

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on March 8, 1991, at 9:05 a.m.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Dave Wanzenried (D)

Members Excused: Rep. Thomas (R)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON HB 907

Presentation and Opening Statement by Sponsor:

REP. HARRINGTON, House District 68, Butte, stated HB 907 is an act clarifying the number of members a fire company may have to qualify for pension and disability benefits. He said the proponents would explain the bill, and he reserved the right to close.

Proponents' Testimony:

Lyle Nagel, Montana State Volunteer Firefighters Association, stated Section 2 of HB 907 is the result of the resolution passed at their 1990 convention. He provided written testimony.

EXHIBIT 1

Henry Lohr, Montana State Volunteer Firefighters Association, proposed an amendment and submitted a list of the fire departments who do have the qualification but have less than 10 persons in the department. **EXHIBIT 2,3**

Art Korn, Retired Fireman, stated the retired fireman do need HB 907. Currently, their pension fund is not large enough to pay the benefit of \$200 which is the minimum. He provided written testimony. **EXHIBIT 4**

James Lofftus, Montana Fire Districts Association, stated the Association supports HB 907 and the proposed amendments.

Mike Doto, Montana Volunteer Firefighters Association, said one of the reasons HB 907 was initiated was to try and stabilize the retirement fund. He went on record in support of HB 907.

Opponents' Testimony: None

Questions From Committee Members:

REP. O'KEEFE said the technical note #1 of the fiscal note states that it is not clear what the proposed amendments would do and asked **REP. HARRINGTON** if he had amendments which would clear this up. **REP. HARRINGTON** referred the question **Lyle Nagel**. **Mr. Nagel** said the first amendment would put a minimum number of qualified members. **REP. O'KEEFE** said that essentially, they do not want the language that has been added to the bill on Page 2, Lines 1-3. **Mr. Nagel** said yes. **REP. O'KEEFE** asked if the only changes in the existing law that the bill is asking for is an increase from 5% to 8% in the premium taxes. **Mr. Nagel** said that was correct.

Closing by Sponsor:

REP. HARRINGTON said the premium tax will be raised by 3% and HB 907 will be put in the subcommittee for more work.

HEARING ON HB 701 and HB 702**Presentation and Opening Statement by Sponsor:**

REP. DRISCOLL, House District 92, Billings, state HB 701 and HB 702 set up a procedure for clean coal technology loans. HB 702 contains a \$250,000 loan to the MHD-Corette project in Billings

at a 12% interest. HB 701 creates a clean coal technology demonstration account within the coal severance tax trust fund and enacts provisions by which they loan can be made from this account. It also provides a tax exemption for the clean coal technology portion of the project only. Both of these bill are loan bills.

REP. DRISCOLL said that Billings has so much SO-2 that they can not have any more industry in the valley. MHD would clean up many towns on the existing Corette power plant, clean the air, and produce more electricity using the same amount of coal.

SEN. CRIPPEN, CO-SPONSOR, Senate District 45, Billings, stated the United States has been described as the OPEC of coal and that Montana is sitting on the mother lode.

HB 701 and HB 702 would establish a clean coal program. HB 701 enacts two major financing vehicles for clean coal technology projects. HB 702 deal with the more limited source of financing for project which are in the earlier stages of development such as feasibility studies and pursuit of federal and private support. These are loans that will be made to the clean coal technology project on a 4 to 1 ratio. The MHD-Corette plant would be named the official recipient of this.

Proponents' Testimony:

Keith Colbo, MHD Development Corporation, stated that these two bill represent significant benefits for Billings, Eastern Montana, and the entire state. **Mr. Colbo** pointed out what is being proposed: (1) it could be viewed as an economic project with an impact of \$300 to \$400 million dollars; (2) it is a demonstration project for the nations energy future; (3) it will reduce the environmental impacts of coal-fire generations; and increase the efficiency of coal-fire burners; and (4) it would minimize the impacts on the state and local governments. He provided the committee with a list of resolutions in support or HB 701 and HB 702 and written testimony submitted by **James Mockler, Montana Coal Council.** EXHIBIT 5,6,7

Steve Huntington, MHD Development Corporation, submitted written testimony and amendments proposed by the **REP. DRISCOLL** and the **DOR.** EXHIBIT 8,9

Jack Sherrek, MSE, Butte, stated that he is very excited about MHD for what it can do to the coal industry in Montana. He provided a status and plan sheet for the committee and stated that Montana is the leader in coal-fired MHD technology around the world. EXHIBIT 10

Bob Labrie, MHD Development Corporation, stated the corporation was formed in 1985 specifically for the purpose of developing and commercializing MHD technology. They recently completed a contract with the Department of Energy to do a conceptual design

of the replica in Billings. He provided an executive summary of the design. **EXHIBIT 11**

He stated that their current project is to prepare a proposal for the clean-coal technology program for the federal government. It is expected to be complete and submitted by June 1992. This will involve a business plan, financial plan, and technical plan. The funds for this project will come from electrical revenues.

Betty Hill, SEN. CONRAD BURNS OFFICE, stated that **Sen. Burns** wanted to go on record in support of HB 701 and HB 702.

Mike Mathew, Yellowstone County Commission, stated that this is a state project. We are the world leader in this particular type of technology. The who concept of clean coal technology would put Montana on the leading edge of all activities and projects having to do with coal.

Dick Larsen, Mayor, Billings, stated that this legislation showed a great deal of wisdom in first appropriating the funding and support for the MHD research that was held in the Butte area. Billings supported that effort. The next stage of development is at hand which is putting into actual usage this technology. Coal development is a necessary part of Montana's future. This is a win situation for everyone in the state.

Jim Leigh, Conoco Refinery, Billings Chamber of Commerce, provided written testimony. **EXHIBIT 12**

Cal Cumin, Yellowstone County, stated this project supports Montana's effort to compete in an international environment. It is a much needed investment for the future of Montana.

James Tutwiler, Montana Chamber of Commerce, went on record in support of HB 701 and HB 702.

REP. QUILICI, Butte, stated that he was a member of the NCSL Natural Energy Committee. One of things they have discussed over the years is the national energy strategy. One of the important issues in the strategy is coal. He went on record in support of both bills.

Tom McKerlick, Montana Tradeport Authority, stood in support of both bill. He stated that as a economic developer, this is a tremendous project. It is a good marriage of clean air, jobs, more power, and a great project for the state.

Opponents' Testimony: None

Questions From Committee Members:

REP. McCAFFREE asked **REP. DRISCOLL** if the coal drying process qualify for the tax exemption. **REP. DRISCOLL** said if they met the criteria in Section 8, they would qualify. **REP. McCAFFREE**

asked what about the new power plant scrubber, would they qualify. REP. DRISCOLL said no because it is not a new technology.

REP. COHEN said that they are looking at two way to help with the financing. One is through the use of our coal tax money and the other through a property tax exemption. He said that a portion of the coal tax money is dedicated to instate investment. He asked REP. DRISCOLL if this funding is going to come from the existing funds from instate investment or from the money not dedicated to the state investments. REP. DRISCOLL said it is not the part that is dedicated to instate investment but in addition to the instate investment. REP. COHEN said that he reads the second funding as a 100% exemption of property taxes for 25 years and asked if he was reading this correctly. REP. DRISCOLL stated that with the amendments offered, it was about 200%. In the existing property of the Billings Corette plant, they can not cut the taxes on the existing property. Just the new technology that is put on the property would be allowed the exemption.

REP. O'KEEFE asked Keith Colbo asked if Corette is producing power. Mr. Colbo said yes. REP. O'KEEFE asked if Corette shuts down what would be the difference between the cost of Corette power now and the replacement power that comes in during the development stage. Is the cost of power to the consuming public going to go up if Corette becomes an experimental facility? Mr. Colbo deferred the question to Bob Labrie. Mr. Labrie said that Corette would stay in production while the changes were being made so there would be no increase in consumer costs because there would be no replacement power needed. REP. O'KEEFE asked REP. DRISCOLL if these bill take a 3/4 vote since they are monkeying with the coal tax. REP. DRISCOLL deferred the question to Steve Huntington. Mr. Huntington said there all three funds inside the coal severance tax trust fund: the bond fund, the permanent fund, and the income fund. This would add a fourth fund still within the trust fund. There is no money coming out of the trust. It is only the creation of another account within the trust and no disbursement is made so a 3/4 vote is not needed. REP. O'KEEFE said the fiscal note on HB 702 says that there is an impact to the general fund of \$1,136,000 total if your count the lost revenue and the FTE personal services the DNRC would receive. He asked Mr. Huntington if this would be a general fund cost or a trust fund cost. Mr. Huntington said HB 702 would be on the non-trust side of the coal tax revenue.

Closing by Sponsor:

REP. DRISCOLL stated that he hopes the committee adopts the amendments. He said these bill will work and someday the committee will again get a chance to vote on the MHD project. This will get the project started so that they can get the federal match.

HEARING ON HB 787Presentation and Opening Statement by Sponsor:

REP. QUILICI, House District 71, Butte, stated HB 787 is the extension of a bill that was introduced in the last session to eliminate the property tax on industrial park property. This property is owned by non-profit corporations and ran by local governments. HB 787 states all property taxes will be eliminated for industrial parks non profit organizations if the governing authority, by resolution, votes to do so. The fiscal note says that the cost can not be determined. The reason for this is because there are 10 industrial parks in the state. We are not sure how the local governing bodies would vote to have this exemption in the property taxes. This is trying to save the industrial parks from paying property taxes. In this respect, it can make it more lucrative to start economic development project, hire more people, and try to get Montana on the road to economic development.

Proponents' Testimony:

Evan Barrett, Butte Local Development Corporation, said that HB 787 is very simple. It states that the current process which says that industrial park properties owned and operated by local development corporations that are non-profit, the lands can be exempt from property taxes by the local governments. The last Legislature said that only if applied to the local level property taxes. HB 787 gives the exemption to all property taxes including the state level taxes. It is a opportunity for the state to make a small commitment to economic development.

Cal Cumin, Yellowstone County Economic Development Director, stood in support of HB 787.

Jim Tutwiler, Montana Chamber of Commerce, urged the committee's consideration. He stated that HB 787 will help economic development organizations.

Opponents' Testimony: None

Questions From Committee Members:

REP. STANG asked Evan Barrett how many mills are we looking at in state taxes. Mr. Barrett said 95 mills in state taxes and the six mill school levy would be exempted. REP. STANG asked how much this would save the industrial parks. Mr. Barrett said with the land they continue to hold, we pay less than \$3,000 per year in taxes. The 95 mills are represented by 25% of the tax base and the difference would be \$750.

REP. REAM said that from the fiscal note, there is not a way to accurately track the 10 industrial parks that qualify. Denis Adams, DOR, said the Department thinks that is all that is out there. If they had the time, they could get more information.

Closing by Sponsor:

REP. QUILICI stated that if no governing body adopts this exemption there is not going to be any fiscal impact. We must get an assumption as to where we stand on this as far as property taxes are concerned.

HEARING ON HB 753

Presentation and Opening Statement by Sponsor:

REP. HARRINGTON, House District 68, Butte, stated HB 753 is similar to REP. QUILICI'S HB 787. HB 753 would eliminate restrictions on granting property tax exemptions for small business incubators owned and operated by nonprofit economic development organizations. Once again, the Legislature did not commit itself to economic development in that it provided only a local tax exemptions. This bill applies to all taxes including state level taxes. The incubator may approach each taxing jurisdiction; city, county, and school districts separately. HB 753 streamlines the progress by the local governing unit in which the incubator is located to authorize the tax exemption. The fiscal impact will not be substantial.

Proponents' Testimony:

Evan Barrett, Butte Local Development Corporation, said that there is an incubator in Butte which is operated by the city. It would not apply to this legislation. We worked with other economic development entities in the state and agreed to move this bill forward as an incentive for the creation of incubators if they are not operated by a city. The purpose is to stimulate the creation of additional small business incubators. Most incubators in existence have been very successful. Most of the jobs created are in the incubator is in the service sector which is the direction that economic growth is going. The passage of HB 753 would be a stimulus for small business development.

Cal Cumin, Economic Development Director, Yellowstone County, supported HB 753. He stated that HB 753 and HB 787 are coming from people who practice economic development and who are trying to create economic development to help small business.

Opponents' Testimony:

Riley Johnson, NFIB, stated that the NFIB's positions on issues is set by its members. In 1989, they surveyed their members on

the question: Should legislation be adopted that would promote and support small business incubator facilities? The result of the survey was 21% yes, 61% no, and 18% undecided.

While it appears to be a small business bill on the surface, in reality, we feel HB 753 is a government bill developing in an area in which they have very little expertise. It is a selective relief for a selective few. Identifying potentially successful businesses is a very high risk adventure. Any financial assistance by the state is an investment that has very little return. In fact, the financial return would be minimal. Incubator facilities are repackaged, multi-tenant buildings which offer very little new economic development policy. The committee must ask what is the actual statistical success ratio of incubator business that move on into the outside world and join the rolls of the non-subsidized, taxpaying small businesses. They also feel that governmental financial support is not appropriate for high risk, start up business when there are hundreds of small successful businesses needing similar assistance to keep their doors open and their present employees on the payroll.

Not paying their taxes in not teaching them anything. They have to learn their responsibilities, one of which is paying taxes. To have the government come in and pick it up for them is an unfair competition from the public sector.

Questions From Committee Members:

REP. FAGG said that the incubator business is a new term to him and asked Evan Barrett to explain what it is. Mr. Barrett said an incubator business takes start up small business that are very risky. It puts them in an environment where they are likely to survive by reducing their costs of operation. After three years, they are to graduate out into the main stream of business.

REP. WANZENRIED said "certain local property taxes" was written in both HB 787 and HB 753. He asked Mr. Barrett what this means. Mr. Barrett said all the local property taxes were eligible for exemptions under the former bill. HB 753 bill is slightly different in that it requires that you go to each taxing jurisdiction for approval.

REP. REAM asked Evan Barrett if there was any problem legally in local jurisdiction exempting statewide taxes from property. Mr. Barrett said that there probably is some precedent. The bill introduced in the last session was confronted with this question and the committee took it out and made it local only. REP. REAM asked Denis Adams, DOR, the same question. Mr. Adams said the bill represents that a major change from what the Legislature policy has been and that there should be no legal problem.

Closing by Sponsor:

REP. HARRINGTON stated many of the businesses come out of the incubators and are able to work on their own to become self-sustaining types of business. HB 753 tries to promote this act.

EXECUTIVE ACTION ON HB 738

Motion: REP. ELLIOTT MOVED HB 738 DO PASS.

Discussion:

REP. COHEN said that the Property Tax Subcommittee recommended that HB 738 Do Pass without any amendment.

REP. GILBERT said HB 738 is another end run on the I-105 tax policy REP. ELLIOTT said that the Attorney General's opinion that when the issues are put before the vote of the people, it is not an end run on I-105.


Vote: Motion that HB 738 Do Pass carried 12 to 7 on a roll call vote. EXHIBIT 13

Announcements:

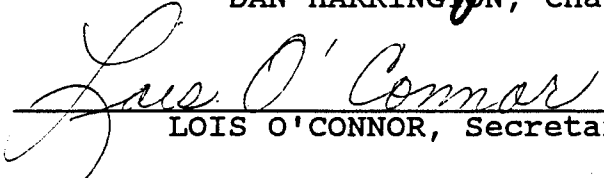
CHAIR HARRINGTON said HB 701, HB 702, HB 753, and HB 787 would go to the Property Tax Subcommittee; HB 907 would go to the Income/Severance Tax Subcommittee.

ADJOURNMENT

Adjournment: 10:55 a.m.



DAN HARRINGTON, Chair



LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 3/8/91 Fri

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	⊙	.	
REP. ED DOLEZAL	✓	.	
REP. JIM ELLIOTT	✓	.	
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓	.	
REP. BOB GILBERT	✓	.	
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓	.	
REP. ED MCCAFFREE	✓	.	
REP. BEA MCCARTHY	⊙	.	
REP. TOM NELSON	✓	.	
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	⊙	.	
REP. TED SCHYE	✓	.	
REP. BARRY "SPOOK" STANG	✓	.	
REP. FRED THOMAS <i>Rx Gilbert</i>		SICK	
REP. DAVE WANZENRIED	✓	.	

HOUSE STANDING COMMITTEE REPORT

March 9, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 738 (first reading copy -- white) do pass .

Signed: _____
Dan Harrington, Chairman

WITNESS STATEMENT

NAME Lyle Nagel BUDGET HB 907

ADDRESS Box 93 Simms Mt.

WHOM DO YOU REPRESENT? Mt. St. Vol. Firefighters Assn

SUPPORT _____ OPPOSE _____ AMEND

COMMENTS: The change to Sec 2, 19-12-301, is the result of a resolution passed at our association 1990 convention. The formula for determining the amount of benefit paid to rural Vol. firefighter retirees is set. \$0 the fund grows by 5% of the income earned each year. This amount fluctuates each year depending on the amount of premium tax collected.

More fire fighters are reaching retirement age and will be putting a bigger drain on the fund. As the formula determines, only 95% of the earnings can be spent so what that means is that the amount of retirement benefit must be reduced. In the last yrs. the monthly benefit has varied greatly. (~~approx~~ approximately) (\$88 - \$143 - \$13 - \$139)

This retirement benefit is the only benefit a rural Vol. Fire fighter receives for the service provided. To qualify the firefighter must be a member of a fire Co. for at least 10 yrs. and participate in at least 30 hrs of Training each year. At the completion of at least 20 yrs the full benefit is received. (1/20th per yr. for 10yr or more)

The fund also pays up to \$25000 per yr medical benefits and \$75 per truck up to 2 trucks incentive payment to help the Co. purchase health insurance.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HOUSE OF REPRESENTATIVES

WITNESS STATEMENT

PLEASE PRINT

NAME Henry E. Lohr BUDGET HR 907

ADDRESS Townsend, MA

WHOM DO YOU REPRESENT? Main State Vol. Firefighters Assn.

SUPPORT X OPPOSE _____ AMEND X

COMMENTS: Delete on Page-2- line 1

After Members. All underlined
wording. Reason is there is several
Co's have 10 members or less. have been
certified & have maintained their 30 hrs
training for the year. these firefighters
are qualified for pension.

The firefighters who qualify
are people that are certified 30 hrs. & maintain
30 hrs per year.

M the word cert.icate. that is
marked out, be left. on line (1) Page 2

VOLUNTEER FIRE DEPARTMENTS
WITH LESS THAN 10 PERSONS REPORTED ON 1990 ANNUAL CERTIFICATE

Big Arm Volunteer Fire Company
Broadwater Rural Fire District--Duck Creek Station
Broadwater Rural Fire District--Radersburg Station
Choteau Rural Volunteer Fire Department
Columbus Rural Volunteer Fire Department
Craig Volunteer Fire Department
Fisher River Volunteer Fire Company
Floral Park Volunteer Fire Department
Fort Shaw Rural Volunteer Fire Department
Galen Volunteer Fire Department
Gardiner Volunteer Fire Department--Gateway Hose Company
Helmville Volunteer Fire Department
Marion Volunteer Fire Department
Marysville Volunteer Fire Department
McCormick Rural Volunteer Fire Department
Melrose Volunteer Fire Department
Missoula Rural Fire District--Tanker Company #1
Missoula Rural Fire District--Tanker Company #2
Missoula Rural Fire District--Tanker Company #3
Missoula Rural Fire District--Pumper Company #2
Missoula Rural Fire District--Pumper Company #3
Molt Volunteer Fire Department
Pablo Volunteer Fire Department
Park County Rural Fire District No. 1
Redstone Volunteer Fire Department
Rudyard Volunteer Fire Department
Stevensville Rural Fire Department--Westside Unit
Swan Lake Volunteer Fire Department
Swan Valley Volunteer Fire Company
Twin Bridges Volunteer Fire Department

STATE OF MONTANA
 VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

NOTES TO THE FINANCIAL STATEMENTS

A. Plan Description

1. Plan Membership

The Volunteer Firefighters' Compensation Act (VFCA) is a statewide retirement and disability plan for all volunteer fire companies organized in unincorporated areas, towns or villages under the laws of the State of Montana.

Membership Data

<u>Members</u>	<u>June 30, 1990</u>	<u>June 30, 1989</u>
Retirees & Beneficiaries		
Retirees	497	476
Survivors	9	5
Total	<u>506</u>	<u>481</u>

2. Plan Benefits

a. Pension Benefits

A volunteer firefighter may retire with a service allowance after completing 20 years of creditable service and attaining age 55. A member does not have to be an active member of a volunteer firefighting company when he reaches age 55. The pension payable to qualified claimants is recalculated each fiscal year based upon the amount available for distribution from the fund and the number of qualified claimants. The total pension payable to any individual may not exceed \$200 per month.

If a volunteer firefighter is prevented from completing 20 years of creditable service due to any factors beyond his control, he may qualify for partial participation if he has completed at least 10 years of creditable service. The pension payment will be prorated accordingly.

b. Disability Payments

A member injured while performing his duties as a volunteer firefighter is eligible to receive compensation for his necessary and reasonable medical expenses, not to exceed \$25,000, resulting directly from the disability and incurred within 36 months from the date of injury which caused the disability. If this disability prevents the volunteer firefighter from completing 20 years of service he may also be eligible for a partial pension payment.

Ex. 4
3-8-91
HB 707

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

c. Death Benefits

A lump-sum payment equal to the actual necessary and reasonable expenses, or \$1,500 (whichever is less), will be paid directly to the provider of funeral services for any eligible volunteer firefighter whose death occurs in the line of duty.

Upon the death of an active or retired volunteer firefighter, his surviving spouse (or dependent child(ren) under 18) will receive the full or partial pension payment earned by the firefighter. Payments to eligible survivors will end when the surviving spouse dies or remarries, the surviving dependent child(ren) reach age 18; or the total payments have reached \$4,000 (or a proportion thereof for partial pensions).

d. Group Insurance Payments

To encourage volunteer companies to maintain group insurance for their members to provide benefits in case of death or injury incurred while in the line of duty as a volunteer firefighter, payments are made to volunteer fire companies equal to \$75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

3. Funding Requirements

a. State Contributions

The State contributes 5 percent of the premium taxes collected on certain fire risks. Payments are made annually to the Volunteer Firefighters' Pension Fund by the state auditor from the fire insurance premium tax fund. Contributions for the year totalled \$583,064.

B. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Reference the Appendix for standard accounting policies.

Resolution No. 187

**A Resolution Endorsing the Construction
of a Magnetohydrodynamic (MHD)
Retrofit of the J.E. Corette Plant in
Billings, Montana and Authorizing
Anaconda-Deer Lodge County, Montana to
Participate with Other Interested
Parties to Ensure that the Retrofit
is Constructed**

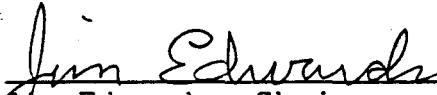
- Whereas, MHD is a clean coal technology that mitigates acid rain and the greenhouse effect;
- Whereas, MHD is a more efficient and, therefore, more cost effective method of producing electricity;
- Whereas, MHD testing at the U.S. Department of Energy, Component Development and Integration Facility in Butte, Montana has established the necessity for a larger facility to be built in Billings, Montana to show commercial potential;
- Whereas, Community and State support for the MHD retrofit is necessary to show others that MHD and the retrofit are important to us and the nation; and,
- Whereas, the Community and the State have the opportunity to promote and lead the Nation and the World in the application of "high technology."

15
7/1/90

Page Two
Resolution No. 187
March 15, 1989


Now, therefore, be it resolved by the Commission of Anaconda-Deer Lodge County that the local government of Anaconda-Deer Lodge County, Montana endorses the MHD retrofit of the J.E. Corette Plant in Billings, Montana and authorizes the participation of officials of Anaconda-Deer Lodge County with other interested parties.

Dated this 15th day of March, 1989.



Jim Edwards, Chairman
Anaconda-Deer Lodge County
Commission

Attest:



Carol L. Gilluly
Clerk of the Commission

EXHIBIT 6
DATE 3-8-91
HB 701 & 702

RESOLUTIONS RECEIVED IN SUPPORT OF CORETTE RETROFIT AS OF 6/12/89

Anaconda	Chamber of Commerce
Anaconda-Deer Lodge County	Commission
Bozeman	Chamber of Commerce
Butte	Butte Local Development Corporation - Board of Directors
Butte-Silver Bow	Chamber of Commerce
Butte-Silver Bow	Council of Commissioners
Choteau	Chamber of Commerce
Circle	City Council
Columbus	Chamber of Commerce
Culbertson	Council of Commissioners
Cut Bank	Council of Commissioners
Dillon	Chamber of Commerce
Dillon	Council of Commissioners
Ekalaka	Chamber of Commerce
Ekalaka	Council of Commissioners
Forsyth	City Council
Forsyth	Chamber of Commerce
Gardiner	Chamber of Commerce
Glendive	Chamber of Commerce
Great Falls	Chamber of Commerce
Great Falls	City Commissioners
Hamilton	Council of Commissioners
Hardin	Chamber of Commerce
Havre	Chamber of Commerce
Havre	City Council
Hot Springs	Chamber of Commerce
Hysham	Council of Commissioners
Laurel	Chamber of Commerce
Laurel	City Council
Lavina	Town Council
Malta	Chamber of Commerce
Miles City	Chamber of Commerce
Missoula	City Council
Musselshell Valley	Chamber of Commerce
Philipsburg	Chamber of Commerce
Philipsburg	Town Council
Plentywood	Council of Commissioners
Saco	Council of Commissioners
Scobey	City Council
Sidney	Council of Commissioners
Stevensville	Town Council
Superior	Town Council
Three Forks	Council of Commissioners
West Yellowstone	Council of Commissioners
West Yellowstone	Chamber of Commerce
Westby	Council of Commissioners
Whitefish	City Council
Wibaux	Council of Commissioners
Winnett	Council of Commissioners
Wolf Point	Council of Commissioners

EXHIBIT 7
DATE 3-8-91
HB 701 + 702



MONTANA COAL COUNCIL

406-442-6223

2301 COLONIAL DRIVE · HELENA, MONTANA 59601

HB 701 and HB 702
House Taxation Committee, 3/8/91
James D. Mockler, Montana Coal Council

It is with regret that scheduling conflicts prohibit me from appearing before this committee in support of HB 701 and HB 702.

Since 1975 the coal industry has paid in excess of \$1.4 billion in taxes on coal mined in Montana, and to my knowledge, this is the first time anyone has proposed legislation to directly enhance the industry through development of technology.

On behalf of those involved with the production of Montana coal, I wish to thank the sponsors of these two bills and urge the committee to act favorably on them.

EXHIBIT 8
DATE 3-8-91
HB 701-702

THE CLEAN COAL TECHNOLOGY PROGRAM AND
THE MHD-CORETTE RETROFIT PROJECT

Background

Coal is now and will continue to be an important source of energy for the United States. Coal burning is criticized, however, as a serious environmental pollutant and one of the major causes of acid rain.

While Montana possesses vast coal resources and is known for its aggressive coal severance tax, it has devoted nearly nothing to the advancement of technologies which can enhance the attractiveness and marketability of its coal. **This legislation would establish a clean coal program** by which technologies can be developed to benefit the environment, state government's long term financial health as it relates to increased coal tax income, significant economic development for areas which rely on coal mining, and the state's ability to capitalize on federal expenditure programs directed at clean coal.

The program would be enacted through the two pieces of legislation described below which are aimed at different stages of clean coal project development. House Bill 701 enacts two major financing vehicles for Clean Coal Technology Projects which are in their later, or demonstration stages of development. House Bill 702 enacts a more limited source of financing for projects which are in their earlier stages of development including activities such as bench-scale applied research, feasibility studies, and the pursuit of federal and private support.

The first project to be included under the program is the installation of magnetohydrodynamics (MHD) technology at the J.E. Corette power plant in Billings. The MHD-Corette project is expected to cost between \$300 and \$410 million. The most significant source of funds is projected to be \$120-160 million of Clean Coal Technology program funding from the U.S. Department of Energy (DOE). The proposed state and local portion of the overall financing package is \$50 million which represents a substantial source of funding and will play a major role in demonstrating the state's support for the project - thereby strengthening the request for federal support from DOE.

For Later Stage Demonstration Projects

1) Designation of Clean Coal Technology Projects by the Department of Natural Resources and Conservation: The bill establishes criteria by which legitimate Clean Coal Technology Projects must be designated by the Department of Natural Resources and Conservation before such projects would be eligible for any benefits under the program. Designation criteria include requirements for efficiency in electricity generation and reduced pollutant emissions compared to current coal burning methods.

The bill designates the MHD-Corette Project as a Clean Coal Technology Project eligible to apply for benefits under the program.

2) Local Government Authorization to Provide Tax Exemption Support: Local taxing jurisdictions may be authorized by the legislature on a case-by-case basis, to exempt up to 100 percent of property taxes, for up to 25 years, owed as a result of new development by a Clean Coal Technology Project. The final decision to exempt property taxes for a designated project is left to the local taxing authorities. Funds made available as a result of tax exemptions can be used directly for project development, construction, or operations or to support debt service related to such activities.

The legislature specifically authorizes relevant local taxing jurisdictions to exempt property taxes for the MHD-Corette project. This source could amount to more than \$2.5 million annually which could leverage over \$28 million in bonded indebtedness.

3) Creation of a Clean Coal Technology Demonstration Account within the Coal Severance Tax Trust Fund and Enacting Provisions by which Loans can be Made from that Account: The account is to be established within the Coal Severance Tax Trust Fund and shall have deposited to it \$25 million of current Trust Fund monies and, beginning on July 1, 1991, \$5 million per year for six years in new Coal Severance Tax collections which flow to the Trust.

Loans may be made from the account upon approval by the legislature for Clean Coal Technology Projects that receive matching funds on a 4:1 ratio versus the loan amount.

The MHD-Corette project is designated a Clean Coal Technology Project, eligible to apply for a loan in an amount up to \$25 million from the Clean Coal Technology Demonstration Account. The 1993 legislature would be asked to act on such a loan as part of the overall project financing package after the U.S. Department of Energy makes its decision regarding at least a \$100 million award to the project.

Ex. 8
3-8-91
HB 701-702

HOUSE BILL 702

For Early Stage Development Projects

1) **Designation of Clean Coal Technology Projects by the Department of Natural Resources and Conservation:** The bill establishes criteria by which legitimate Clean Coal Technology Projects must be designated by the Department of Natural Resources and Conservation before such projects would be eligible for any benefits under the program. Designation criteria include requirements for efficiency in electricity generation and reduced pollutant emissions compared to current coal burning methods.

2) **Deposit Non-Trust Coal Severance Tax Collections in a Clean Coal Technology Development Account:** A Clean Coal Technology Development Account is established into which will be deposited 7.0 percent (about \$1 million) per year, for six years, of non-Trust Coal Tax collections remaining after the deposit of funds to the Highway Reconstruction Trust.

3) **Authorization for the Department to Make Loans from the Account:** The Department is authorized to make loans from the account to benefit earlier stage Clean Coal Technology Projects which are in their research, planning, or other early development stages. Funds can be used for conducting bench-scale applied research, entering into construction or other development activities to conduct such research, or for seeking federal or private support for further development. Any loans would have to be matched on at least a 1:1 basis from federal or private sources.

A loan in the amount of \$250,000 is awarded in the first year of the 1993 biennium to the MHD-Corette project for its use in completing its financial analysis and to partially fund the process of securing federal Clean Coal financing from the Department of Energy. The loan is to be repaid at 12% annual interest from any proceeds derived from sale or lease of the MHD technology or from sale or lease of the MHD-Corette facility.

4) **Administrative Funds:** The bill provides for funds to be used by the Department for administration of the overall Clean Coal Technology Program. Any such funding would come from the Clean Coal Technology Development Account and would have to be appropriated through the General Appropriations Act.

HB 701

Sponsor's Proposed Amendments

- Page 2, line 17; after "legislature" strike "shall approve" and insert "must have approved"
- Page 2, line 19; before "the tax exemption" strike "shall approve" and insert "must have approved"
- Page 2, line 20; after "hearing." insert "No tax exemption may be granted under this section unless it is approved by the governing body of each and every local government that would be affected by the project."
- Page 2, line 24; after "from" strike "all" and insert "up to 100 percent of"
- Page 2, line 24; after "taxes" strike "." and insert "as approved by the governing bodies. The percentage amount of the approved exemption must be the same for all state and local property taxes."
- Page 4, line 13; after "principal" strike "and interest"
- Page 6, line 1; after "principal" strike "and interest"
- Page 6, line 21; strike "commercial"
- Page 6, line 22; strike "capitalization" and insert "commercialization"
- Page 7, line 11; after "loan" delete "." and insert "in an amount up to \$25 million."

State of Montana

Stan Stephens, Governor

Ex. 9

3-8-91

HB 701-702



Department of Revenue

Denis Adams, Director

Room 455, Sam W. Mitchell Building

Helena, Montana 59620

March 4, 1991

MEMO

TO: Representative Driscoll

FROM: Denis Adams
Director

A handwritten signature in cursive script that reads "Denis Adams".

SUBJECT: Technical Amendments

Enclosed are technical amendments to HB 701 which is to be heard on Friday, March 8th. These amendments are needed so that if the bill passes it can be effectively administered.

If you have questions about the amendments, please call David Woodgerd, Chief Legal Counsel, at 444-2852, or Judy Rippingale, Deputy Director, at 444-2460.

If the Department can assist you in any other way, please let me know.

AMENDMENTS TO HOUSE BILL NO. 701

Amendments (1) and (3) specify that only the new equipment installed under the project will qualify for tax exemption. Amendment (2) specifies that the governing body be notified of the property and value of the property proposed to be exempt.

Amendments (4) and (5) specify that the department of natural resources and conservation will notify the department of revenue when the tax exemption is granted and when the exemption ends, and what property is covered by the tax exemption. The tax exemption starts on January 1 of the year following final approval of the project.

1. Page 2, line 11.

Following: "(1)"

Strike: "A"

Insert: "The new equipment installed under the"

2. Page 2, line 20.

Following: "hearing."

Insert: "The governing body shall be notified in writing of the equipment proposed to be exempt from taxation and the value of that equipment."

3. Page 2, line 23.

Following: "the"

Insert: "new equipment installed under the"

4. Page 3, line 5.

Following: "(5)"

Insert: "The department shall notify the department of revenue's agent in the county or counties in which the project is located in writing of the date when final approval for the tax exemption of the property has been granted under this section and shall specifically identify each piece of property subject to the tax exemption."

5. Page 3, line 7.

Following: "first."

Insert: "The tax exemption begins on January 1 of the year after the department of revenue receives notification of the final approval under this section. The department shall notify the department of revenue's agent in the county or counties in which the project is located in writing when the exemption has expired."

MHD STATUS AND PLAN NATIONAL PROGRAM ACHIEVEMENTS

COMPONENTS

- CHANNEL (AVCO) - 1300 HOUR LONG GENERATOR TESTS COMPLETED AND 8000 HOUR ELECTRODE LIFETIMES PROJECTED
- COMBUSTOR (TRM) - 50 MW_T COAL COMBUSTORS BUILT AND TESTED
- MAGNET (ANL) - 180 TON 6.2 TESLA SUPERCONDUCTING MAGNET BUILT AND TESTED
- INVERTER (EPRI, W) - 3.5 MW_E INVERTER IN OPERATION AT THE CDIF

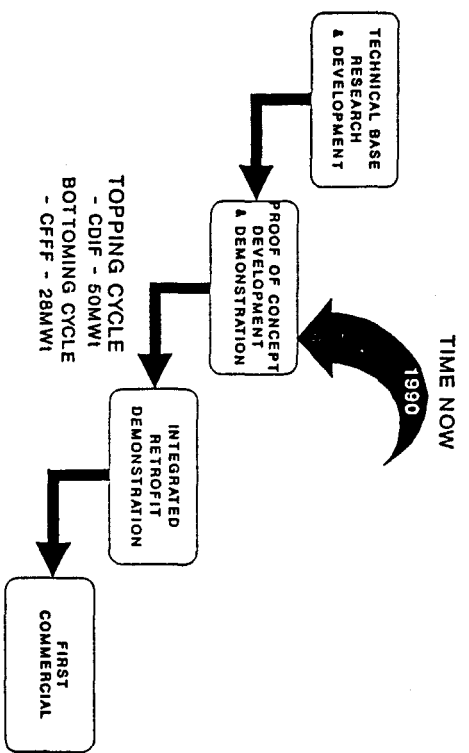
FACILITIES

- ENVIRONMENTAL (CFFF) - 50_X, NO_X, AND PARTICULATE REMOVAL DEMONSTRATED BETTER THAN ENVIRONMENTAL REQUIREMENTS
- PERFORMANCE (AEDC) - 290 MW_T SHORT-TERM GENERATION ACHIEVED PREDICTED PERFORMANCE
- INTEGRATED TOPPING CYCLE (CDIF) - 50 MW_T COAL-FIRED INTEGRATED TEST TRAIN OPERATION MEETING TEST OBJECTIVES
- INTEGRATED BOTTLING CYCLE (CFFF) - 28 MW_T COAL-FIRED INTEGRATED TEST TRAIN OPERATION MEETING TEST OBJECTIVES
- RETROFIT INTEGRATED DEMONSTRATION - CONCEPTUAL DESIGN STUDIES COMPLETED

MHD THE ENVIRONMENTAL SOLUTION

STAGES OF MHD DEVELOPMENT

MHD POWER



PROPOSED MHD DEVELOPMENT PROGRAM

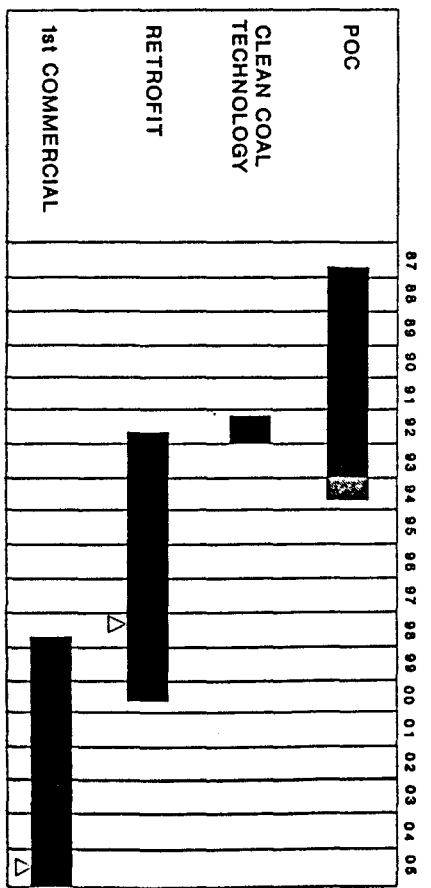
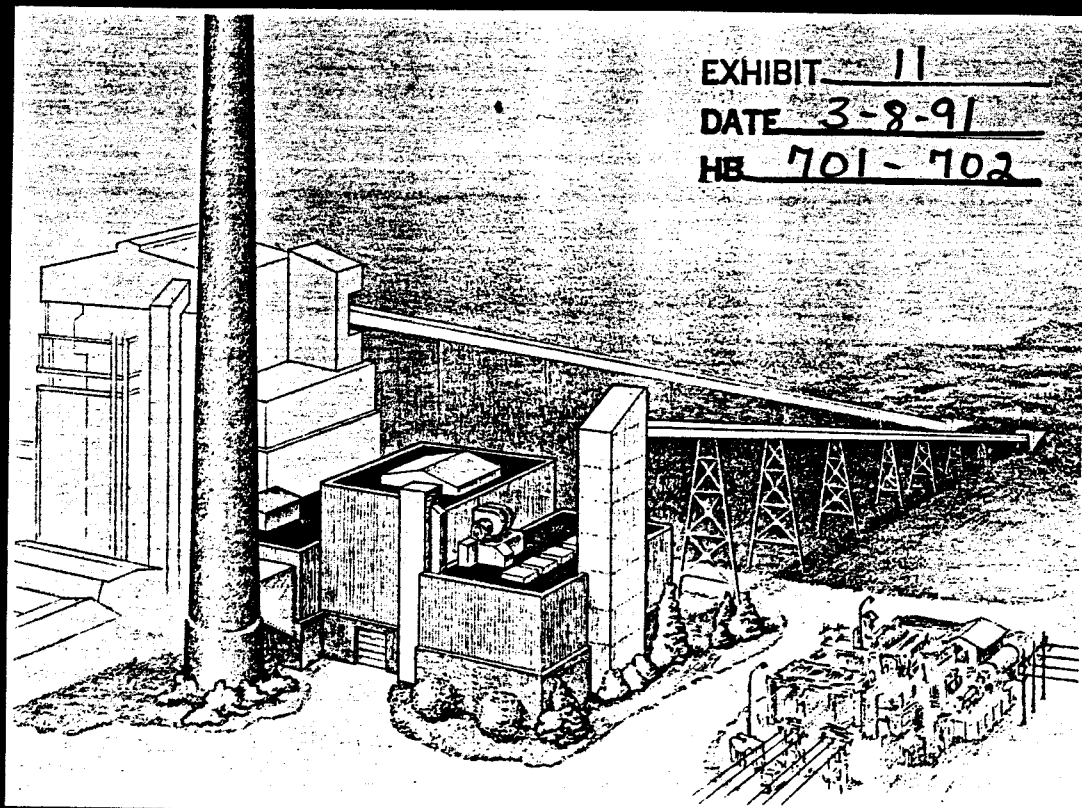


Exhibit # 11
3-8-91 HB 701-702

MHD RETROFIT — OF A — COAL FIRED GENERATING PLANT



EXECUTIVE SUMMARY

BILLINGS

AREA CHAMBER OF COMMERCE®

EXHIBIT 12
DATE 3-8-91
HB 701-702

March 7, 1991

Chairman Dan Harrington
House Taxation Committee Members
Capitol Station
Helena, MT 59601

Re: Testimony in support of HB701 and HB702 (MHD)

Dear Chairman Harrington:

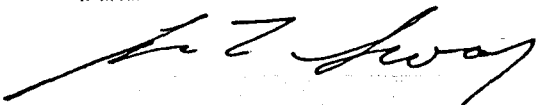
The Board of Directors of the Billings Area Chamber of Commerce urges passage of this legislation allowing property tax abatement and matching financing from the coal tax trust fund and non-trust collections for designated clean coal technology projects.

In mid-1987 the Billings Chamber, recognizing the importance of the MHD demonstration project to our area, formed an MHD Committee. This committee has since taken the local lead in working with congressional and DOE leaders as well as coordinating government and community support for the MHD Development Corporation proposal.

We are pleased now to continue nearly five years of these efforts with our strong support of these bills providing local and state financial help for a project which could have a \$300 million impact on our area.

Benefits to the Yellowstone Valley environment, increased marketability of Montana coal, and job creation in coal mining communities are just a few of our reasons for urging your favorable consideration of HB701 and HB702.

Sincerely,



Alvin L. Swanson, Jr., Chair
Board of Directors
Billings Area Chamber of Commerce

EXHIBIT 13
 DATE 3-8-91
 HB ~~7~~ HR 738

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE _____ BILL NO. 738 NUMBER _____

MOTION: _____

NAME	AYE	NO
REP. BEN COHEN, VICE-CHAIRMAN	✓	
REP. ED DOLEZAL	✓	
REP. JIM ELLIOTT	✓	
REP. ORVAL ELLISON		✓
REP. RUSSELL FAGG		✓
REP. MIKE FOSTER		✓
REP. BOB GILBERT		✓
REP. MARIAN HANSON		✓
REP. DAVID HOFFMAN	✓	
REP. JIM MADISON	✓	
REP. ED MCCAFFREE	✓	
REP. BEA MCCARTHY	✓	
REP. TOM NELSON	<i>DH Px</i> <i>Stang Px</i>	✓
REP. MARK O'KEEFE	✓	
REP. BOB RANEY		
REP. BOB REAM, VICE-CHAIRMAN	✓	
REP. TED SCHYE		
REP. BARRY "SPOOK" STANG	✓	
REP. FRED THOMAS		✓
REP. DAVE WANZENRIED	<i>Px Neom</i>	✓
REP. DAN HARRINGTON, CHAIRMAN	✓	
TOTAL		

AB

AB

12 7

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 907
 DATE 3/8/91 SPONSOR(S) Rep. Harrington
 PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Lyle Nagel	Mt. St. Vol. Fire Fighters Assn	Support w/ amendment	
ART KORN	VOLUNTEER FIREMAN	SUPPORT	
Henry E. Lohr	Mt. State Vol. Fire Fighters Assn	Support w/ amendment	
JAMES A LOFTUS	MONTANA FIRE DIST ASSN	w/AMEND	
Mike Dault	FRT Vol Fire Fighters	Support	
Tom Bury Sr	Mt. St. Vol Fire Fighters	SUPPORT	

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB701
DATE 3/8/91 SPONSOR(S) Rep. Driscoll

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
CAL CUMIN	YELLOWSTONE CO	X	
Steve Huntington	MHD Development Corp.	✓	
T.A. Ziegler	YELLOWSTONE CO.	X	
Keith L. Colbo	MHD Dev Corp	✓	
Tom McKerlick	MT Trade Port	X	
Stella Ziegler	Yellowstone Co	X	
JIM LEIGH	BILLINGS AREA CHAMBER	X	
Jim Wilton	City of Bldg.	X	
Jack Sheno	MSE	X	
Bob Labrie	MDC	X	
Chris Gallus	Butte - Silver Bow BDC	X	
Jim Karkuch	Montana Turbines Co	X	
Carlene Payne	Mt Gate Council		
Jim Jensen	MEIC	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

Mrs Matthew Yellowstone Co. X
JAMES TITWILER MT. CHAMBER X

My Profy

3/8/91

To

SPOOK "THE HARANGER

STAFF.

My be be wise, considerate of
old people and children and
vote me with the vision be
normally possesses ^(as) and shares
with we normal folk.

Mark Kufe