

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB GILBERT**, on March 24, 1993, at
9:00 a.m.

ROLL CALL

Members Present:

Rep. Bob Gilbert, Chairman (R)
Rep. Mike Foster, Vice Chairman (R)
Rep. Dan Harrington, Minority Vice Chairman (D)
Rep. Shiell Anderson (R)
Rep. John Bohlinger (R)
Rep. Ed Dolezal (D)
Rep. Jerry Driscoll (D)
Rep. Jim Elliott (D)
Rep. Gary Feland (R)
Rep. Marian Hanson (R)
Rep. Hal Harper (D)
Rep. Chase Hibbard (R)
Rep. Vern Keller (R)
Rep. Ed McCaffree (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Scott Orr (R)
Rep. Bob Raney (D)
Rep. Bob Ream (D)
Rep. Rolph Tunby (R)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Jill Rohyans, Committee Secretary

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

Committee Business Summary:

Hearing: HB 687
HB 688
Executive Action: None

HEARING ON HOUSE BILL 688Opening Statement by Sponsor:

REP. LARRY GRINDE, HD 30, Lewistown, said the bill includes the extended depth auger method of mining coal as a type of underground mining for taxation purposes. Strip mining ceases when the headwall is hit and it no longer becomes feasible to remove the berm. At this point, the extended depth auger machines are brought in, bore into the seam horizontally, and remove the remaining coal. He had several concerns about the bill, one of which was environmental protection. He said he is convinced it is environmentally sound because the strip mining has already occurred and there is no further surface destruction on land that will be reclaimed. Another concern was for Montana jobs. If this method of mining is used, each machine will result in employment for about 15 people. Revenue concerns are addressed because this is a revenue enhancement measure. The coal that will be mined by this method is coal that would not be extracted under strip mining procedures; therefore, there will be additional revenue for the state.

Surface mining is taxed at 15%; however, it is not feasible to use the extended auger method if it is taxed at 15%. Because the auger method cost of extraction is two to three times that of surface mining, the tax has been set at 4%.

Proponents' Testimony:

Reas Madsen, President, Coal Development Corporation, Montana and Colorado, presented his testimony in support of the bill.
EXHIBIT 1

Jim Mockler, Executive Director, Montana Coal Council, expressed support for the bill. He said there will be no revenue produced for some time as it will be a long process getting the pre-work, licensing, reclamation plans, and final procedures in place and the actual mining begun.

Gary Willis, Western Energy, said this is a way to recover coal that would not otherwise be recovered. He said it would only be used when the strip mine hits the final headwall at the end of the strip mining process.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. ELLIOTT asked what size auger would be used.

Mr. Madsen said they usually use a 7 foot auger, but they are in the process of determining what size would be best for the Montana operations.

REP. ELLIOTT asked how deep or how far they would drill.

Mr. Madsen replied they will go from 300 feet to 700 feet.

REP. ELLIOTT asked if they mine the whole seam.

Mr. Madsen said they do not mine the entire seam. Depending on the size of the seam, they leave various sized segments in order to keep the headwall stable and intact. He said they use computer generated studies to analyze the strength of the overburden and the hole to determine the correct stabilization of the headwall.

REP. ELLIOTT asked what other states employ this method of mining and if a table of differing costs for overhead, surface, underground, and auger methods of mining would be available.

Mr. Madsen said the auger method is used in Colorado, Texas, Wyoming, and a number of eastern states. He said the costs vary widely in different states and different areas of the United States.

REP. HANSON asked if the 4% rate is the same as the underground rate in Roundup.

Mr. Mockler said it is the same.

REP. McCAFFREE asked if this is the same as the Bull Mountain Project.

Mr. Madsen said it is not. Bull Mountain is an underground mine and the extended auger would only be used on surface mining at the very end of the process.

REP. McCAFFREE said he was concerned that there would be no study of the water aquifers after the work is complete.

Mr. Madsen said the mine regulatory people oversee this area and would pass judgement on the state of the aquifers. He said he was not aware of any problems in any other areas.

REP. DOLEZAL asked if the people that would be hired would be brought in or hired in Montana. He also asked how much potential there is for mining and how long it would take to set up the operation.

Mr. Madsen said a supervisor would be brought in with the machine and the other workers would be hired locally. It is anticipated that 15 to 20 million tons of additional coal would be mined. The goal is to be operational by 1994.

REP. RANEY asked that before any action is taken on the bill that some unbiased non-industry numbers be obtained to determine if the costs are higher than surface strip mining.

Closing by Sponsor:

REP. GRINDE said he thinks this is a win/win situation if the Legislature will lower the rate to make it feasible for this type of mining to operate in the state. There are no environmental problems, and more employment and tax revenue for the state.

HEARING ON HOUSE BILL 687**Opening Statement by Sponsor:**

REP. JIM ELLIOTT, HD 51, Trout Creek, said HB 687 temporarily allocates a percentage of the coal severance tax interest to a special revenue account for use by the Department of Fish, Wildlife and Parks for the stabilization and preservation of historic and cultural sites within the state park system. The funds that are currently going into the Parks Trust are diverted to funding the stabilization and preservation of the sites. This was done in 1991 because there were no other funds available and HB 687 simply extends the process for an additional two years. He reviewed the projects currently being funded and those that will be funded by HB 687. **EXHIBITS 2 and 3** He said there would be a loss of interest to the Parks Trust of \$65,000 over the biennium.

Proponents' Testimony:

SEN. SWYSGOOD, Madison and Gallatin Counties, said Bannock is in his area and he has worked with the people who are restoring and maintaining that area. There is significant tourist interest in the area and the funding should be continued. It is in the best interests of the state and the people of Montana to maintain these parks and develop them so that they are protected and enhanced.

Pat Graham, Department of Fish, Wildlife, and Parks, presented his testimony in support of the bill. **EXHIBITS 2, 3, and 4**

Keith Colbo, Montana Tourism Coalition, said the decision to divert the interest in 1991 was a wise and appropriate decision. The proposed two year extension is equally appropriate and necessary.

Marilyn Wessel, Montana State University, Museum of the Rockies, presented a letter in support of the bill from Arthur Wolf, Director of the Museum of the Rockies. **EXHIBIT 5**

Spencer Hegstad, County Commissioner, Beaverhead County, said the first territorial capital, Bannack, is a major tourism attraction. It is slowly deteriorating and is in need of stabilization to prevent any further loss of buildings. Emergency work has been started the past two years, but there are

40 other buildings in desperate need of repair. This is not a new tax and does not affect any other programs. He asked the Committee to support the bill and help preserve Bannack State Park.

Matthew Cohn, Tourism Division, Department of Commerce, said he fully supports the bill and the previous testimony.

John Barrows, Publisher and Editor of the Dillon Tribune, and Secretary of the Bannack Association, said his group was gratified with the money that was made available in the past biennium for beginning the stabilization of the buildings in Bannack. He said it is extremely important that the work continue for the next two years. This bill will help them keep the history and heritage of Montana alive.

Ken Hoovestall, Montana Snowmobile Association, spoke in support of the Ulm Pishkun site in Great Falls. He said they need the support and help the bill provides.

Cindy Kittridge, Cascade County Historical Society, President, Museum Association of Montana, expressed support for the bill and of the Ulm Pishkun site. She said it is a major archeological site and is the largest buffalo kill site in Montana, if not in the United States. They are hoping to establish a cultural visitor center at the site as tourism has increased dramatically. She said it is well known that tourists will stay a day and night longer in places with museums or historical sites. She said the state has a moral and civic responsibility to preserve cultural and historical sites.

Karen Fagg, Governor's Office, expressed support for the bill. She said there is no new tax involved and no other agencies or projects are affected by the bill. The state needs to extend its preservation activities for special historical and cultural sites. She noted investment rates of some of the trust funds are at an all time low. Diversion of some of the funds would result in much less lost interest than those preservation costs which are increasing daily.

Janet Ellis, Montana Audubon Legislative Fund, expressed reluctant support for the bill. She said her organization is uncomfortable with the Trust Fund diversion but supports parks and cultural resource preservation.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. BOHLINGER asked if there is any other source of funding that can be used for cultural preservation.

REP. ELLIOTT said the only portion of the Fish, Wildlife, and Parks that is supported by general fund money is the Parks Division. This is a last ditch attempt to fund the parks preservation as there is no other source for the money. He said he is a reluctant sponsor because he does not like to take money out of the trust.

REP. ANDERSON asked if the funds impact the general fund at all.

REP. ELLIOTT said the interest diversion has nothing to do with the general fund. It comes from the coal tax and goes to the Parks Trust. If the bill does not pass, the interest will simply continue to be deposited to the Parks Trust and no money will be available for the preservation activities. He reviewed **EXHIBIT 4** with the Committee which defines the coal tax distribution.

REP. RANEY asked if any of the money could be spent to utilize the Youth Conservation or Montana Conservation Corps for help at the park sites.

Mr. Graham said most of the projects are capital construction projects and he didn't know how much expertise the Conservation Corp could bring to the projects. He said nothing in the bill would preclude using any source of available labor and expertise.

REP. RANEY asked if it would be necessary to put a request for use of the Corps into statute or if he could rely on the Parks Department to explore that utilization.

Mr. Graham said he felt the legislative intent had been established in this discussion and they would proceed accordingly.

REP. FOSTER said it appears there are projects that would not be funded if this bill were to pass. He asked Mr. Graham to explain the potential impact.

Mr. Graham said there is a \$250,000 shortfall in the Parks Division right now. If HB 642 passes, 6.5% of the bed tax will go into the operation of the Parks Division which would help cure the shortfall. This bill would help reduce the deficit by \$15,000 the first year of the biennium and \$50,000 the second year.

REP. FOSTER asked if it would take \$2 million to fix up Bannack.

Mr. Graham replied it would take \$2 million to do everything that is needed. They have prioritized 40 structures and buildings that need work. It is a very time consuming project and would not improve the buildings, only stabilize them in their current state.

REP. RANEY asked if there is a difference between parks operation and parks maintenance.

Mr. Graham said they are the same thing except for the capital construction portion.

CHAIRMAN GILBERT asked Mr. Graham to bring back to the Committee a listing of what would not be funded if this bill passes. He asked Mr. Graham to base that list only on this bill and not on the passage of failure of any other bill.

Closing by Sponsor:

REP. ELLIOTT said we are continually unwilling to pay for the preservation of our historic heritage. He said the books say if you forget history, you are condemned to relive it. If we neglect our historical sites, we will have to rebuild them. Every nation and every culture seeks out its own history and cultural sites and recreates them. Because our history is so young in Montana, we can save a great deal of money and effort by maintaining our cultural sites.

ADJOURNMENT

Adjournment: The meeting adjourned at 11:15 a.m.



BOB GILBERT, CHAIRMAN



JILL ROHYANS, Secretary

BG/jdr

HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL

DATE

3/24/93

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN	✓		
REP. FOSTER	✓		
REP. HARRINGTON	✓		
REP. ANDERSON	✓		
REP. BOHLINGER	✓		
REP. DOLEZAL	✓		
REP. DRISCOLL	✓		
REP. ELLIOTT	✓		
REP. FELAND	✓		
REP. HANSON	✓		
REP. HARPER	✓		
REP. HIBBARD	✓		
REP. KELLER	✓		
REP. McCAFFREE	✓		
REP. MCCARTHY	✓		
REP. NELSON	✓		
REP. ORR	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. TUNBY	✓		

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE.

MY NAME IS REAS MADSEN AND I AM PRESIDENT OF COAL DEVELOPMENT CORPORATION WITH OFFICES IN MONTANA AND COLORADO.

EXHIBIT 1
DATE 3/24/93

I AM APPEARING THIS MORNING IN SUPPORT HB 688 CONCERNING COAL HB 688
PRODUCED BY AUGER MINING.

AUGER MINING OCCURS WHEN A SURFACE MINE REACHES ITS ECONOMIC LIMIT. ALL SURFACE MINES REACH SEVERAL ECONOMIC LIMITS (FINAL HIGHWALLS) THROUGHOUT THE LIFE OF THE MINE.

THE ECONOMIC LIMIT IS REACHED WHEN IT BECOMES MORE COSTLY TO REMOVE THE 150 TO 200 FEET OF OVERBURDEN FROM THE COAL THAN IS JUSTIFIED BY THE VALUE OF THE COAL SEAM LYING UNDER IT.

AUGER MINING RECOVERS COAL FROM THE FINAL HIGHWALL BY BORING LARGE SHAFTS OR HOLES INTO THE DEPOSIT.

THERE ARE 8 MAJOR BENEFITS TO THE STATE OF MONTANA FROM THE PASSAGE OF THIS BILL:

1. THE COAL RECOVERED BY AUGER MINING IS COAL THAT WOULD OTHERWISE NOT BE MINED AND WOULD BE LOST FOREVER. THE RECOVERABLE COAL RESOURCES OF MONTANA ARE THEREFORE INCREASED.
2. THE SEVERANCE TAX RECEIVED FROM AUGER COAL IS TAX REVENUE THAT WOULD NOT OTHERWISE BE REALIZED.
3. THERE IS ABSOLUTELY NO ADDITIONAL SURFACE DISTURBANCE BY AUGER MINING BUT ADDITIONAL COAL IS RECOVERED FROM THE DEPOSIT.
4. AUGER MINING WILL FACILITATE AND MAKE POSSIBLE FULL UTILIZATION OF THE COAL RESOURCE, AS DICTATED BY MONTANA STATUTORY LAW.
5. AT PRESENT, THERE IS NO AUGER COAL PRODUCTION IN MONTANA. WITHOUT THIS BILL, THERE MAY NEVER BE ANY AUGER COAL PRODUCED IN MONTANA AND VALUABLE, MINABLE COAL RESOURCES OF MONTANA WILL BE WASTED AND LOST.
6. APPROXIMATELY 25 JOBS INCLUDING SUPPORT PERSONNEL ARE CREATED WITH EACH AUGER MACHINE.
7. PASSAGE OF THIS BILL WILL ALLOW MONTANA COAL TO BE MORE COMPETITIVE IN THE WORLD MARKETPLACE.
8. WITH THE PASSAGE OF THIS BILL \$6 TO \$10 MILLION IN ADDITIONAL SEVERANCE TAX REVENUES WILL BE GENERATED OVER THE NEXT FEW YEARS.

THERE ARE NO DETRIMENTAL EFFECTS OF THIS BILL.

IN ADDITION TO THE ABOVE, CDC IS CURRENTLY WORKING WITH MONTANA STATE UNIVERSITY ENGINEERING PERSONNEL TOWARD THE GOAL OF FUTURE TECHNOLOGICAL ADVANCES IN AUGER MINING.

HOPEFULLY, THIS WORK WILL CREATE EVEN GREATER TAX REVENUES AND JOB CREATION FOR THE STATE OF MONTANA.

HB 687
March 24, 1993

EXHIBIT 2
DATE 3/24/93
HB HB 687

**Testimony presented by Pat Graham, Dept. of Fish, Wildlife & Parks
before the House Taxation Committee**

Historic preservation is defined as the movement to retain physical evidence of the past. It is inspired by a realization of the complex interaction among the past, present and future. These physical remains help us to understand how we became what we are and enhance our understanding of events and persons significant to our development. The preservation of historic and cultural resources enhances the very quality of our lives.

HB 687 makes a significant contribution to preserving a portion of Montana's past, embodied in the Montana State Park system. Of 42 state parks, 18 are significant historic or cultural sites, some of which have national and international importance.

These resources are irreplaceable. If unprotected, vandalized, or allowed to continue to deteriorate, many of these rare jewels will disappear, and part of Montana's history will be lost forever, unavailable to the next generation.

HB 687 continues for two more years, the cap on the parks portion of the coal trust. The cap was initiated in 1991 with HB 1008 which allowed improvement and preservation actions to occur at several sites throughout the state. Interest earnings which pay for park operations would remain static, but over \$1 million would be available to preserve resources and make a few more needed

improvements at places like: Bannack State Park near Dillon, our first territorial capital; Makoshika State Park near Glendive, site of a recent dinosaur discovery; Ulm Pishkun near Great Falls, location of one of the largest buffalo jumps in the world; and Pictograph Cave State Park near Billings where erosion threatens the pictographs and other associated Native American cultural sites. Work at Bannack, Makoshika and Ulm Pishkun is contained in HB 5, but is currently unfunded.

HB 687 is not a new tax and would not impact any other entity currently receiving coal trust dollars. Although we would forego approximately \$65,000 in interest earnings each year into the future, approximately \$1 million would be available for immediate improvements to historic and cultural sites. No other viable funding alternatives appear to be available this session.

In addition to the need to preserve our rich history, tourism and interest in these sites is becoming more important to Montana's economy. In recent surveys by the Tourism Research Institute at the University of Montana, visiting historic sites is consistently in the top two or three activities most sought by nonresident visitors.

If these sites are properly protected they can become the basis for local economic development, especially in rural Montana.

We urge your support of HB 687.

EXHIBIT 3
DATE 3/24/93
HB 687

HB687

Use of Funds from Parks Coal Tax FY94/95

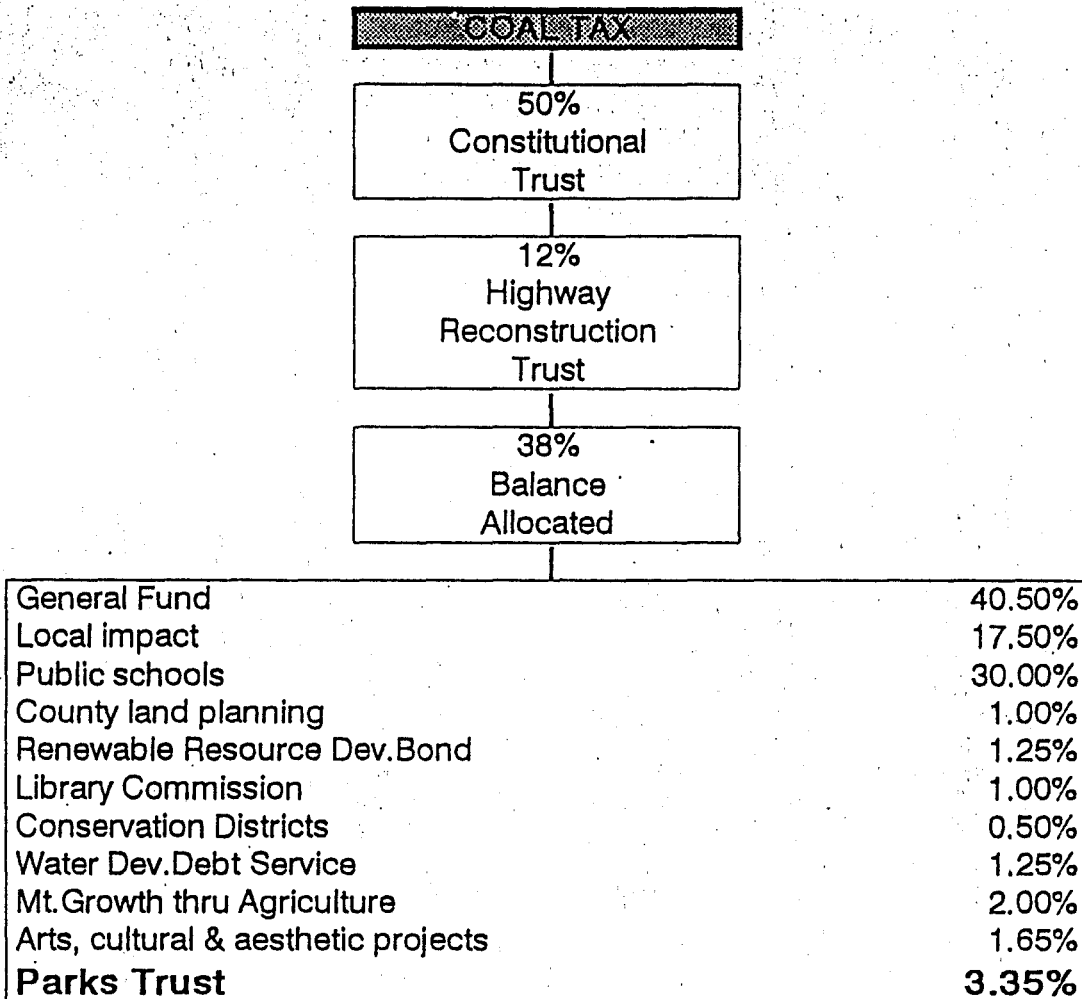
The Protection of Historical and Cultural State Park Features.

PROJECTS	Amount of HB687 Coal Tax	Project Total
<u>MAKOSHIKA</u> -- Glendive This project preserves paleontological resources, provides for their display and interpretation, provides improved visitor use opportunities, disabled access and archaeological resource protection.	195,000	1,500,000
<u>BANNACK</u> -- Dillon This project continues the stabilization work identified through the historic structure analysis process funded by the 1991 Legislature, removes incompatible uses from historic buildings, upgrades the fire protection system, improves the visitor center and adds disabled access within historic preservation guidelines.	582,000	2,000,000
<u>ULM PISHKUN</u> -- Great Falls This project completes a master site plan and construction documents to protect and interpret the area's archaeological and natural resources.	200,000	200,000
<u>PICTOGRAPH CAVE</u> -- Billings This project addresses the erosion which is threatening the pictographs.	65,000	65,000
Total	1,042,000	3,765,000

COAL TAX DISTRIBUTION

MCA 15-35-108

EXHIBIT 4
DATE 3/34/93
HB 687



*Proposal to extend to
June 30, 1995*

FY	\$ Available	Interest Lost	Net Increase
1992	\$521,000	\$15,135	\$505,865
1993	\$521,000	\$50,172	\$470,828
TOTALS	\$1,042,000	\$65,307	\$976,693

(Current annual interest to Parks operations would level off at \$1,143,295 per year.)

EXHIBIT 5
DATE 3/24/93
HB 687



March 24, 1993

MUSEUM OF THE ROCKIES

Representative Bob Gilbert
Chairman
House Taxation Committee
Montana Legislature
Capitol Complex
Helena, Montana

Dear Chairman Gilbert:

I am writing today as a proponent of HB 687, which would temporarily allocate a percentage of coal severance tax interest to a special revenue account for use by the Department of Fish, Wildlife, and Parks for the stabilization and preservation of historical and cultural sites within the State Park system. The Museum of the Rockies fully supports the efforts of the State Park System to protect, preserve and interpret the historical and cultural resources on its lands for the education and enjoyment of all Montanans and for the enhanced services to the tourism industry that the renovated Parks will provide.

We are particularly supportive of the proposed use of these funds for preservation, display and interpretation of paleontological resources at the Makoshika State Park near Glendive, where we have cooperated in recent years with State Parks on important excavations and interpretation of dinosaur sites.

Given the specific purposes, limits on funding and effective dates, and overall positive impact for the price, we urge your committee to recommend that this bill be passed.

Sincerely,

Arthur H. Wolf
Director



HOUSE OF REPRESENTATIVES
VISITOR REGISTER

HOUSE TAXATION COMMITTEE BILL NO. 688
DATE 3/24/93 SPONSOR(S) GRINDE ELLIOTT
PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
SPENCER HEWITT - DILLON	BANKERS COUNTY Commission	✓	
JOHN BARROWS DILLON	BANNACK Association	✓	
Annie Olsen	F&P	✓	
Cindy Kittredge	Cascade Co. Historical Society		
Keith L. Colbo	Tourism Coalition	HB 687	
Pat Graham	DFWP	HB 687	
Ken Hovvostol	MT. Snowmobile Assn. + Self	687 ✓	
Marilyn Wessel	MSU	687	
Jane Hammer	Budget Office	687	
Jim Mockler	MT Coal Council	HB 688	
Gary Willis	Western Energy	H-B 688	
Reas Madsen	Coal Development Org	HB 688	
Janet Ellis	MT Audubon Leg. Fund	HB 687 HB 688	
Matthew Gilm	MT Dept of Commerce	V HB 687	

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