.

#### Water Erosion Control:

Two CDs have received 223 grants for soil stabilization on slopes. Deer Lodge Valley CD is using the grant to plant trees on a mountain side near Anaconda, which has been denuded from past logging and heavy metals contamination. Lewis and Clark CD

used 223 funds for an emergency reseeding of land following the North Hills fire near Helena. Drought conditions limited the effectiveness of this seeding during the first year following the fire, but heavy fall rains the next year (1985) allowed much of the seed to germinate. The project has been successful in retarting erosion since fall 1985.

#### Land Use Ordinance:

Petroleum CD used 223 funds to establish a district land use ordinance requiring a permit to be obtained prior to the conversion of rangeland to marginal cropland. Large scale plowout of marginal lands in the area poses a threat to land and water quality.

#### Water Districts, Water Management, Water Reservations

This category, totaling \$181,688 to date, includes a variety of projects involving the management of water for irrigation and domestic use. Assistance to districts involved in applying for water reservations or in implementing existing water reservations is also included.

#### Groundwater Management:

Blaine County CD used grant funds to establish an improved groundwater well monitoring network in the Turner-Hogeland area. The monitoring wells will provide information necessary for preventing depletion of the groundwater aquifer.

Sheridan County CD received a 223 grant to participate in the Northeast Montana Groundwater Study along with the Montana Bureau of Mines and Geology and Sheridan County. The study has identified ancient Missouri River channel and glacial outwash aquifers and determined which have suitable quality and quantity

of water for irrigation and municipal development. The study provided the basis for Montana's first groundwater reservation application from the Sheridan County Conservation District.

#### Domestic and Rural Water Supply Development:

The Roosevelt County CDs and Teton/Cascade/Chouteau CDs have used 223 grants to develop rural water district facilities. These projects involved developing pipelines and storage facilities for delivering livestock and domestic water.

Chouteau County CD used 223 funds to find and develop a domestic water supply for the town of Geraldine, where water quality has been badly degraded by saline seep.

#### Irrigation Water Management:

A variety of irrigation water management-related projects have been funded through the 223 program. Three of these were demonstration projects designed to increase irrigation water management awareness among district cooperators. Meagher County and Treasure County CDs established irrigation demonstration projects involving land leveling, replacement of open ditches with pipe risers, and installation of automated turnouts. These projects have resulted in reduced irrigation water requirements, reduced soil erosion, less soil salinization, and more efficient water intake rates. Pondera County CD provided demonstration equipment to the local irrigation district office. The equipment has been used to show irrigators how to measure soil moisture content and water volumes in order to encourage more intensive irrigation water management and conservation.

Conservation districts have used 223 grants to sponsor two irrigation management studies on a broader, drainage basin scale. Powder River CD conducted a study of the relationship between irrigation water quality and crop production in the

SENATE TAXATION

EXHIBIT NO. 7

Powder River basin. The information will be useful for the State of Montana when negotiating Powder River water rights issues with Wyoming. Phillips, Valley, and Blaine County CDs are participating in a study of irrigation and irrigation water conveyance efficiencies in the Milk River basin. This information will be useful for evaluating alternatives to solving the Milk River basin water shortage problem.

#### Water Reservations:

The Lower Yellowstone Conservation Districts Development Committee, consisting of five Yellowstone basin CDs, has used 223 grant funds to implement existing CD water reservations granted by the Board of Natural Resources and Conservation in 1978. The committee hired a full-time water resources specialist to investigate economically feasible methods of developing "high lift" irrigation projects (some irrigable lands in the area are 350 feet above the water source) and to determine ways to integrate the water reservations with existing irrigation district projects.

Granite CD used 223 funds to hire consultants for the preparation of a water reservation application. The CD has recently completed the reservation application for submission to the Board of Natural Resources and Conservation.

Powder River CD is using 223 funds to retain an attorney to defend its water reservation during litigation with Utah International.

#### Technical Assistance

Technical assistance grants (\$81,030) have been used for CD technician's salaries. Blaine County CD has received three 223 grants to help provide range management technical assistance. Carbon County CD has received five grants to provide engineering

SENATE TAXATION

EXHIST NO.

assistance, mainly for irrigation and streambank stabilization projects. Teton County CD has received four 223 grants for technical assistance. Most of the assistance has been directed toward the Muddy Creek project on the Fairfield Bench. This project, through irrigation water management assistance, has helped to reduce irrigation tailwater flows into Muddy Creek, a major tributary to the Sun River. Irrigation water had increased Muddy Creek flows by ten times its natural levels, which caused excessive bank erosion and sedimentation. Teton CD has also provided the technical assistance for a groundwater monitoring project in the Teton River basin. Treasure County CD has provide technical assistance to cooperators through a 223 grant, mainly for irrigation water management projects.

#### Administrative Funds

Nine CDs have received a total of \$24,200 in administrative funds through the 223 program. The funds have been used for general operations, office equipment purchases, printing costs, and staff salaries. Administrative funds have not been available from the 223 program since the establishment of the CD Administrative Grant Program in 1983.

#### Conservation Education

Four CDs have sponsored the Montana Youth Range Camp using 223 grant funds. This camp presents students with field experience in range management, including range site identification, plant taxonomy, general range ecology, and range management system design.

Stillwater CD is using 223 funds to sponsor the construction of two computerized grazing land simulators for educational purposes in cooperation with the Grazing Lands Education Project, MSU/Extension Service. These simulators have been very successful in interesting and involving students in range and wildlife issues.

EXHIBIT NO. 7

A total of \$23,350 has been allocated to conservation education projects from the 223 program.

#### Soil Survey

The Resource Conservation Advisory Council has committed \$12,500 per quarter to speed the completion of soil surveys in Montana. To date, \$77,500 have been allocated for soil surveys. The grant funds are used for soil scientist's salaries and travel. Currently, this is the only source of state funding for the soil survey effort. Soil surveys are the basis for most rural and urban conservation planning.

#### Pasture Reclamation and Management

Two CDs have used 223 funds to conduct pasture reclamation projects. Deer Lodge Valley CD has established research plots using various combinations of introduced forage species, tillage and lime application rates to determine the most effective method for reclaiming heavy metal-affected pasture along Silver Bow Creek. Drought has limited seeding success, but the project is on-going and should yield useful results. Ruby Valley CD sponsored a research project designed to determine the most effective methods for increasing forage production in wet and wet saline/alkali meadows. The project was to test various introduced forages as well as the suitability of herbicides and minimum tillage for establishing stands of these forages. Flooding two years in a row caused the plots to be abandoned.

#### Forest Management

Madison CD received a 223 grant to assist private landowners with intensive timber management.

The district hired a forestry consultant to identify and prepare scattered, isolated timber stands for management. Management

SENATE JAXATION

EXHIBIT NO.

will emphasize thinning for increased timber and forage productivity. The CD is currently involved in developing a plan for marketing the timber.

#### Farmlands Protection

Lewis and Clark County CD is sponsoring a project designed to preserve agricultural lands in rapidly urbanizing areas, such as the Helena Valley. The project will result in a Land Evaluation and Site Assessment system for the area, prime farmland maps, and a voluntary purchase of development rights option for landowners.

SENATE TAXATION

EXHIBIT NO. 7

DATE 06-18-86

•	NAME: BREda Schyr DATE: 6-18-86
	ADDRESS: North Star Rtu, Glasgow
i i	PHONE: 328-2154
2. A 12. A 12. A	REPRESENTING WHOM? Montana Cultural Advocagy
	APPEARING ON WHICH PROPOSAL: 584
	DO YOU: SUPPORT? AMEND? OPPOSE?
	COMMENTS: I represent the Montona Cultural Advocacy, a Groed
<b>-</b> 0	oss-section of Mortana Citizens who are commetted to the development
2/	Four states Cultural resources. It is when final situations
ar	e relatively good that we make the most judicious decisions
	out how to plan for the future. That is when we are most
. 2i	hely to decide for instance, That we will apt for an automatic
ya	youl deduction that goes into an occount for our children's cally fund,
	for the home we hope to buy someday. We make such decisions because
ر 4 ک	know that your entire parcheck is deposited into our checking
aci	court, we will be terreted to utilize all of it now. Under such cir-
aus	nstances, Things that seemingortant for the present will usually tak
The	future or love range dans. Smularly earnarking of funds for
c u	tural needs, such as libraries and cultural, historie, or artistic please LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.
Jr.	here thing which are important for the the quality of life,
W	etherent & fulure.
0	We are not taking the stance that cultural agencies of graphed should be exempted from sharing the hundred our

0

7

מע

a

permanent cap on the trust on p2 line 21, wo would instead support HB 15; which puts a temporary, 3 year cap on the growth of this fund. Instead of elimination the allocation to be brown on 3 line 10, we support the efecutives proposed to decrease the Fy 87 appropriation by 5%, in addition to a 5% agreed yeard reduction.

Patting all this coal test morning was the general fund is comparable to an individual deposition their control and provide their checking account. We trye you will result that temptation, and recommend a de met pass.

#### Testimony presented by Jim Flynn Department of Fish, Wildlife and Parks

June 18, 1986

Mr. Chairman, the Department of Fish, Wildlife and Parks opposes SB 4 as it <u>forever</u> caps the Coal Tax Trust Account for park acquisition, maintenance, and development, beginning July 1, 1986.

It is reasonable for the Parks program to curtail its operations temporarily to aid in addressing the State's present financial problems. However, permanently removing these revenues will bring to a virtual standstill any future acquisitions, capital improvements, or improvements in field operations. This removal of funding support, coupled with the proposed removal of all General Fund support for Parks operations, would mean that in the long run the Parks program operations would continue to erode as a result of a fixed financial base. In addition, we would be unable to address future inflationary impacts or needs to repair and replace basic facilities such as roads, sanitary services and water systems.

Consequently, Mr. Chairman, we urge that the Committee not adopt SB 4.

## STANDING COMMITTEE REPORT

*	· · · · · · · · · · · · · · · · · · ·		June	18,	19. <b>86</b>
MR. PRESIDENT	De Barrellon de la companya della companya della companya de la companya della co				
We, your committee on	EOITAXAT				
having had under consideration	SENATE DILL				No3
	opy ( white )				
REMOVE LIMIT ON TO	PAX ANTICIPATION	NOTES ISSUED	BY BC	DARD	
Respectfully report as follows: That	SENATE BILL				No. 3
nespectiony report as follows. Findt			•••••		140

DO PASS

TAX NAME OF