

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 16, 1987

The seventh meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on January 16, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 87: Senator Gage, Senate District 5, presented this bill to the committee. He stated he was approached by a number of people in the last two years with vehicles 20 and 25 years old where the license fee continues to accelerate on those vehicles. If none of the bills dealing with this make it through the session, this bill provides that those vehicles that are eight years old or older would not continue to accelerate but stay at the same level. The bill indicates the present level to be \$10 and \$15 although he has received information that should be \$12 and \$18. If that is the case and this bill does roll those back to \$10 and \$15, the fiscal note may be incorrect.

PROPONENTS: None.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Halligan asked Senator Gage if he was anticipating that Senator Smith's bill may not pass.

Senator Gage said he probably would have put this bill in no matter what, in the event Senator Smith's bill did not pass.

Senator Halligan asked why he had used eight years.

Senator Gage said that is the lowest that we could get.

Senator Mazurek said he is not sure how this works. Will this preclude the legislature from pushing the fees up.

Senator Gage said it will preclude them from bumping up 8 year old or older vehicles unless the legislature went back and changed the law.

Senator Hirsch asked Senator Gage about the district court fees and some of the other things that were put on in the past. He asked if they would be able to escalate also.

Senator Gage said this does not apply to the block grant or district court fees.

Senator Gage closed by stating the committee may want to check the language in the bill to leave it at \$12 and \$18 so that the impact is not so great at this time.

Hearing closed on SB 87.

CONSIDERATION OF SB 90: Senator Hammond, Senate District 9, presented this bill to the committee. This bill would give a tax break to people who might build new homes or do some remodeling on their existing home. There were block grant monies made available for low income people to get low interest loans and then the taxes were increased to the point that they didn't know if they could make the payments. He reviewed the section of the bill dealing with new residences on page 5 and the exemptions allowed. He said this allows an individual to speculate, they can build a house and hold it and still not be stuck for the taxes for three years until the house sells. On page 6 it states, "the assessed value of improvements, as set forth in 15-24-1501, may be limited to a percentage of market value upon application by the taxpayer." He said any expansion that is made will have a break on the tax value based on the increase that would occur because of the expansion. The Department of Revenue will make some comments on the time frame for making application.

PROPONENTS: None

OPPONENTS: Gordon Morris, Executive Director, Montana Association of Counties, gave testimony in opposition to this bill. He said he would certainly like to review the fiscal note for this bill. The state of Montana certainly needs tax reform and this is typical of the types of bills that the legislature has considered both in the past and the current session.

Greg Groepper, Department of Revenue, said he has some comments on this bill from the administrative side. He does not have a position on this bill. They have run into problems in the past in this particular kind of property tax relief. They would like to see a finite definition of the application period. He said they would like to see something that says they have to apply in the year

that construction begins. They also would like to see a finite definition of the construction period. They are not trying to decide the length of time but a finite period from the start of construction to some fixed period. This ends confusion as to when the construction period is over so the property gets back on the tax rolls. He said he expects when the committee sees the fiscal note that there will be some money in there for administrative costs.

QUESTIONS FROM THE COMMITTEE: Senator Brown asked Gordon Morris to enlarge on his statements of opposition to this bill.

Mr. Morris said the problem with this bill is that this bill is typical of the type of erosion that they see occurring within the property tax structure with a particular portion being singled out for separate consideration. This bill is giving special consideration to small segments of the total tax structure and would have a substantial impact on local governments.

Senator Eck asked Mr. Groepper if he had looked at whether this would overlap with similar exemptions for low income and elderly tax payers.

Greg Groepper said generally, unless the legislature specifically tells us otherwise, those kind of tax exemptions would run concurrently.

Senator Mazurek said we made some changes last session in how local governments can determine SID assessments. He asked Mr. Groepper if anything that was done last session could be affected by this bill and if there is a possibility that this could affect someone's SID payments.

Mr. Groepper said you do not see that in the SID payments. We do not apply these kinds of relief to SID and special taxes.

Senator Crippen asked Mr. Groepper how they would provide notice to people if this bill passes.

Mr. Groepper said we take an ad in the newspaper and send press releases informing the public of a change in tax laws.

Senator Halligan asked Senator Hammond if the basis for this bill was to provide tax incentives or shelters for building new residences.

Senator Hammond said the basis for this bill was to find ways to encourage people to make improvements on their property without raising property taxes.

Senator Lybeck asked Senator Hammond how he would respond to Mr. Morris' assertion that you are just dealing with a small segment of the population.

Senator Hammond said it seems to him that it would bring more property on the tax rolls eventually. It doesn't take anything away from what exists right now and after five years there will be an increase in taxable valuation.

Senator Eck asked Mr. Groepper how state assessment is done now on remodeling.

Mr. Groepper said on new construction now, if you started building a house today, January 16, we wouldn't pick that up until next January 1 on the tax rolls. If you make an addition to your property in a tax year we do not pick that up until the following year because it did not exist as of assessment day. Our guideline for the past three years is that we do not pick up the little stuff except as the result of appraisal. Generally, if it is big enough to effect a building permit then we will pick that up.

Senator Eck said you pick those up on building permits but in her local area they do not require building permits. She asked Mr. Groepper if there was any way of knowing that there is some new construction or people are building onto their home.

Mr. Groepper said we have several ways, a building permit, statewide electrical permit and permits through the Health Department for septic tanks. Of course, some of those do not get picked up except as the result of an appraisal.

Senator Mazurek referred to page 10, the stricken language, and said it appears that the remodeling break has been in the law before but "in no case may the benefit described in subsection (1) apply to statewide levies." He asked Senator Hammond why he now made this statewide.

Senator Hammond said if you are going to give a tax break it should be for the whole state.

Senator Crippen said this bill is talking about different classes of property. He asked Mr. Groepper if it was allowable to discriminate between pieces of property in different classes.

Mr. Groepper said if that is a problem the problem already exists currently. We do not have any litigation over that.

Senator Hammond closed by stating this bill is nothing but an incentive to build and remodel and make the surroundings look a little better.

CONSIDERATION OF SB 89: Senator Keating, Senate District 44, presented this bill to the committee. He stated the measure before you is a reduction in tax on extracted material. The constitution was amended to require that there be a Resource Indemnity Trust which would eventually amount to \$100 million and the purpose of that trust fund was for reclamation and environmental disturbances to the state. The rate was not established in the constitution, it merely established the trust fund and the total amount that the fund was to reach in an unspecified time. In statute the legislature established a tax of \$25 minimum, plus 1/2 of 1% of something over \$5,000 a year in production. That tax does not seem like much but it has amounted to as much as \$6 million per year on the extraction industry whereby the fund has reached \$53 million. This bill would reduce the tax to 1/10 of 1%. There would still be a resource indemnity tax that would flow to the trust fund, it merely slows the growth of the trust fund. There were several studies about the economics of the state over the past 5-6 years and almost every study concluded that Montana relied too heavily on severance tax and severance tax should be reduced in Montana to encourage more mining and development in Montana. He furnished information for the committee, attached as Exhibit 1.

PROPONENTS: Janelle Fallan, Montana Petroleum Assn., gave testimony in support of this bill. She stated that while the Resource Indemnity Trust tax is not a large tax it is an irritating tax. We pay a severance tax, conservation tax and post a bond that says that we will reclaim the land and repair any damages caused to the land.

Doug Abelin, Montana Oil and Gas Association, stood in support of this bill.

James D. Mockler, Executive Director, Montana Coal Council, gave testimony in support of this bill. He said it is obvious we pay fairly heavily in taxes. The Resource Indemnity Trust tax is a small tax but our recovery will depend on whether or not something is done with the taxes.

Gary Langley, Executive Director, Montana Mining Assn., gave testimony in support of this bill. He said taxes on the mining industry in Montana are among the highest in the nation. The Resource Indemnity Trust has been in existence since 1973 and historically the money has never been spent for its intended purpose, which is direct damage done to the environment from natural resource extraction. Unless this tax is used for its intended use, it should be reduced or eliminated. He supports SB 89 on the principle that it will give companies that are looking at Montana a positive signal that Montana is doing something to adjust those high taxes.

Don Ingels, Montana Chamber of Commerce, stood in support of this bill.

OPPONENTS: George Ochenski, representing the Montana Environmental Information Center, gave testimony in opposition to this bill. A copy of his testimony is attached as Exhibit 2.

Stan Bradshaw, representing the Montana Council of Trout Unlimited, gave testimony in opposition to this bill. He stated Trout Unlimited groups are organized to protect and enhance trout and the waters they live in. Water quality is important because of this. When you consider the damage to water in this state, a lot can be attributed to the industries of this state. An important function of the use of the fund has been the reclamation of the streams which have been damaged by the historic practices of industry in the state. He thinks the Resource Indemnity Trust can repair those streams in the future.

Shawn Egan, representing the Consolidated Government of Butte Silver Bow, gave testimony in opposition to this bill. He stated they feel any reduction in the tax rate will seriously limit the state's ability to rectify past environmental damages.

Larry Fasbender, Director, Department of Natural Resources, testifying for the Governor, gave testimony in opposition to this bill. He read excerpts from the House Journal, Forty-Third Session, a copy of which is attached as Exhibit 3. He stated the Resource Indemnity Trust Account was passed not to provide funds for operation of government, but so that future generations would have some small share of the resources that this state has. He thinks this is a small amount to pass on to future generations.

Russ Brown, Northern Plains Resource Council, gave testimony in support of this bill. He stated the tax is just, fair and necessary.

QUESTIONS FROM THE COMMITTEE: Senator Halligan asked Senator Keating if he was concerned with how the money is being spent.

Senator Keating said he does not have a problem with the way the money is spent. The interest income is being used for water development and environmental purposes. He would point out though, contrary to the testimony given, quite a bit of money is diverted to the general revenue for the general operation of the state.

Senator Crippen said he thought the Governor wanted to raid this during the special session. He asked Mr. Fasbender to comment.

Larry Fasbender said you can't use the trust at all although the interest has always been available for general operation use or whatever.

Senator Crippen asked when the trust has been used.

Mr. Fasbender said the interest from the trust has been spent in operation of government, in environmental areas by the Department of State Lands and in health and resources areas.

Senator Crippen said in listening to all the testimony it seems like the central issue is that one side says that business is bad and the industry is hurting and the other side says business is great and gave the figures to prove it. He asked Mr. Mockler to comment.

Mr. Mockler said all you have to do is look at declining production and declining prices to see what our production will do in the future. Obviously our business is bad and going down hill pretty rapidly. He said we pay \$10 million a year that goes into reclaiming all abandoned sites. He thinks they pay enough.

Senator Mazurek asked Larry Fasbender if any projections have been made on when we would reach \$100 million in the fund at the current rate.

Mr. Fasbender said given the present rate of \$4 million it would take between 8 and 10 years for the trust to reach \$100 million.

Senator Mazurek asked Mr. Ochenski how he would respond to the allegation from the various people who have testified here today saying that they already pay under the Hardrock Mining Act and Reclamation Law for any damages.

George Ochenski said the new mines that are starting in Montana do so without a great deal of environmental objections. We do that with the understanding that we have reached a point with both the tax structure and the reclamation standards in the law whereby we feel our state is protected. For this reason we decided we would not come in with further increases in the RIT tax to address environmental concerns. We now will have to get back into the civil war and are no longer in harmony. He cannot see where 1/2 of 1% tax can be construed as placing an undue burden on industry.

Senator Eck asked Larry Fasbender if in the hearing on this bill, the RIT tax, if it was stated that this should be used fully for reclamation.

Mr. Fasbender said this is an ongoing debate. He is unclear as to what the intent was. The idea was that this would not be used for reclamation laws that were being passed and laws on the books dealing with problems of existing mines. Nothing was being done to address the future laws and that was the reason RIT was put on the books.

George Ochenski said you have heard comments about the decline of revenues and it would seem to him that there is only one reason for the decline and that is because they are not producing that much oil and not mining that much coal.

Senator Eck said in looking at the chart of the taxes that the industry pays, it appears that the highest percent is county tax. She asked Senator Keating if he thought the industry could get some support from the counties in giving special consideration to lowering their taxes.

Senator Keating said the legislature establishes the county tax. The county has no way of adjusting their tax on their own.

Senator Eck said she recognized that. We could give the counties the opportunity of doing that if they want to protect their industry. In most of those counties their mill levy is way lower than the average across the state. It would appear they could best afford to provide some incentives to industry.

Senator Keating said the legislature could have reduced the county tax two years ago. In that bill the county rate was set at 6% and then amended by Senator Towe to 7%. He thinks the majority of the legislature acceded to that amendment.

Senator Keating closed by stating this is a small tax but by lowering the tax the industry will have more capital for investment into projects in Montana, which will create jobs and those people will earn a living in Montana and pay income tax and property tax in Montana. We should look seriously at the incentive of investment and development in the state of Montana. The reclamation is there and the damages will be reclaimed as they have been. There is no jeopardy to the beauty and integrity of Montana by the reduction of this tax.

Hearing closed on SB 89.

FURTHER CONSIDERATION OF SB 3: Chairman McCallum called the committees' attention to a memorandum received from William Johnstone, Bond Counsel for the Department of Natural Resources. He asked the committee to review this memorandum for consideration of this bill at a later date. Memorandum attached as Exhibit 4.

DISPOSITION OF SB 61: Senator Crippen made a motion that SB 61 BE TABLED. The motion carried with Senator Halligan opposed.

ADJOURNMENT: There being no further business the meeting adjourned at 9:50 A.M.


SENATOR GEORGE MCCALLUM, Chairman

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ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-16-87

| NAME | PRESENT | ABSENT | EXCUSED |
|------------------------------------|---------|--------|---------|
| SENATOR CRIPPEN | ✓ | | |
| SENATOR NEUMAN | ✓ | | |
| SENATOR SEVERSON | ✓ | | |
| SENATOR LYBECK | ✓ | | |
| SENATOR HAGER | ✓ | | |
| SENATOR MAZUREK | ✓ | | |
| SENATOR ECK | ✓ | | |
| SENATOR BROWN | ✓ | | |
| SENATOR HIRSCH | ✓ | | |
| SENATOR BISHOP | ✓ | | |
| SENATOR HALLIGAN, VICE CHAIRMAN | ✓ | | |
| SENATOR McCALLUM, CHAIRMAN | ✓ | | |
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| | | | |
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Each day attach to minutes.

DATE _____

COMMITTEE ON

COMMITTEE ON Secret Taxation

VISITORS' REGISTER

SB 87 SB 89 SB 90

| Support | Oppo |
|---------|------|
|---------|------|

Stan Bradshaw

Trout Unlimited

89

Larry Fashenko

DNRC

89

Dog's Belkin

Montano Oil & Coal

89

Den 18. 1842

Mt. Chamber of Commerce

pg

Marvin Barber

mont. assessor

90

Wm. W. W.

Dept of Commerce

87

Jim Moxley

Mt. Coal Council

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Kate Alford

MEIC

80

SHAWN EGAN

BUTTE SILVER BOW

89

GEORGE CCHENSKI

MT. ENV. INCF. CNTR

89

Russ. Baum

Northern Plains Res Encl

80

Frederic M. Davis

MFCA

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Phyl Campbell

W. A.

90

Mary A. Langer

MONTANA MINING ASSN.

80

(Please leave prepared statement with Secretary)

CONSTITUTION

Section 2. Reclamation. (1) All lands disturbed by the taking of natural resources shall be reclaimed. The legislature shall provide effective requirements and standards for the reclamation of lands disturbed.

(2) The legislature shall provide for a fund, to be known as the resource indemnity trust of the state of Montana, to be funded by such taxes on the extraction of natural resources as the legislature may from time to time impose for that purpose.

(3) The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000), guaranteed by the state against loss or diversion.

STATUTE

15-38-104. Tax on mineral production. The annual tax to be paid by the person engaged in or carrying on the business of mining, extracting, or producing a mineral shall be \$25, together with an additional sum or amount computed on the gross value of product which may have been derived from the business work or operation within this state during the calendar year immediately preceding at the rate of $\frac{1}{2}$ of 1% of the amount of gross value of product at the time of extraction from the ground, if in excess of \$5,000. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners may be deducted from any settlements under the lease or leases or division of proceeds orders or other contracts.

| Percentage | Decimal |
|------------|---------|
| .5% | .005 |
| .2% | .002 |
| .1 % | .001 |

OTHER TAXES

| | <u>Percent</u> | |
|--------------|----------------|----------------------------------|
| OIL | 5.0 | severance tax |
| | 7.0 | county tax |
| GAS | 2.65 | severance tax |
| | 11.0 | county tax |
| CONSERVATION | .2 | |
| COAL | 30.0 | severance tax |
| | 4.5 | county tax |
| Hardrock | | State Licensing |
| | 0 | first \$250,000 gross |
| | 0.5 | \$250,000 to \$500,000 |
| | 1.0 | \$500,000 to \$1,000,000 |
| | 1.5 | over \$1,000,000 |
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SENATE TAXATION

EXHIBIT NO. 1

DATE 1-16-87

BILL NO. SB-89

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SENATE TAXATION

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BILL NO. SB-89



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The Montana Environmental Information Center Action Fund

January 16, 1987

• P.O. Box 1184, Helena, Montana 59624

(406)443-2520

TESTIMONY OF GEORGE OCHENSKI, REPRESENTING THE MONTANA ENVIRONMENTAL
INFORMATION CENTER, ON SB 89

Mr. Chairman and members of the Committee:

For the record, my name is George Ochenski and I am here today
representing the Montana Environmental Information Center.

The question before you is whether or not to reduce the
Resource Indemnity Trust Tax from one-half to one-tenth of
a percent. The Montana Environmental Information Center
opposes that reduction for the following reasons.

First, and perhaps most importantly, is the outstanding
success of the results of this very small tax. The Constitution
of this state established that "All lands disturbed by the
taking of natural resources shall be reclaimed." Of course,
this was adopted, with the Constitution, in 1972.

In 1973, the Legislature established the Resource Indemnity
Trust statutorily. The constitution was amended to include the
provisions regarding RIT, and setting a cap of \$100 million
on the trust. The rate of taxation is set in 15-38-104 as
"\$25, together with an additional sum...of $\frac{1}{2}$ of 1% of the...gross
value."

For those who wish more detailed history of the Resource
Indemnity Trust, I have included a longer account for your

further perusal.

Since the creation of the Trust, total deposits now amount to roughly \$53 million. This produces roughly \$13 million in interest earnings per biennium. How these interest earnings have been spent has been and continues to be a topic of much discussion. In general, however, I think it is safe to say that the money has been spent to help a broad spectrum of Montana citizens in a variety of ways.

While we could debate this use extensively, for the purposes of illustration, I would only like to touch on some of the projects that have been funded. Complete lists of projects and uses of the fund are contained in the accompanying material.

Last session, the Dept. of Agriculture received a \$1 million dollar grant to establish the Weed Control Trust Fund. This extremely beneficial project was ranked number 1 on the list. Is there a noxious weed problem in Montana? You bet there is. And where did it turn for funding in these tight budget times? Not to new or increased taxation, but to the Resource Indemnity Trust.

So, too, were projects to restore streams to health following placer mining, to reclaim oil-saturated soils, sludge pits, and waste brine sites from oil extraction in the 1920's in Toole County, a Williston Basin reclamation project, and a saline seep project in the Triangle Conservation District funded.

This Legislature will consider funding projects to address abandoned oil refineries, plug wells, reclaim tailings, help bring the Clark Fork back to health, and investigate effects of coal mining on groundwater.

SENATE TAXATION

EXHIBIT NO. 2

DATE 12-16-87

FILE NO.

And what does it cost to administer this cornucopia of benefits for Montana's citizens? Less than 2% of the total interest generated. Last biennium the Department of Natural Resources spent \$200,000 to solicit grants, rank them, and present them to the Legislature. Not one FTE is employed exclusively to administer the RIT program.

When I call this one of the most successful programs in Montana government, I am not exaggerating a bit. If we could reap these beneficial results from every one-half percent of tax levied, we would be in better fiscal shape right now. This program is a model in good government.

But let me address the issue of whether or not even one-half of one percent might be too much for our extractive industries to bear. Let's not deal in rhetoric or pathos, but look at the numbers straight from the Revenue Estimates of the Governor's Revenue Estimating Advisory Council, as presented in the budget for the next biennium.

While the price of oil fell by nearly half since 1985, the production, even with the overproduction of OPEC, is expected to decline by less than nine percent.

While the cheap price of international oil has slowed development of new coal mines, our old mines continue to produce at nearly 1985 levels.

In metals mining, we are experiencing nothing short of a boom. The five major companies operating in Montana are joined by Centennial, Homestake, and the Stillwater project by next year. This means the production level will nearly double in the next two years.

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

BILL NO. S.B. 89

Internationally, OPEC is bringing production under control and trying to establish firm prices of around \$18 per barrell, by the best estimates. While not as high as they once were, it will be a considerable improvement over last summer, when spot prices dipped as low as \$9 per barrell. This will help to rejuvenate Montana's coal and oil prospects. If the OPEC price should go higher, it would only enhance the attractiveness of Montana's energy industry. So all is not gloom and doom as you may have been led to believe.

This bill should be seen for what it is--an ill-supported attempt to unfairly represent the condition of our resource extraction industries and hope to gain a tax cut in the process. Given the numbers before you, I am shocked and disappointed in this blatant attempt to blame a tiny, well-used, extremely beneficial tax program for industry's reaction to cheap oil on the world market.

Consider the lists of projects before you. Consider that this fund drives the Water Development program, a program Senator Gage referred to last session as "a super idea." Consider, too, that for every project funded, many more did not receive funding. Consider the list of uncontrolled hazardous waste sites you have before you...the one hundred sites scattered through literally every legislative district in Montana. Those sites are primarily leftovers from mineral extraction and processing industry...the source of the tax, and the target of the proceeds.

When you put it all together, you will see that we have done much, yet there is more to do. This tax is minimal, and it's further diminution will not change the world price of oil.

SENATE TAXATION

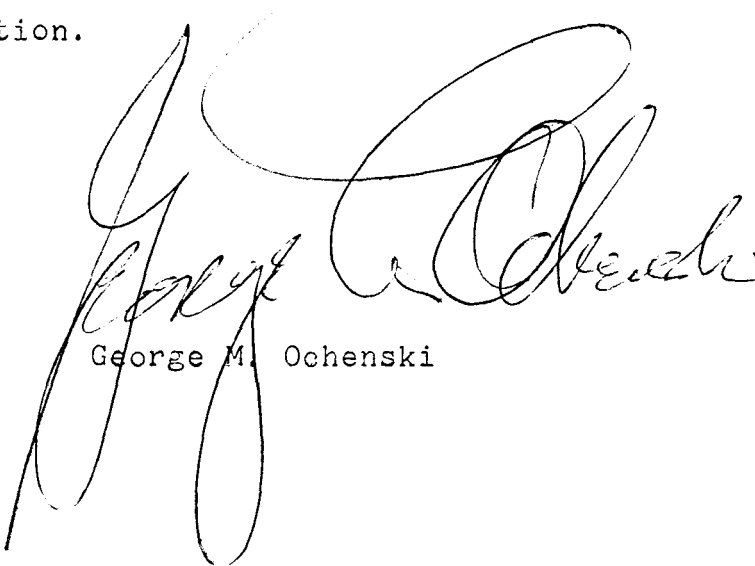
EXHIBIT NO. 2

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It is a fair tax, it is a wise tax, and it is the only tax specifically used to repair damages caused by the industries on which it is levied. It is our one pot of money to help heal the scars, clean the waters, and make healthy the land.

I ask you to take this into consideration and reject soundly the proposal put forth in Senate Bill 89.

Thank you for your kind attention.



George M. Ochenski

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

REVENUE ESTIMATING AD

The Governor created the Revenue Estimating Advisory Council by Executive Order in April 1986, to establish the economic assumptions necessary to forecast the revenues of the State of Montana. The Office of Budget and Program Planning (OBPP) was assigned to staff the Council.

The Council held public hearings on October 23rd, and November 10th to receive testimony from industry representatives, economists, university faculty, state agency officials and legislative staff. The Council adopted the economic assumptions shown in the following tables. The Executive Budget revenue estimate is based on those assumptions.

The Council's public hearing process insures that the process of creating the executive branch revenue estimate is an open public process. The input of outside experts will increase the accuracy of the revenue estimation process. Hopefully, the process will allow for closer agreement on revenue estimates so that the legislature can spend its time deciding the spending priorities of the state rather than debating how much revenue is available.

The revenue estimate is presented in two parts. The Council's estimate based on current law is presented first. The Governor's proposals which provide general fund revenue

presented separately to distinguish policy proposals from current law revenues. The economic assumptions adopted by the Council were used to calculate the revenue resulting from the policy proposals. Those same economic assumptions will be used in preparation of fiscal notes.

Membership: Revenue Estimating Advisory Council

William Mathers, Miles City, Chairman

Fritz Tossberg, Hamilton

George Ruff, Helena

Nancy Nicholson, Helena

Cal Robinson, Kalispell

GENERAL FUND REVENUE ESTIMATES

General fund revenue includes receipts from levies upon personal income, corporate income, mineral extraction, alcoholic beverage consumption, insurance premiums and numerous other fees, licenses and taxes. Since most sources are influenced by the economic climate, forecasts formulated for most revenues utilize the economic forecasts previously outlined.

The tables that follow summarize estimated receipts followed by a revenue description and the forecast methodology used for each of the larger general fund revenue sources.

Current Law General Fund Revenue Estimates (In Millions)

| Source of Revenue | Actual FY 1986 | Estimated FY 1987 | Estimated FY 1988 | Estimated FY 1989 |
|---------------------------|---------------------|----------------------|----------------------|----------------------|
| Individual Income Tax | \$110.218323 | \$123.742000 | \$133.176000 | \$147.194000 |
| Corporation License Tax | 33.884815 | 26.558000 | 30.816000 | 34.262000 |
| Coal Severance Tax | 20.001598 | 17.855000 | 12.846000 | 13.367000 |
| Oil Severance Tax | 23.152504 | 10.572000 | 12.539000 | 13.584000 |
| Interest on Investments | 13.285291 | 15.857000 | 15.707000 | 17.476000 |
| Long-Range Bond Excess | 35.487786 | 35.785000 | 37.602000 | 40.138000 |
| Coal Trust Fund Interest | 32.443208 | 33.612000 | 31.067000 | 34.307000 |
| Insurance Premiums Tax | 16.780399 | 18.248000 | 18.937000 | 20.002000 |
| Public Institution Reimb. | 14.166104 | 14.114000 | 14.684000 | 14.829000 |
| Liquor Profits | 4.500000 | 4.749000 | 4.151000 | 3.789000 |
| Liquor Excise Tax | 5.836884 | 5.625000 | 5.397000 | 5.179000 |
| Inheritance Tax | 8.364764 | 8.480000 | 7.211000 | 7.450000 |
| Metal Mines Tax | 0.989852 | 1.185000 | 2.295000 | 2.671000 |
| Electrical Energy Tax | 2.530403 | 2.583000 | 2.635000 | 2.621000 |
| Drivers' License Fees | 0.796349 | 0.804000 | 0.799000 | 0.809000 |
| Telephone License Tax | 3.243935 | 3.348000 | 3.400000 | 3.459000 |
| Beer License Tax | 1.287765 | 1.232000 | 1.156000 | 1.078000 |
| Natural Gas Severance Tax | 2.890666 | 2.241000 | 2.428000 | 2.833000 |
| Freight Line Tax | 1.195066 | 1.337000 | 1.339000 | 1.365000 |
| Wine Tax | 0.946287 | 0.984000 | 1.025000 | 1.068000 |
| Other Revenue Sources | 17.539483 | 21.433000 | 14.630000 | 15.014000 |
| GRAND TOTAL | \$349.541482 | \$350.344000 | \$353.840000 | \$382.495000 |

Governor's Executive Budget Proposal General Fund Revenue Adjustments (In Millions)

| Source of Revenue | FY87 | FY88 | FY89 |
|--------------------------|-----------------|-----------------|-----------------|
| Coal Severance Tax | \$29.206 | \$29.247 | \$24.843 |
| Permanent Trust Earnings | 4.940 | 2.030 | (.146) |
| Other Revenue | | | |
| Vehicle License Fee | 5.000 | 2.873 | 2.923 |
| Poker License Fee | 1.000 | \$(.028) | (.028) |
| Total Adjustments | \$34.146 | \$34.122 | \$27.592 |

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

BILL NO. S.B. 89

REVENUE ESTIMATING ADVISORY COUNCIL

25

Revenue Estimate Assumptions

| | | | | | |
|--------------------------------|------------|------------|-----------|-----------|-----------|
| Oil | CY 85 | CY 86 | CY 87 | CY 88 | CY 89 |
| Production (Millions) | 29.352 | 27.045 | 26.136 | 25.437 | 24.748 |
| Price | \$25.214 | \$13.734 | \$14.117 | \$16.000 | \$18.000 |
| Natural Gas | CY 85 | CY 86 | CY 87 | CY 88 | CY 89 |
| Production (Millions) | | | | | |
| MCF's | 44.330 | 44.016 | 45.114 | 47.808 | 46.160 |
| Gallons | 4.340 | 4.309 | 4.417 | 4.680 | 4.519 |
| Price | | | | | |
| MCF's | \$2.329 | \$1.972 | \$1.972 | \$2.254 | \$2.451 |
| Gallons | \$.339 | \$.287 | \$.287 | \$.328 | \$.356 |
| Coal | CY 85 | CY 86 | CY 87 | CY 88 | CY 89 |
| Production (Millions) | 31.213 | 30.682 | 30.000 | 31.000 | 30.316 |
| Price | \$9.592 | \$9.171 | \$8.985 | \$9.019 | \$9.126 |
| Metal | CY84/FY85 | CY85/FY86 | CY86/FY87 | CY87/FY88 | CY88/FY89 |
| Production | | | | | |
| Copper (Million lbs) | 35.936 | 43.823 | 61.526 | 90.423 | 100.244 |
| Gold (Million ozs) | .168 | .158 | .160 | .210 | .275 |
| Silver (Million ozs) | 5.091 | 5.215 | 4.823 | 6.101 | 7.000 |
| Lead (Million lbs) | .402 | .136 | .126 | 4.624 | 10.125 |
| Zinc (Million lbs) | | | | 22.000 | 52.000 |
| Molybdenum (Million lbs) | | | 3.027 | 7.200 | 7.500 |
| Palladium (Million ozs) | | | | .038 | .075 |
| Platinum (Million ozs) | | | | .013 | .025 |
| Price | | | | | |
| Copper | \$.616 | \$.556 | \$.560 | \$.560 | \$.560 |
| Gold | \$359.591 | \$317.346 | \$342.390 | \$420.000 | \$420.000 |
| Silver | \$ 7.385 | \$ 5.290 | \$ 5.120 | \$ 5.700 | \$ 5.700 |
| Lead | \$.255 | \$.189 | \$.188 | \$.190 | \$.190 |
| Zinc | | | | \$.300 | \$.300 |
| Molybdenum | | | \$ 2.500 | \$ 2.500 | \$ 2.500 |
| Palladium | | | | \$125.000 | \$125.000 |
| Platinum | | | | \$550.000 | \$550.000 |
| Wood Products | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
| Forest Receipts (Millions) | \$7.844 | \$5.922 | \$5.054 | \$5.012 | \$5.012 |
| Population (July 1 Thousands) | CY 84 | CY 85 | CY 86 | CY 87 | CY 88 |
| All Ages | 823 | 826 | 829 | 832 | 835 |
| Age 16 and greater | 613 | 615 | 617 | 619 | 621 |
| Age 18 to 24 | 92 | 96 | 98 | 100 | 103 |
| Inflation (% Change) | CY 85 | CY 86 | CY 87 | CY 88 | CY 89 |
| CPI | 3.54 | 1.92 | 2.80 | 3.80 | 6.10 |
| GNP | 3.15 | 2.78 | 3.32 | 4.22 | 5.35 |
| PCE | 3.33 | 2.15 | 3.77 | 4.73 | 5.88 |
| Interest Rates (%) | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
| Short-Term | 9.80 | 6.46 | 5.85 | 6.39 | 7.11 |
| Long-Term | 12.10 | 9.78 | 8.00 | 8.40 | 8.81 |
| TCA Average Balance (Millions) | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
| TRANS Issue (Millions) | \$260.501* | \$205.765* | \$194.800 | \$194.800 | \$194.800 |
| *Includes TRANS Issue | \$ 38.000 | \$ 46.000 | \$ 83.200 | \$ 68.000 | \$ 68.000 |
| Bond Calls (Millions) | | | | | |
| Permanent Trust | | \$ 5.464 | \$ 6.600 | 0 | 0 |
| Education Trust | | \$ 1.983 | \$ 2.000 | 0 | 0 |
| Common School Trust | | \$ 3.353 | \$ 2.900 | 0 | 0 |

SENATE TAXATION

EXHIBIT NO.

2

DATE

1-16-87

BILL NO.

S.B. 89

TABLE 5
ENERGY PRICES

| CY | COAL CONTRACT SALES PRICE \$/TON | % CHANGE | OIL WELL-HEAD PRICE \$/BARREL | % CHANGE | NATURAL GAS PRICE \$/MCF | % CHANGE |
|-----------------------|---|----------|--|----------|-----------------------------------|----------|
| 1970 | | | | | .082 | |
| 1971 | | | | | .084 | 2.44 |
| 1972 | | | | | .102 | 21.43 |
| 1973 | | | 3.843 | | .162 | 58.82 |
| 1974 | | | 6.814 | 77.31 | .257 | 58.64 |
| 1975 | 4.224 | | 7.845 | 15.13 | .394 | 53.31 |
| 1976 | 4.415 | 4.52 | 8.411 | 7.21 | .441 | 11.93 |
| 1977 | 4.344 | - 1.61 | 8.582 | 2.03 | .735 | 66.67 |
| 1978 | 5.154 | 18.65 | 9.253 | 7.82 | .837 | 13.88 |
| 1979 | 6.951 | 34.87 | 12.279 | 32.70 | 1.202 | 43.61 |
| 1980 | 7.724 | 11.12 | 22.250 | 81.20 | 1.436 | 19.47 |
| 1981 | 8.686 | 12.45 | 34.317 | 54.23 | 1.900 | 32.31 |
| 1982 | 9.758 | 12.34 | 31.311 | - 8.76 | 2.103 | 10.68 |
| 1983 | 10.332 | 5.88 | 28.804 | - 8.01 | 2.403 | 14.27 |
| 1984 | 9.846 | - 4.70 | 28.066 | - 2.56 | 2.512 | 4.54 |
| 1985 | 9.592 | - 2.58 | 25.214 | -10.16 | 2.329 | - 7.29 |
| ----- PROJECTED ----- | | | | | | |
| 1986 | 9.171 | - 4.39 | 13.734 | -45.53 | 1.972 | -15.33 |
| 1987 | 8.985 | - 2.03 | 14.117 | 2.79 | 1.972 | 0.00 |
| 1988 | 9.019 | .38 | 16.000 | 13.34 | 2.254 | 14.30 |
| 1989 | 9.126 | 1.19 | 18.000 | 12.50 | 2.451 | 8.74 |

SOURCE:

HISTORICAL - MONTANA DEPARTMENT OF REVENUE
PROJECTED - REVENUE ESTIMATING ADVISORY COUNCIL

Interest Rates

Interest rates are highly susceptible to federal policies and the actions of the Federal Reserve Board (FED). Factors that are critical to the future direction of interest rates include the following:

- o the Federal Reserve's philosophy on monetary policy;
- o the anti-inflation posture of the federal government;
- o possible resolutions to the federal deficit;
- o a change in the value of the dollar.

The Revenue Estimating Advisory Council expects interest rates to drift downward until mid-1987 and then increase slightly in 1988 and 1989. This is based on a less restrictive

monetary policy by the Federal Reserve, continuation of the conflict between private credit demands and the federal government's financing needs and the expectation of higher inflation rates.

Interest rates directly affect Montana's investment earnings from both short and long-term securities. In addition these rates impact other tax sources by influencing economic variables such as construction activity, consumer spending and business borrowing.

Table 6 reflects historical and projected interest rates as provided by Wharton Econometrics. Also presented in the table is an approximation of the interest rates the state has earned on short-term securities.

SENATE THARTON

2

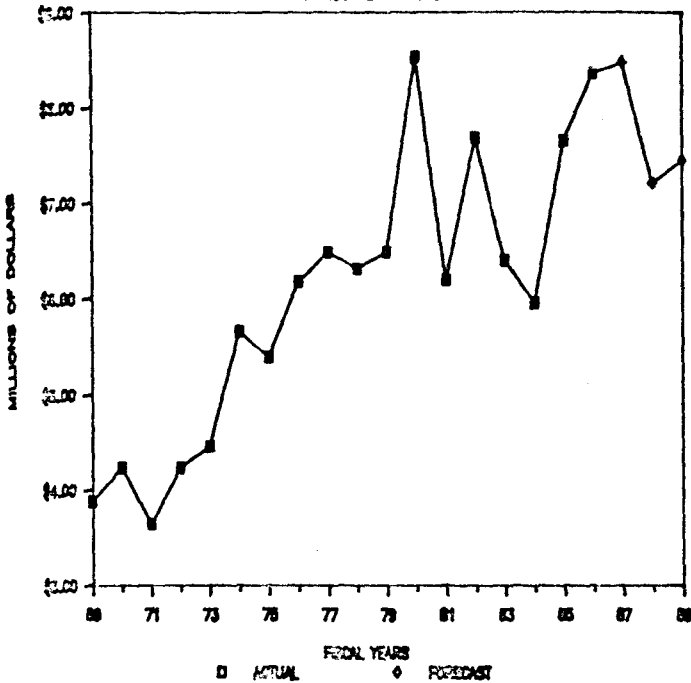
1-16-87

S.B. 89

GENERAL FUND INHERITANCE TAX COLLECTIONS

INHERITANCE TAX

GENERAL FUND RECEIPTS

FISCAL
YEARGENERAL FUND
COLLECTIONS
(MILLION \$)PERCENT
CHANGE

| | | |
|-----------------------|----------|---------|
| 1970 | 4.233429 | |
| 1971 | 3.645252 | -13.89% |
| 1972 | 4.233991 | 16.15% |
| 1973 | 4.457188 | 5.27% |
| 1974 | 5.659992 | 26.99% |
| 1975 | 5.395236 | - 4.68% |
| 1976 | 6.180106 | 14.55% |
| 1977 | 6.483191 | 4.90% |
| 1978 | 6.312432 | - 2.63% |
| 1979 | 6.490196 | 2.82% |
| 1980 | 8.537242 | 31.54% |
| 1981 | 6.195069 | -27.43% |
| 1982 | 7.680529 | 23.98% |
| 1983 | 6.398489 | -16.69% |
| 1984 | 5.960471 | - 6.85% |
| 1985 | 7.656622 | 28.46% |
| 1986 | 8.364764 | 9.25% |
| ----- PROJECTED ----- | | |
| 1987 | 8.480000 | 1.38% |
| 1988 | 7.211000 | -14.96% |
| 1989 | 7.450000 | 3.31% |

Metal Mines Tax

The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. No deductions are allowed for smelting, reductions or treatments.

For tax years beginning after December 31, 1984, the tax rate is as follows:

| Gross Value | Rate |
|--------------------------|--------|
| \$0-\$250,000 | Exempt |
| \$250,000-\$500,000 | .50% |
| \$500,000-\$1,000,000 | 1.00% |
| Greater Than \$1,000,000 | 1.50% |

Historically, the metal mines tax has been deposited in the general fund. Beginning in FY86, one-third of the receipts were deposited in a hard-rock mining trust account.

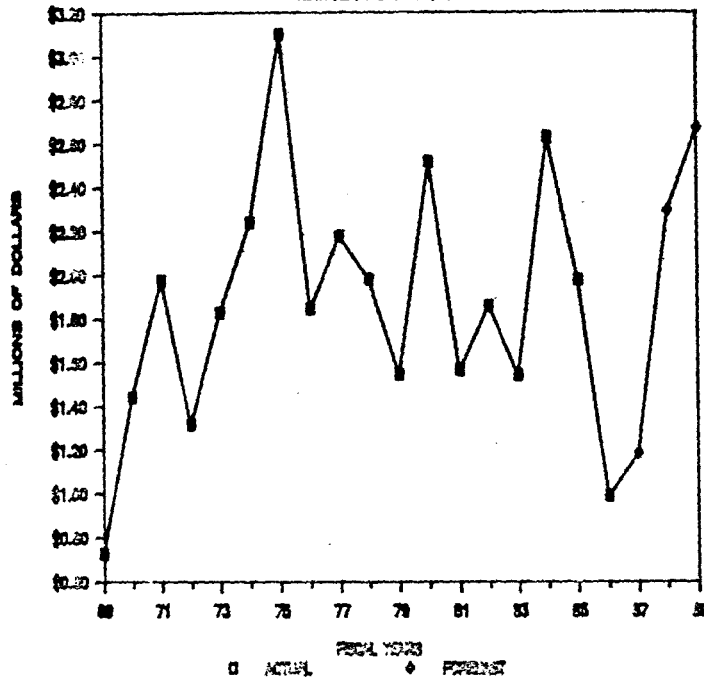
Metal prices, metal production and the effective tax rate are the major factors that determine the level of metal mines tax receipts. Production for gold, silver and copper are expected to increase modestly throughout the forecast period before the inclusion of any new mines. Prices are assumed to remain relatively stable at calendar year 1986 levels.

Major companies that are currently operating in Montana include Golden Sunlight, ASARCO, Montana Resources, Landusky and Zortman. New companies that are anticipated to begin operating by the end of calendar year 1988 include Centennial, Homestake and the Stillwater Project.

SENATE TAXATION

EXHIBIT NO. 2DATE 1-16-87BILL NO. S.B. 99

GENERAL FUND METAL MINES TAX COLLECTIONS

METAL MINES TAX
GENERAL FUND REVENUESFISCAL
YEARGENERAL FUND
COLLECTIONS
(MILLION \$)PERCENT
CHANGE

| | | |
|-----------------------|----------|---------|
| 1970 | 1.440898 | |
| 1971 | 1.976202 | 37.15% |
| 1972 | 1.313736 | -33.52% |
| 1973 | 1.828501 | 39.18% |
| 1974 | 2.239654 | 22.49% |
| 1975 | 3.099368 | 38.39% |
| 1976 | 1.845076 | -40.47% |
| 1977 | 2.177777 | 18.03% |
| 1978 | 1.978993 | - 9.13% |
| 1979 | 1.544518 | -21.95% |
| 1980 | 2.516820 | 62.95% |
| 1981 | 1.564569 | -37.84% |
| 1982 | 1.861208 | 18.96% |
| 1983 | 1.542061 | -17.15% |
| 1984 | 2.630135 | 70.56% |
| 1985 | 1.977324 | -24.82% |
| 1986 | 0.989852 | -49.94% |
| ----- PROJECTED ----- | | |
| 1987 | 1.185000 | 19.72% |
| 1988 | 2.295000 | 93.61% |
| 1989 | 2.671000 | 16.40% |

Electrical Energy Tax

The electrical energy tax is imposed on each person or organization engaged in generating, manufacturing or producing electrical energy in Montana. The tax rate of \$.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy used by the plant for the production of the energy. All receipts are deposited in the general fund.

Total Montana electricity production is projected to grow by approximately 2% from FY86 to fiscal years 1987 and 1988

and then remain level in FY89. This trend is consistent with information obtained from the major electricity producers in the state.

An adjustment to the forecasts has been made based on an April 1986 completion date for Colstrip Unit 4. Production capacity for both Colstrip Unit 3 and Colstrip Unit 4 was assumed to be 60% the first year and 70% thereafter.

An audit by the Department of Revenue in FY84 generated \$552,000 in additional revenue collections. This one-time adjustment has been accounted for in subsequent years.

SENATE TAXATION

EXHIBIT NO. 2DATE 1-16-87BILL NO. S.B. 89

RESOURCE INDEMNITY TRUST EARNINGS

The earnings from the Resource Indemnity Trust (RIT) are to be used to "improve the total environment and rectify damage thereto." 15-38-203 MCA.

Legislation will be submitted to the 1987 Legislature to clarify the expenditure of RIT earnings. A separate proposal will be made to earmark an additional 6% of the RIT earnings to the Department of Health and Environmental Sciences for creation of a "Superfund Trust." The new trust will be used for the state's match for federal superfund projects and to fund the costs of the state's Natural Resource Defense Lawsuit.

The 1985 Legislature used a portion of the RIT earnings to fund activities of state government that are necessary and relevant to improving the total environment and rectifying

damage. The Governor recommends that some of those programs continue to receive RIT funding.

The 1985 Legislature also funded 22 special projects on a priority basis that met the criteria for RIT earnings. The June Special Session instructed the Department of Natural Resources and Conservation to request and review proposals for special projects in the 1989 biennium. The Governor recommends that \$2 million per year be spent on special projects during the biennium.

The Government of Butte/Silver Bow has filed a lawsuit challenging the expenditure of RIT earnings. The challenge does not ask for an injunction on expenditure of '87 biennium appropriations. Passage of legislation clearly defining the intent of the legislature regarding expenditure of the monies will most likely render the suit moot.

The following table details the Governor's recommendation for expenditure of RIT earnings.

RESOURCE INDEMNITY TRUST

| | 1986 | 1987 | 1988 | 1989 |
|-----------------------------------|-------------|-------------|-------------|-------------|
| BALANCE | \$2,176,069 | \$451,586 | \$481,185 | 0 |
| INTEREST EARNED | 6,487,967 | 7,342,000 | 6,286,000 | 6,686,000 |
| TOTAL | \$8,664,036 | \$7,793,586 | \$6,767,185 | \$6,686,000 |
| EXPENDITURES | | | | |
| 30% Water Development (DNRC) | \$1,946,390 | \$2,203,000 | \$1,883,000 | \$2,001,000 |
| DHES Statutory 6% | 389,278 | 441,000 | 377,000 | 400,000 |
| 6% Superfund | 0 | 0 | 377,000 | 400,000 |
| RIT 5% Contingency | 175,000 | 0 | 175,000 | 0 |
| DNRC (H ₂ O RES. Div.) | 1,167,023 | 851,187 | 1,248,481 | 1,199,709 |
| Lands (Reclam. Div.) | 1,384,729 | 0 | 616,704 | 595,291 |
| Labor & Industry | 601,000 | 580,800 | 0 | 0 |
| Bureau of Mines | 300,000 | 0 | 0 | 0 |
| Forest Experiment Station | 552,308 | 0 | 0 | 0 |
| Unif. Montana | 278,728 | 0 | 0 | 0 |
| Appropriation Bills | 108,000 | 0 | 0 | 0 |
| HB-922 RIT Projects | 1,082,102 | 3,063,687 | 2,000,000 | 2,000,000 |
| HB-952 Water Marketing | 227,892 | 5,000 | 0 | 0 |
| Livestock Rabies | 0 | 167,727 | 0 | 0 |
| Clark Fork | 0 | 0 | 90,000 | 90,000 |
| TOTAL | \$8,212,450 | \$7,312,401 | \$6,767,185 | \$6,686,000 |

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

FILE NO. S.B. 89

The following projects are recommended for funding on a priority basis. The Department of Natural Resources and Conservation has reviewed and ranked the projects.

1986 RIT PROJECT RECOMMENDATIONS

| <u>Applicant Name</u> | <u>Name of Project</u> | <u>Recommended Funding</u> | <u>Accumulated Total</u> |
|---|--|----------------------------|--------------------------|
| 1 Montana Department of State Lands | Upper Blackfoot | \$107,000 | \$ 107,000 |
| 2 Anaconda-Deer Lodge County | Anaconda Soil Stabilization and Erosion Control | \$ 66,854 | \$ 173,854 |
| 3 Montana Department of Health and Environmental Sciences | Clark Fork Monitoring | \$289,926 | \$ 463,780 |
| 4 Montana Department of Fish, Wildlife and Parks | High Ore Creek Reclamation Project | \$263,245 | \$ 727,025 |
| 5 Montana Department of State Lands | Snowshoe Creek Stearnbank Reclamation | \$107,000 | \$ 834,025 |
| 6 Montana Board of Oil and Gas Conservation | Plug-Wilkstrand Simero Well #1 | \$ 19,951 | \$ 853,976 |
| 7 Montana Department of Health And Environmental Sciences | Bannack State Park-Apex Mill Hazardous Waste Cleanup | \$101,200 | \$ 955,176 |
| 8 Toole County | Provide Reclamation For Past Oil and Gas Extraction, Exploration, and Processing | \$150,000 | \$1,105,176 |
| 9 Montana Department of State Lands | Nellie Grant Mine Reclamation | \$ 84,900 | \$1,190,076 |
| 10 Montana Department of Health and Environmental Sciences Solid and Hazardous Waste Bureau | Abandoned Oil Refineries in Montana | \$300,000 | \$1,490,076 |
| 11 Montana Department of Fish, Wildlife and Parks | Cataract Creek Reclamation Project | \$ 21,565 | \$1,511,641 |
| 12 Sheridan County Conservation District | Reserve Pit and Oilfield Brine Disposal Assessment | \$100,000 | \$1,611,641 |
| 13 Montana Board of Oil and Gas Conservation | Plug-Sunburst Disotell Well #1 | \$ 55,000 | \$1,666,641 |
| 14 Montana Board of Oil and Gas Conservation | Plug Well Leaking Gas Gas City Field | \$ 46,330 | \$1,712,971 |
| 15 Montana State Library | Natural Resources Information System Natural Heritage Program | \$177,970 | \$1,890,941 |

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

BILL NO. S.B. 89

| <u>Applicant Name</u> | <u>Name of Project</u> | <u>Recommended Funding</u> | <u>Accumulative Total</u> |
|---|---|--------------------------------|-------------------------------|
| 6 Montana University System Water Resources Center University of Montana | Distribution and Chemical Composi- tion of Smelter Tailings Deposited In The Upper Clark Fork Floodplain | \$ 34,565 | \$1,925,506 |
| 17 Montana Salinity Control Association | Montana Salinity Control Program | \$300,000 | \$2,225,506 |
| 18 Mile High Conserva- tion District | Berkeley Pit Re- Industrialization & Mineral Recovery | \$250,000 | \$2,475,506 |
| 19 Butte-Silver Bow Government | The Anselmo Mine Yard Reclamation Project | \$299,473 | \$2,774,979 |
| 20 Lower Musselshell Conservation District | Groundwater From Abandoned Mine Workings For Irri- gation & Instream Flows, Lower Musselshell River | \$242,320 | \$3,017,299 |
| 21 Montana Department of State Lands | Hydrogeochemical Effects of Surface Coal Mining In Southeastern Montana | \$143,800 | \$3,161,099 |
| 22 Montana Department of Natural Resources and Conservation Water Management Bureau | Sodium & Salinity Sources In The Powder River Basin A Chemical - Budget, Modeling Approach | \$ 89,257 | \$3,250,356 |
| 23 Montana Department of State Lands | Drill Hole Reclam- ation In Montana Hole Plugging Trials Utilizing Bentonite | \$100,000 | \$3,350,356 |
| 24 Montana Department of Natural Resources and Conservation Conservation Districts Division | Montana's Acceler- ated Soil Survey Program | \$300,000 | \$3,650,356 |
| 25 Governor's Office, Deputy Secretary RC&D, Big Horn County Conservation District | Clark Fork Reclam- ation Demonstration For Floodplain Systems Impacted By Mining | \$ 25,000 | \$3,675,356 |
| 26 Montana Department of Natural Resources and Conservation Wildlife Division | Soil Stewardship- A Lesson To Be Learned By Every Landowner | \$ 6,700 | \$3,682,056 |
| 27 Fort Belk Assiniboine and Gros Ventre Tribes | Groundwater Resources And Contamination of The Alluvial Aquifer Along The Poplar River | \$152,000 | \$3,834,056 |
| 28 Montana State Department of Transportation Bismarck | Reconnaissance Survey Of Water Quality In Montana Bentonite Impoundment To Determine Their Reclamation Potential | \$ 12,478 | \$3,846,534 |

SENATE TAXATION

EXHIBIT NO. 2DATE 1-16-87

| <u>Applicant Name</u> | <u>Name of Project</u> | <u>Recommended Funding</u> | <u>Accumulative Total</u> |
|---|---|--------------------------------|-------------------------------|
| 29 Montana State University Cooperative Extension Service | Survey of Weeds In Conservation & Conventionally Tilled Grain Fields Of Montana | \$ 54,150 | \$3,900,634 |
| 30 Montana Bureau of Mines and Geology | Groundwater Information Center Deep Aquifer Databases | \$155,950 | \$4,056,634 |

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

BILL NO. S.B. 89

1 grants listed in subsection (2) to be made in the order of
 2 priority as indicated within the following prioritized list
 3 of projects and activities. If conditions in section 5 6 are
 4 met, funds must be awarded up to the amounts approved in
 5 this section in order of priority until available funds are
 6 expended. Funds not accepted or utilized by higher ranked
 7 projects and activities must be provided for projects and
 8 activities lower on the priority list that would otherwise
 9 not receive funding. Descriptions of the various projects
 10 and activities and specific contingencies established for
 11 each project and activity are contained within the
 12 Department's Montana Legacy Program status report for the
 13 1986-87 biennium.

14 (2) The following are the Montana-legacy GRANT Program
 15 prioritized projects and activities:

| PROJECT | GRANT AMOUNT |
|--|--------------|
| 17 1. DEPARTMENT OF AGRICULTURE | \$1,000,000 |
| 18 Weed Control Trust Fund | |
| 19 2. MONTANA STATE UNIVERSITY, DEPARTMENT-OP | 58,266 |
| 20 B10606Y | |
| 21 WATER RESOURCES RESEARCH CENTER | |
| 22 Stream Restoration from Placer Mining on | |
| 23 Grasshopper Creek | |
| 24 3---DEPARTMENT--OP--PISH--WIEB661PE7--AND-PARKS | 227,370 |
| 25 Bannack-Apex-Mill-Rehabilitation | |

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

| | | |
|----|---|---------|
| 1 | 43. BUREAU OF MINES AND GEOLOGY | 257,300 |
| 2 | | 75,000 |
| 3 | Field and Office Programs -- Groundwater | |
| 4 | Information Center | |
| 5 | 54. ANACONDA-DEER LODGE COUNTY, DEER LODGE | 300,436 |
| 6 | VALLEY CONSERVATION DISTRICT, | |
| 7 | HEADWATERS RESOURCE CONSERVATION AND | |
| 8 | DEVELOPMENT | |
| 9 | | 150,000 |
| 10 | Anaconda Soil Stabilization and Erosion | |
| 11 | Control | |
| 12 | 65. MONTANA STATE UNIVERSITY, DEPARTMENT-OP | 151,752 |
| 13 | B10606Y | |
| 14 | WATER RESOURCES RESEARCH CENTER | 134,249 |
| 15 | Stream Restoration -- Confederate Gulch | |
| 16 | and Deep Creek | |
| 17 | 76. DEPARTMENT OF HEALTH AND ENVIRONMENTAL | 800,000 |
| 18 | SCIENCES | |
| 19 | Hazardous Waste Management Collection and | |
| 20 | Transfer Project | |
| 21 | 87. GOVERNMENT OF BUTTE-SILVER BOW | 545,000 |
| 22 | | 500,000 |
| 23 | Butte Hill Mining Reclamation | |
| 24 | 98. TOOLE COUNTY | 390,000 |
| 25 | | 298,130 |

| | | | | | | |
|----|--|---------|--|----|--|---------|
| 1 | North Toole County Reclamation Project | | | 1 | NATURAL HERITAGE PROGRAM | |
| 2 | GOVERNOR'S OFFICE | 100,000 | | 2 | CITY OF RED LODGE | 241,930 |
| 3 | Clark Fork River Projects | | | 3 | | 100,000 |
| 4 | DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, CONSERVATION DISTRICTS | 507,000 | | 4 | Coal Miner's Memorial Park Revegetation and Irrigation Project | |
| 5 | | | | 5 | | |
| 6 | DIVISION | | | 6 | TRIANGLE CONSERVATION DISTRICT | 150,000 |
| 7 | | 30,000 | | 7 | EXPANDED STATE SALINITY | |
| 8 | Reclamation of Streambanks and Adjacent Areas Damaged by Placer Mining | | | 8 | MONTANA--STATE--UNIVERSITY--49TH-PARALLEL | 91,104 |
| 9 | | | | 9 | INSITU | |
| 10 | MILE HIGH CONSERVATION DISTRICT | 88,400 | | 10 | Montana/Alberta--Milk--River--Joint | |
| 11 | Reclamation Techniques for Heavy Metal Contaminated Agricultural Lands | | | 11 | Impoundment-Assessment | |
| 12 | | | | 12 | DEPARTMENT--OP--FISH--WILDLIFE--AND-PARKS | 57,000 |
| 13 | GOVERNOR'S OFFICE | 80,000 | | 13 | Improvements-for-Historic-Ghost--Town--of | |
| 14 | Cabin Creek Reference to the International Joint Commission | | | 14 | Bighorn | |
| 15 | | | | 15 | MONTANA--STATE--UNIVERSITY--WATER-RESOURCES | 91,590 |
| 16 | MONTANA STATE UNIVERSITY, WATER RESOURCES RESEARCH CENTER | 20,000 | | 16 | RESEARCH-CENTER | |
| 17 | | | | 17 | Heavy--Metal--Contamination--in-the-Clark | |
| 18 | Environmental Fate of Cyanides and Heavy Metals from Historic Cyanide Leach Operations in the Judith Mountains | | | 18 | Pork-River-Flood-Plain-and-impacts--on | |
| 19 | | | | 19 | the-Biotic-Resources-of-the-River | |
| 20 | | | | 20 | PORT-PECK-TRIBAL-COUNCIL | 149,542 |
| 21 | DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES | 15,000 | | 21 | Determine-----Extent-----of-----Groundwater | |
| 22 | | | | 22 | Contamination-in-the-East--Poplar--Oil | |
| 23 | SCOBEY AIR QUALITY MONITORING | | | 23 | Field | |
| 24 | MONTANA STATE LIBRARY | 225,561 | | 24 | POWDER RIVER CONSERVATION DISTRICT | 80,000 |
| 25 | | | | 25 | Powder River Irrigation Water Quality | |

SENATE INFORMATION SYSTEM

EXHIBIT NO. 2

DATE 1-16-87

BILL NO. S.B. 89

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-16-87

BILL NO. S.B. 89

Art. IX, § 2

CONSTITUTION OF MONTANA

58

Minerals, Oil, and Gas, Title 82.
Water Use, Title 85.
Fish and Wildlife, Title 87.
Renewable resource development, Title 90,
ch. 2.
Renewable energy sources research and devel-
opment, Title 90, ch. 4.
Constitutional Convention Transcript
Cross-References
Adoption, Trans. 2938, 2939.

Committee report, Vol. II 550, 552, 554, 555,
561, 562, 931, 933, 935, 939, 1068.
Debate — committee report, Trans. 1199
through 1271, 1274, 1275, 1637 through 1640.
Debate — style and drafting report, Trans.
2210, 2211, 2928.
Delegate proposals, Vol. I 75, 96, 107, 108
193, 240, 252, 261, 308, 309.
Final consideration, Trans. 2454, 2455.
Text as adopted, Vol. II 1099.

Section 2. Reclamation. (1) All lands disturbed by the taking of natu-
ral resources shall be reclaimed. The legislature shall provide effective
requirements and standards for the reclamation of lands disturbed.

(2) The legislature shall provide for a fund, to be known as the resource
indemnity trust of the state of Montana, to be funded by such taxes on the
extraction of natural resources as the legislature may from time to time
impose for that purpose.

(3) The principal of the resource indemnity trust shall forever remain
inviolable in an amount of one hundred million dollars (\$100,000,000), guar-
anteed by the state against loss or diversion.

Compiler's Comments

1974 Amendment: Constitutional Amend-
ment No. 1 (see Appendix to 1975 Laws of Mont-
ana) inserted subsection designation "(1)" and
added (2) and (3).

Cross-References

The Montana Resource Indemnity Trust Act,
Title 15, ch. 38.
Notice to surface owner of reclamation plan
prior to commencement of mining operation,
82-2-303.
Reclamation, Title 82, ch. 4.

Restoration following plugging of oil or gas
well, 82-11-123.

Constitutional Convention Transcript Cross-References

Adoption, Trans. 2938, 2939.
Committee report, Vol. II 552, 555, 556, 931,
933, 935, 939, 1068.
Debate — committee report, Trans. 1199,
1200, 1275 through 1301, 1353 through 1363.
Debate — style and drafting report, Trans.
2211 through 2213, 2928.
Final consideration, Trans. 2455, 2456.
Text as adopted, Vol. II 1099.

Section 3. Water rights. (1) All existing rights to the use of any
waters for any useful or beneficial purpose are hereby recognized and con-
firmed.

(2) The use of all water that is now or may hereafter be appropriated for
sale, rent, distribution, or other beneficial use, the right of way over the
lands of others for all ditches, drains, flumes, canals, and aqueducts necessar-
ily used in connection therewith, and the sites for reservoirs necessary for
collecting and storing water shall be held to be a public use.

(3) All surface, underground, flood, and atmospheric waters within the
boundaries of the state are the property of the state for the use of its people
and are subject to appropriation for beneficial uses as provided by law.

(4) The legislature shall provide for the administration, control, and regu-
lation of water rights and shall establish a system of centralized records in
addition to the present system of local records.

Cross-References

Board of Water Well Contractors, 2-15-1862.
Water Pollution Control Advisory Council,
2-15-2107.

Water Courts, Title 3, ch. 7.
Property tax exemptions for certain water
projects, 15-6-205, 15-6-206, 15-6-212.

LAWS OF 1973 (48576)

CHAPTER NO. 117,

AN ACT TO SUBMIT TO THE QUALIFIED ELECTORS OF MONTANA
AN AMENDMENT TO ARTICLE IX, SECTION 2, OF THE CON-
STITUTION OF MONTANA ESTABLISHING A RESOURCE INDEM-
NITY TRUST IN THE STATE WHICH SHALL BE FOREVER INVIO-
LATE AND GUARANTEED BY THE STATE AGAINST LOSS OR
DIVERSION.

Be it enacted by the Legislature of the State of Montana:

Section 1. Article IX, section 2, of the constitution of the state of Montana is amended to read as follows:

"Section 2. Reclamation. (1) All lands disturbed by the taking of natural resources shall be reclaimed. The legislature shall provide effective requirements and standards for the reclamation of lands disturbed.

(2) The legislature shall provide for a fund, to be known as the resource indemnity trust of the state of Montana, to be funded by such taxes on the extraction of natural resources as the legislature may from time to time impose for that purpose.

(3) The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000), guaranteed by the state against loss or diversion."

Section 3. When this amendment is submitted to the electors of the state of Montana there shall be printed on the ballot the full title and section 1 of this act and the following words:

☐ For the above amendment.

☐ Against the above amendment."

Approved March 11, 1974

We have inherited the frontier principle of helping others but we do not have the resources to adequately assist many people who cannot earn a decent living.

Balancing the contradictions between the realities and the great expectations of Montana is the critical challenge of political leadership in 1973 and the remaining years of this decade.

Open land and the resource potential of the West were once considered to be infinite. Times have changed. The land has been degraded and locked up and resources have been recklessly depleted. Too often we respond to land and resource management questions with the answers of a hundred years ago.

It is time that we establish a new land ethic in this country, particularly in Montana where we still have something of value to protect. Consumer demands have extracted a terrible price from the land. And we cannot continue foolishly to meet these demands without regard for tomorrow.

Since the days when mercenary hunters slaughtered the buffalo into virtual extinction, Montana's resources have been greedily exploited.

Outsiders came in and extracted the resources, sent the profits elsewhere and left us with nothing but the forlorn memories of their passing.

We must change our attitudes about the disposition of our resources. And we must answer three essential questions in regard to any development.

1. What effect will the development have on our environment, our economy and our society?
2. What will Montana and our people receive for the development?
3. Is this what Montanans want for their state?

Montanans for the first time must control their own destiny. We have an obligation to provide people with the facts and the alternatives to enable them to make rational and informed decisions.

It is time that we set goals for Montana. Priorities for progress. These must be the goals Montanans want for their state and for their children.

I believe a fundamental goal is to protect the qualities of life that make Montana a special place to live and at the same time provide employment opportunities and security for our people.

Eastern Montana was once a remote and ignored area, lost in the vast interior of this country. The prairies and mountains and pine hills are a land of legend—the location of the last desperate battles of the Indian wars.

When the signal smoke had vanished forever from the promontories, the land was forgotten by the remainder of the country. And the farmers and stockmen came to earn a hard living from the earth.

Now Eastern Montana has been rediscovered because of an unprecedented demand for energy. There are an estimated 30 billion tons of stripable low-sulphur coal buried beneath the plains. The industrial development based on this energy source could be one of the largest in the world.

The coal to be torn from the land and utilized in steam generation and gasification plants is only an interim or stop gap energy source. If we do not accept our responsibilities today, the destructive boom and

bust cycle will be repeated again. Our resources will be exploited without appropriate compensation for Montanans. And the stark beauty of the plains will be changed into an unworldly landscape of spoil banks leaching acidic wastes into our streams and occluding our skies with poisonous dust.

To deny the possibility of this apparition you must enact and I must sign into law the strongest strip mining control regulations in the history of this country.

The land must not be reclaimed for only cosmetic effect. It must be restored to beneficial use—agriculture, recreation or other purposes. And if these requirements cannot be met, strip mining should not be allowed to proceed.

I also propose that the tax per ton on coal be increased to provide the state a more just return from the development of this irreplaceable resource.

Every time a ton of coal, a pound of copper, a barrel of oil or a cubic foot of natural gas is taken from the ground, Montana loses something that can never be replaced. These resources ideally belong to Montanans—the men and women who settled and built this state. And I believe Montanans should be compensated when the resource wealth of their State is diminished.

I, therefore, recommend creation of a Resource Indemnity Trust Fund—a levy on all non-renewable resources extracted in Montana. A levy of one-half of one per cent would be assessed on the gross value of coal, metal mines, oil and natural gas production. This would raise approximately \$1 million per year. This trust fund will be exclusive of all existing and future levies on these resources.

The earnings from this tax would be invested. The interest income would be available for immediate problems. The principal would be set aside to be utilized when the taxed resources are ultimately depleted. Then the fund would be applied to correct environmental damage, provide recreational areas and establish new opportunities for people to continue to live and work in Montana.

The Resource Indemnity Trust Fund would be the public's share of Montana's natural resources. This is not too much to demand because this State will relinquish its natural resources to meet the requirements of the national economy in the coming years.

Agriculture is the basis of the State's economy. And it would be a mistake of historic magnitude to allow this renewable resource base to be depleted and destroyed by a hit and run development.

The steam generation and coal gasification plants proposed for the Fort Smith region will consume inordinate quantities of water. It is essential to consider this critical issue now and to establish and determine Montana's right to assure that water required for irrigation and recreation is not monopolized by industrial consumers.

To understand fully the effects of proposed power plants will have on our state, I recommend a comprehensive study assembling all available resources at the federal, state and local level.

I propose a power plant siting bill that will give Montana sufficient time to adequately assess the impacts of proposed installations. Cities and towns possess the authority to decide the location of gas stations. And it is reasonable that the state should be able to control the siting of power plants, transmission lines and rail spurs.

Degradation and depletion of our land resources are occurring continually because of unguided urban and rural sprawl, and selection

SENATE TAXATION

EXHIBIT NO. 2

1-16-87

S.B. 89

SENATE TAXATION

EXHIBIT NO. 2DATE 1-16-87BILL NO. S.B. 89

POTENTIAL UNCONTROLLED HAZARDOUS WASTE SITES
NOT ANTICIPATED TO MAKE NPL LIST
(partial listing)

Mining Related

| <u>Type</u> | <u>Location</u> | <u>County</u> |
|-----------------------|-----------------|---------------|
| 1. mine tailings | Troy | Lincoln |
| 2. arsenic tailings | Cooke City | Park |
| 3. arsenic tailings | Gardiner | Park |
| 4. chrome tailings | Columbus | Stillwater |
| 5. phosphate tailings | Butte | Silver Bow |
| 6. antimony tailings | Thompson Falls | Sanders |
| 7. mine tailings | Boulder | Jefferson |
| 8. mine tailings | York | Lewis & Clark |
| 9. mine tailings | Bannack | Beaverhead |

Petroleum Related

| <u>Type</u> | <u>Location</u> | <u>County</u> |
|---------------------------------------|-----------------|---------------|
| uncontrolled surface impoundments | Kevin | Toole |
| 2. uncontrolled surface impoundments | Cut Bank | Glacier |
| 3. uncontrolled surface impoundments | Billings | Yellowstone |
| 4. uncontrolled surface impoundments | Lewistown | Fergus |
| 5. uncontrolled surface impoundments | Lewistown | Fergus |
| 6. uncontrolled surface disposal | Laurel | Yellowstone |
| 7. uncontrolled surface disposal | Chinook | Blaine |
| 8. uncontrolled surface disposal | Livingston | Park |
| 9. uncontrolled surface disposal | Billings | Yellowstone |
| 10. uncontrolled surface impoundments | Sunburst | Toole |
| 11. uncontrolled surface impoundments | Cut Bank | Glacier |
| 12. uncontrolled surface impoundments | Havre | Hill |
| 13. uncontrolled surface impoundments | Wolf Point | Roosevelt |
| 14. uncontrolled surface disposal | Kalispell | Flathead |

Industrial Related

| <u>Type</u> | <u>Location</u> | <u>County</u> |
|---------------------------|-----------------|---------------|
| 1. chrome waste disposal | Three Forks | Gallatin |
| 2. chrome waste disposal | Montana City | Jefferson |
| 3. solvent waste disposal | Billings | Yellowstone |

Pesticide Related

| <u>Type</u> | <u>Location</u> | <u>County</u> |
|---------------------------|-----------------|---------------|
| 1. disposal (general) | Great Falls | Cascade |
| 2. disposal (toxaphene) | Ennis | Madison |
| 3. disposal (toxaphene) | Billings | Yellowstone |
| 4. disposal (poison oats) | Browning | Glacier |
| 5. disposal (penta) | Kalispell | Flathead |
| 6. disposal (toxaphene) | Jackson | Beaverhead |
| 7. disposal (arsenic) | Lame Deer | Rosebud |
| 8. disposal (arsenic) | Hardin | Big Horn |
| 9. disposal (arsenic) | Highwood | Chouteau |
| 10. disposal (arsenic) | Circle | McCone |

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Degradation and depletion of our land resources are occurring—continually because of unguided urban and rural sprawl, improper selection

SENATE TAXATION

EXHIBIT NO. 3

DATE 1-16-87

BILL NO. SB-89

Memorandum

Re: Montana Coal Severance Tax Bond Program

From: William Johnstone

The purpose of this memorandum is to summarize briefly the statutory and contractual obligations of the State of Montana (the State) in connection with various outstanding bonds payable from or secured by the coal severance tax (the Tax) and to discuss the relationship between those obligations and suggested legislation relating to the Tax.

Bonding Programs

There are presently three bonding programs authorized by State legislation which provide for use of the Tax as the security or source of payment for bonds: (i) Title 17, Chapter 5, Part 7, MCA, as amended and 1985 Montana Laws, Chapter 717 (the Severance Bond Act) authorizes the issuance of up to \$89,000,000 of Coal Severance Tax Bonds (the Severance Bonds) for various water projects; (ii) Title 85, Chapter 1, Part 6, MCA, as amended, (the Water Development Bond Act) authorizes the issuance of up to \$10,000,000 of general obligation water development bonds to finance water development projects; and (iii) Title 17, Part 5, Chapter 15, MCA (the Economic Development Bond Act) as amended authorizes the Montana Economic Development Board to secure Economic Development Bonds issued thereunder by pledging receipts of the Tax in the In-State Investment Fund.

Severance Bonds

The State has outstanding approximately \$28,000,000 of Severance Bonds, consisting of Series 1985A (\$16,700,000) and Series 1985B (\$11,300,000). The proceeds of the Severance Bonds have been or are committed to be loaned to various political subdivisions or water user associations for the purpose of financing water projects. The Severance Bonds are payable and secured by a first lien on the following revenues:

- (i) loan repayments and other revenues of the State with respect to the projects;
- (ii) the receipts from the Tax which are required by the constitution to be deposited in the Trust Fund (1/2 of annual receipts); and

SENATE TAXATION

EXHIBIT NO. 4DATE 1-16-87BILL NO. SB-3

- (iii) investment income and other incidental revenues (the Series 1985B Bonds are also secured by a letter of credit from the Long-Term Credit Bank of Japan).

The pledge of the Tax is accomplished by requiring that the Tax receipts are first deposited to a Bond Fund in the Trust Fund. While in the Bond Fund the tax receipts may only be used to pay principal and interest on the Severance Bonds or other Bonds hereafter made payable therefrom. Monthly the State Treasurer transfers surplus Tax receipts from the Bond Fund to the Permanent Fund of the Trust Fund. Surplus Tax receipt are those in excess of that required to pay the principal and interest due on the Severance Bonds during the succeeding 12 months. Tax receipts in the Permanent Fund are not pledged to the Severance Bonds and may be appropriated by a 3/4 vote of each house of the legislature for any authorized purpose. Income from investment of the Tax receipts in the Bond Fund and Permanent Fund is transferred to the Income Fund. The Income Fund is also not pledged to the Bonds.

Pursuant to the Bond Resolution and the Severance Bond Act, the legislature has agreed:

The legislature shall provide for the continued assessment, levy, collection, and deposit into the coal severance tax bond fund of the coal severance tax which, together with such other revenues, assets, and money as may be deposited to one or more special bond funds pledged for the benefit of coal severance tax bonds, will be sufficient to produce an amount that is at least the amount necessary to pay, when due, the annual debt service charges on all outstanding coal severance tax bonds.

Section 17-5-709(1) Montana Code Annotate. This agreement constitutes a contract between the State and the holders of the Severance Bonds.

To further secure the Severance Bonds, the State has agreed that no additional Severance Bonds may be issued and made payable from the Bond Fund unless the Tax receipts pledged to the Bond Fund plus certain other revenues pledged thereto received in the preceding three years have averaged two times the maximum annual debt service due on outstanding Severance Bonds and the proposed Additional Bonds.

SENATE TAXATION
EXHIBIT NO. 4
DATE 1-16-87
BILL NO. S.B. 3

Water Development Bonds

The State has outstanding approximately \$3,600,000 of Water Development Bonds. The Water Development Bonds were issued to make loan to individuals (primarily farmers and ranchers) to finance private water development projects. The Water Development Bonds are general obligations of the State for which the State's full faith and credit and taxing powers are pledged. In addition the Water Development Bond Act pledges to the Water Development Bonds: (i) 1-1/4% of the one-half of the Tax receipts not pledged to the Trust Fund and (ii) all loan repayments realized from the loans made from proceeds of the Water Development Bonds. Because the Water Development Bonds are general obligations of the State, the Water Development Bond Act permits the State to change the pledge of the specific Tax and loan repayment revenues as long as the revenues pledged are sufficient to pay the principal and interest on the Bonds.

The Water Development Bond Act does not permit the issuance of additional Water Development Bonds, unless the annual Tax and other revenues pledged to the Water Development Bonds are determined to be sufficient to pay the principal and interest on all outstanding Water Development Bonds and the Water Development Bonds to be issued.

Guaranteed Economic Development Bonds

Twenty five percent (25%) of the annual deposits of Tax receipts to the Trust Fund after June 30, 1983 (after passing through the Bond Fund) plus certain investment earnings are segregated in the In-State Investment Fund (which is a part of the Permanent Fund) and invested by the Economic Development Board in in-state investments. The Economic Development Bond Act authorizes the Economic Development Board to pledge the In-State Investment Fund to guarantee or secure Economic Development Bonds issued to finance loans for economic developments. The Montana Supreme Court has determined this authorization to be unconstitutional. No Economic Development Bonds so guaranteed or secured have been issued.

Proposed Legislation

We are aware generally of various legislative proposals. The following is not intended to be a detailed analysis of any specific proposal, but rather a general discussion of certain considerations which are required from the existing Bond Programs.

SENATE TAXATION
EXHIBIT NO. 4
DATE 1-16-87
BILL NO. S.B. 3

1. Reduction or Elimination of Severance Tax. The legislature may, consistent with the contracts with owners of the Water Development Bonds and the Severance Bond, reduce the rate of taxation; provided that after such reductions the Tax receipts and other revenues pledged to the payment of the Bonds remain sufficient to provide for their payment in accordance with the contracts. Any such reduction, at least if it results in a reduction in Tax receipts, will limit the State's ability to issue additional Severance Bonds and Water Development Bonds. It may also, particularly with respect to the Severance Bonds, cause a downgrade in the Bonds' credit rating. If additional Severance Bonds were issued, the rate of interest would be increased.

Absent the retirement or defeasance of the Severance Bonds or Water Development Bonds or the provision of an alternate source of payment which is equivalent to the Severance Tax, the Severance Tax could not be repealed by the legislature. To do so would impair the contract with the owners of the Bonds in violation of the United States Constitution.

2. Division of Severance Tax From Trust Fund. So long as the Severance Bonds are outstanding, the State is contractually obligated to deposit the Tax receipts in the Bond Fund. However, if the constitution were amended the Tax receipts flowing through the Bond Fund to the Permanent Fund could be diverted to other purposes. Even if the constitution were not amended, with a 3/4 vote of each house of the legislature Tax receipts in the Permanent Fund could be appropriated for any authorized purpose.

3. Pledge of Severance Tax To Other Bonding Programs. The Tax receipts to be deposited in the Trust Fund could be used to pay and secure other Bonds issued under other programs authorized by the legislature in either of two ways. First, the Bond Resolution authorizing the issuance of the Severance Bonds permits additional Bonds to be issued thereunder and made payable from the Bond Fund to finance other programs authorized by the legislature. Presumably a program to finance infrastructure improvements, for example, could be so authorized. Any such additional Bonds could only be issued if the additional Bonds test in the Bond Resolution and Severance Bond Act (regarding the sufficiency of the pledged revenues) were satisfied. Second, Bonds to finance other programs could be made payable and secured by the Tax receipts after they flow through the Bond Fund to the Permanent Fund.

SENATE TAXATION
EXHIBIT NO. 4
DATE 1-16-87
BILL NO. S.B. 3