

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on April 6, 1993, at 7:00 a.m.

ROLL CALL

Members Present:

Sen. Mike Halligan, Chair (D)
Sen. Dorothy Eck, Vice Chair (D)
Sen. Bob Brown (R)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John Harp (R)
Sen. Spook Stang (D)
Sen. Tom Towe (D)
Sen. Fred Van Valkenburg (D)
Sen. Bill Yellowtail (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Bonnie Stark, Committee Secretary

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

Committee Business Summary:

Hearing: HB 17, HB 322, HB 616, HB 639, HB 640,
HB 670, HB 688, HJR 19
Executive Action: HB 17, HB 639, HB 640

HEARING ON HB 322

Opening Statement by Sponsor:

Rep. Gary Feland, House District #12, presented HB 322, which is a bill to re-enact the stripper exemption that was lost during the Desert Storm military action when the price of oil raised to over \$25/barrel. Under HB 28, there was a mechanism to kick the tax on, but there wasn't a mechanism to trigger it back off when oil dropped to below the \$25/barrel figure. Rep. Feland said Don Hoffman, Department of Revenue (DOR), provided information on revenue impact of exempting the first 3 barrels of

production from qualified oil stripper wells. Mr. Hoffman determined the average daily production for all qualified stripper wells as 3.194/barrels per day. His findings are in a letter marked Exhibit No. 1 to these minutes. At this time, the impact from HB 322 will be approximately \$402,000 per year if the first three barrels are exempt.

Proponents' Testimony:

Kneelon Teague, a petroleum geologist residing in Shelby, President of the Northern Montana Oil & Gas Association, spoke in support of HB 322. Mr. Teague said his area is comprised totally of small stripper producers. The average stripper production in the state is around 3 barrels; the average stripper production in his area is 1 barrel per day. There are no major companies in their area, and most of the small companies are "Mom and Pop" operators. There are leases in their area with 100 or more wells on them that produce less than 50 barrels per day. The producers in his area feels if they don't get some kind of relief, no matter how small, these wells will have to be plugged. The sad part of plugging the wells is that most of the people do not have the funding to plug them, and the state will inherit the plugging program. As long as the operations can be kept viable and alive, the state is in good shape and the people are still in business. Mr. Teague asks the Committee to pass HB 322.

Doug Abelin, Northern Montana Oil & Gas Association of Shelby, presented Exhibits No. 2 and No. 3 to these minutes. Mr. Abelin said Exhibit No. 3 was presented to the Legislative members in a seminar in February of 1991. The information in Exhibit No. 2 is taken from the 1992 operating records of one drilling company. Mr. Abelin said his area is only about 10% of the production in the state, but are 60%-70% of the activity that keeps the servant companies alive, which pays the tax base. He asked for the Committee's support of HB 322.

John Alstad, a Commissioner from Toole County, said the County Commissioners are in favor of HB 322. The production in the oil fields has been very minimal, mostly under one barrel per day. Many people in that area are Mom and Pop operations that pump in the morning and work at other jobs in the afternoon. Toole County supports HB 322 because they want to keep what they already have, and if these wells are abandoned or plugged, then everybody will be a loser.

Jerry Kennedy, with J & G Operating, a small oil producer in northeast Montana, appeared in favor of HB 322. In 1991, they ranked 69th producer in the state. They employ anywhere from 3 people to 13 people, depending on the price of oil. If this severance tax would be dropped, it would not only help them keep their people employed, it would give them some stability. Mr. Kennedy asked for passage of HB 322.

Patrick Montalban, President and CEO of MSR, Inc., and Gypsy Highview Gathering System, Inc., of Cut Bank, said they have worked as operators in the state for over 20 years, operating approximately 300 wells in Glacier County, and their average production is about 600 barrels per day. Mr. Montalban said he comes to this hearing in support of HB 322 relating to economics and jobs. The economic side of stripper production is that operators are netting at the well-head \$17.40, minus \$1.50 for gravity adjustment, which brings the bottom line to approximately \$16 per barrel. That is on the economic limits for producing the stripper wells. Mr. Montalban's businesses employ approximately 20 employees in the Cut Bank area; their families represent about 100 people in the communities in Glacier County. The tax break through HB 322 will allow them to roll the money from the tax break into drilling new wells, and every time they drill a new well in the state, it creates approximately 40 to 50 jobs for service-related companies.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Doherty asked Don Hoffman, DOR, about the estimated \$400,000 impact. Mr. Hoffman said this is a very accurate figure using 1990 fiscal year information because that is the last year the stripper classification applied to the state severance tax before the price of oil flew up during the Mid-east Gulf crises. They examined each of the wells classified as stripper wells, looked at their production and assumed a 3-barrel cut-off. This was based upon the exemption that would have occurred, assuming 1990 production, using projected 1994/1995 prices.

Senator Doherty asked the sponsor if the \$800,000 loss has been figured into the over-all revenue projections. Rep. Feland said it is figured in.

Senator Yellowtail asked if the inevitable is just being put-off, converging to a situation where these wells will go out of production. Mr. Abelin responded that the problem is being addressed during this Legislative Session. Senator Gage has a bill (SB 429) to put RIT interest funds into a continuous plugging program through the Oil and Gas Board. There are a lot of orphan wells with no ownership. If SB 429 passes, it will allow approximately \$600,000 per year towards plugging these wells. To kill the stripper wells doesn't correct the problem. To allow them to continue to produce and survive until pricing comes up is the key.

Senator Towe asked if there is a requirement under EPA or the Federal law for any bonding. Mr. Abelin said there is a \$25,000 Federal bonding requirement on injection wells only, and EPA requires a \$5,000 bond per well.

Senator Towe said the RIT fund was set up to reimburse the citizens of the State of Montana for the loss of a valuable resource. This Committee did pass SB 429 which asks that the first RIT priority be given to plugging orphan wells.

Senator Halligan asked Senator Gage if there is individual liability beyond the bond, in the event of a responsible owner, and if the Department of Natural Resources and Conservation (DNRC), or another department, could sue the owner if he did not plug an abandoned well. Senator Gage said it is his understanding, to the extent there is an identifiable party and they have financial ability, the Department will require them to either pay for plugging the well properly, or if they refuse to, then the State can do it and seek reimbursement.

Mr. Montalban said the bonding issue should be a great concern, but HB 322 is talking about oil people who are operating and continuing to generate cash flow, employment, and taxes for the state.

Closing by Sponsor:

Rep. Feland said there are 1500 wells in the Kevin-Sunburst field in Toole County producing about 3/4 barrels per day, but they are about 50% of the tax base in that county. Glacier and Pondera Counties are in similar situations. He encouraged a favorable vote on HB 322.

HEARING ON HB 17

Opening Statement by Sponsor:

Rep. Sheila Rice, House District 36, presented HB 17, which is a bill to allow the Department of Commerce (DOC) to establish dealer license fees by rule for petroleum dealers and liquefied petroleum dealers. The income from these license fees will be deposited into a State Special Revenue Fund. Rep. Rice said the stricken language on Page 2 of the bill will strike from current law the exact amount that each petroleum dealer pays per meter. The new language in HB 17 will take the fees out of law and put them into rule-making. The intent of HB 17 is to make the licensing process on petroleum dealers and liquefied petroleum dealers self-supporting, so the General Fund will not be used by DOC for this purpose. Rep. Rice said this will get the Legislature out of micro-managing where they have to adjust the fee every two years, and puts the control in the rule-making authority of the DOC. The DOC is still limited by virtue of the budgetary process. According to the fiscal note, there will be a savings of \$150,000 this biennium if HB 17 is passed.

Proponents' Testimony:

Jim Kembel, Administrator of the Public Safety Division, DOC, spoke in support of HB 17 and presented his written testimony as Exhibit No. 4 to these minutes. He said HB 17 is coupled with HB 70, which provides authority for scales; his testimony addresses both of these bills.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Stang questioned the information on proposed fee increases and the fact that HB 17 allows fees to be set by rule-making authority. The Senator asked Mr. Kembel if he would object to the Legislature limiting how much the fees can raise. Mr. Kembel said they have inserted language into the Statement of Intent of both bills that their fee would be commensurate with their costs. The only concern Mr. Kembel sees with setting a maximum on the fees is that in each Legislative Session, as the budgets change, the DOC would have to come to the Legislature to try to change those limits. He feels there are effective ways to deal with the situation if it gets out of hand through the six layers of government who review the process.

Senator Towe asked for clarification of the fiscal note. Mr. Kembel said the confusion in the fiscal note is in splitting the two bills, HB 17 and HB 70. HB 17 addresses only petroleum measuring devices; HB 70 addresses only weighing devices, so only part of the savings are seen in this bill and fiscal note.

Senator Stang said the Statement of Intent in HB 17 indicates the DOC would be setting their own budget, their own costs of doing business, and they are going to raise the fees to do that. There is no control over what they determine are the costs. He asked for proof that their budget is not inflated so they can inflate the costs. Mr. Kembel said they have to deal with industries and their customers are very vocal in the fee-setting process. If they do not respond adequately to complaints about the fees, the DOC is then answerable to the Legislative Code Committee. At the end of that process, they must go through the budget process and justify their budget to the Legislators.

Senator Halligan asked if they also have to go through a rule-making process in order to set the rules, and who do they give notice to when they set the rules. Mr. Kembel replied that they do have to go through this process, and they deal with the Montana Petroleum Dealers Association and the other petroleum

industries as well as gas station organizations, and other same types of organizations.

Senator Stang asked what the DOC does to notify stations who do not belong to those organizations, who represent approximately 1/3 of the gas stations in the state. Mr. Kembel responded that they publish notices in the normal process, but there is also a possibility of mailing them each a notice.

Senator Towe asked for an example of licensing fees. Mr. Kembel said the typical gas station under the fee schedule would pay \$7 per nozzle; under the HB 17 proposal, they would pay \$12 per nozzle. A 2" or less meter on a truck which now pays \$20, would pay \$35 under the proposed fees. A meter of over 2" would now pay \$25 and \$45 under the new system. LPG is currently paying \$30, and would be \$55 under the new system. Vehicle tanks means a calibrated tank where a whole load would be dumped.

Senator Gage asked to what extent, if any, did the House tie the two bills together. Mr. Kembel said the Highways, Business and Taxation committees reviewed the bills.

Closing by Sponsor:

Rep. Rice said the proposed fee increased is a very small amount on the per nozzle, and would be 5/1000 of a cent per gallon for a small gas station.

In reply to Senator Stang's concerns about fees being raised out of sight, Rep. Rice said the greatest oversight is the budgeting process where all FTEs and all equipment is approved via HB 2.

EXECUTIVE ACTION ON HB 17

MOTION:

Senator Yellowtail moved that HB 17 BE CONCURRED IN.

DISCUSSION:

Senator Grosfield said a review of the history of the statute shows it was amended in 1991 when the fees were increased, and the previous time it was amended was in 1983. He has a tendency to agree with Senator Stang's concern about all the fee-raising ability being given to the Departments. The Legislature is not saving the taxpayers anything by giving this process to the Departments, and is actually increasing the net hit on the taxpayers.

Senator Halligan asked if it would help to insert the language, "that the fees must cover costs" in the statutory language instead of in the Statement of Intent. Senator Stang said it would not help him any. All this Committee is doing is

increasing taxes; they are not cutting any department's budget; they are taking this out of the General Fund, putting it in a Special Fund, and raising a fee on the taxpayers of this state. This is a tax increase disguised as a fee.

Senator Eck said she agrees to an extent with Senator Stang; however, what this Committee has done for a long period of time is cut taxes year after year. If the people of Montana and the people in the Legislature aren't willing to raise taxes, they must rely on user fees. She thinks people don't object to user fees nearly as much as they object to taxes.

Senator Yellowtail said he sympathized with Senator Stang's point of view; however, if there is going to be a statutory requirement that these controls be in place, the Legislature is going to have to be able to pay for them.

The motion that HB 17 BE CONCURRED IN CARRIED 6-3 on Roll Call Vote (#1). Senator Towe will carry the bill on the Senate floor. (771204SC.Sma)

HEARING ON HB 688

Opening Statement by Sponsor:

Rep. Larry Grinde, House District 30, presented HB 688, a bill to include the Extended Depth Auger method of mining coal as a type of underground mining for purposes of taxation. He thinks this proposal is good for the State of Montana and the taxpayers. There are three main reasons he decided to present this bill:

(1) He doesn't see where there would be any environmental damage because this process will be used after strip mining has occurred. (2) The process of auger mining will create jobs in the state. (3) This will create state revenues we do not have now and possibly could reap in the future. When strip mining has occurred and they reach the high wall, and it is no longer economically feasible to mine the coal that is remaining, there is a seam under the high wall. The auger mining company thinks they have the means and methods with this auger machine to bore into the seam horizontally and extract the coal that would normally not be extracted. Rep. Grinde thinks this is a win/win situation for the workers of Montana and for the coffers of the state.

Proponents' Testimony:

Reas Madsen, President of Coal Development Corporation with offices in Montana and Colorado, appeared in support of HB 688. Mr. Madsen presented his written testimony as Exhibit No. 5 to these minutes.

Rep. Jerry Driscoll, House District 92, appeared to speak in support of HB 688. Rep. Driscoll said he talked with some friends who work at Colstrip and Decker, and was informed that mining is leaving behind the edge of the seam that this auger method of mining will take out. When that amount of coal is left underground, they have to open up more ground ahead of it with a seam that is a lot thicker. There will be less surface disturbance and damage with this mining process.

Ken Williams, representing Montana Power Company, Entech and its subsidiary, Western Energy Company, spoke in favor of HB 688. Mr. Williams emphasized that while they support this bill, they have no intention of employing this technology for a number of years to come. The reason for that is this method would only be used at a surface mine when in the last task, because the costs of the auger mining are sufficiently greater than the surface mining process, and it would not be feasible until a point where the surface mining ends. His companies do not anticipate being in a position to employ this method of mining at Colstrip for at least an additional five years, but they would like to have the auger mining process as an option a number of years down the road.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Towe asked Mr. Madsen if he is actively seeking or pursuing a mining operation in Montana at this time. Mr. Madsen said they have had conversations with all of the coal mines in the state, and are in various stages of talks at this time.

Senator Towe asked how far underground (horizontally) the auger mining method goes into a coal seam. Mr. Madsen said right now they have the technology to go 350 to 400 feet. The work they are doing with Montana State looks very promising and has a good chance of increasing that depth to possibly 600 feet and beyond. The typical average auger mine horizontal depth would be 150 to 250 feet.

Senator Towe asked what percentage of the coal is actually obtained with this auger method. Mr. Madsen said it depends on how thick the seam is and how large a hole is drilled. The maximum, if everything is perfect, would be nearly 70%. This could go down to 20%. They try to get as high a percentage as what they can get. The percentage variation has to do with the thickness of the seam. Right now the largest hole they can cut is 7 feet. If they have a 7-foot seam and a 7-foot hole, they

will get 70%; if they have a 20-foot seam, they would stack the holes, but there is no way to get as high a percentage as they can if the seam and the hole are the same size.

Senator Towe asked if there is a 50-foot seam, what happens when they start boring holes through it; doesn't some coal come down? Is there a safety problem? Mr. Madsen said there are safety considerations. They use computer modeling to make certain that the web in between the holes, and the support pillars on the side, are large enough so that the high wall remains intact. This is not a huge problem and it is fairly easy to figure this out. He is confident this is not a risk or danger that the state shouldn't be getting into.

Senator Towe said there are some concerns in the Pittsburgh area because there are places where the ground is sinking in because of mining extractions years previous. He is concerned that there is some risk from state policy considerations, and suggested to Mr. Madsen that maybe a 10% tax, or somewhere in between 15% and 4% would be more appropriate. Mr. Madsen explained that historically, the subsidence problem that has occurred in various parts of the Eastern U.S. has not come from auger mining--it has come from underground mining where the cuts are square cuts and can range up to 30 feet wide. The auger method is a 7-foot round hole, where support pillars of about 3-foot to 4-foot on each side of each 7-foot cut are left. Subsidence is not impossible, but the likelihood of a large amount of subsidence is fairly remote. The question of a higher rate is difficult to answer. His experience has been, in talking to the mine owners, is that extended depth auger production is 2 to 3 1/2 times as expensive as surface mining, and in order for it to make economic sense for the mine, the 4% works, but he is not certain that anything greater than 4% does.

Senator Doherty asked Rep. Grinde if the underground auger method will apply to the proposed mine near Roundup. Rep. Grinde said he cannot answer that. Senator Towe responded that at the present time, underground mining is planned for the Roundup mine.

Senator Doherty suggested there could be a situation where one part of the strip mine would have one level of taxation, and in the same strip mine, there would be another level of taxation, and that might require more people to make sure the tax is applied appropriately. He asked if Rep. Grinde would support adding FTEs to the Department of Revenue (DOR). Rep. Grinde responded that the people he has talked to about this concern have indicated there would not need to be any employees added. The people with the auger method would not go in until all the strip mining force is completed. It should be very easy to separate the two methods of mining. Rep. Grinde did not see that it would take the DOR any additional staff to monitor the mining operations to make sure the two methods of mining are taxed appropriately.

Closing by Sponsor:

Rep. Grinde closed by saying he tried to research information on costs to explain a major concern about why auger mining is taken from 15% to a 4% tax rate. Rep. Grinde presented Exhibit No. 6 to these minutes which explains in part the reasoning behind the taxing difference. This article is from the DOR records. He said it costs 3 to 5 times more to auger mine that to surface mine coal. The equipment consists of a 7-foot diameter drill bit that bores 300-plus feet into a coal seam. The machine that powers the auger runs on 75 gallons of diesel fuel per hour; it is manned by 15 people. There is some expense involved in the process. Even at 4%, the bill will create good things for the State of Montana.

Rep. Grinde said he has heard questions expressed regarding ecological/hydraulic concerns. These mining companies would have to go through a permitting process, the Office of Surface Mining and Federal Organization (OSM) for permitting, and also go to the State Lands. They would be permitted like any other type of mining in the state. The environmental concerns would be addressed at that time. It will cost the Coal Development Corporation a lot of up-front money to set up an auger mining operation through leases, the permitting process, and in contracts with the coal companies. Rep. Grinde said the state would not benefit if the coal is left in the ground. He said 15% of nothing is nothing; 4% of something creates jobs and brings revenue to the State of Montana.

HEARING ON HB 640**Opening Statement by Sponsor:**

Rep. Jerry Driscoll, House District 92, presented HB 640 which is a clarification bill drafted at the request of the House Taxation Committee. Rep. Driscoll said the Legislature, during a Special Session, changed the taxation of railway cars from the previous method of taxation. These are not Burlington Northern (BN) cars; they are railroad cars which are the property of leasing companies. HB 640 changes the definition of the average levy for the taxation of railroad car companies to be the average statewide rate on commercial and industrial property instead of the average applicable to fleet motor carriers. This bill comes as a result of problems with some people not paying their taxes because of protests. He believes that under this bill, these people will start paying and the taxes can be collected.

Proponents' Testimony:

Dave Woodgerd, Legal Counsel for the DOR, said HB 640 is a committee bill from the House Taxation Committee by request from the DOR. The purpose of the bill is to make sure that the railroad car property tax passed in the July, 1992, Special

Session complies with the 4R Act. This is a unique property tax in that the money does not go to the local government, but goes directly into the State General Fund because it is a replacement of the Freight Line Tax. There has to be a mill levy to apply to it, and because it is a state-wide tax, they use the state-wide average mill levy used for interstate motor vehicle fleets. However, because of the comparison class under the 4R Act for commercial industrial property, there was some question raised as to whether or not the state-wide mill levy was in compliance with the 4R Act. In order to take that issue away, the DOR has proposed this amendment which would make the average mill levy to be the average state-wide mill levy for other commercial and industrial property in the State of Montana. The result will be a slight decrease in the mill levy from 326.56 to 317.51. using the 1990 average levy.

Opponents' Testimony:

Jim Mockler, Executive Director of the Montana Coal Council, appeared in opposition to HB 640, mainly to enlighten the Committee on a bit of history of this bill. During the 1989 Special Session, the DOR proposed a somewhat complex bill to change the method of taxing rail cars. When he asked the DOR personnel what that would do to Detroit Edison who owns their own rail cars and buys a lot of Montana coal, the DOR said it would change it a few thousand dollars, but nothing dramatic. The fiscal note on the bill showed that it would raise at least \$1.2 million which is the amount of money being raised under the Old Rail Car Tax. Mr. Mockler said Detroit Edison's tax went from \$54,000 to approximately \$450,000 a year; grain car company's taxes went from \$16,000 to \$355,000 a year. The fiscal impact of the bill went from between \$1.2 million and \$1.8 million, to a figure of \$3.3 million, and it is still rising. Mr. Mockler thinks this tax is unjust to the grain producers, coal producers, and other bulk shippers in the State.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Towe asked Mr. Woodgerd why Section 15-24-103, the truck fleets, was chosen in the first instance. Mr. Woodgerd said that section was chosen is because the DOR was hastily trying to draft a bill as a result of a lawsuit that had been filed saying the Freight Line Tax was unconstitutional. At about the same time the DOR was in Federal Court on that issue, the July, 1992, Special Session came along and they seized on that opportunity to draft a bill. In drafting the bill, they looked around to find out where there was a state-wide mill levy already calculated so they didn't have to do the calculation over again, and they picked up this one. On hindsight, the DOR realized this was a mistake and they should have gone commercial-industrial.

Senator Towe asked why commercial and industrial property is more appropriate than heavy transportation property; it would appear that interstate motor vehicle fleets would be more akin to rail cars than all commercial and industry property. Mr. Woodgerd said the DOR needs to make sure they are complying with the 4R Act. The 4R Act says that this is commercial industrial property. The DOR feels if the State is going to get sued, they are better off to have that comparison. There is no present court case pending, but they have not yet sent out any tax bills under this tax.

Senator Towe asked Mr. Mockler if it wouldn't be more reasonable to have HB 640 in effect. First of all, it is Federally mandated; and secondly, the State is actually going to give companies like Detroit Edison a slight tax break by going from 3.26 to 3.17. Mr. Mockler said he opposes the bill mainly on principles. The Big Horn and Rosebud county areas where Detroit Edison operates their rail cars is considerably lower than the rate in the bill.

Senator Harp asked Mr. Woodgerd about the retroactive date of December 31, 1990, and if the State is picking up some taxes as a result of HB 640 that we wouldn't get otherwise. Mr. Woodgerd replied no, that the retroactive effective date is the same date as in the July Special Session bill, and they are just going back to the beginning of that bill.

Senator Harp asked what is being collected currently. Mr. Woodgerd said the DOR adopted the rules and sent out valuations, but hasn't sent out any tax bills yet for tax year 1991.

Senator Towe asked why the fiscal note doesn't show anything about the collection for past years, if this is made effective for tax years beginning after December 31, 1990. Mr. Woodgerd said the DOR is looking at collecting approximately \$3 million a year for 1991, 1992, and 1993. The \$9 million showing on the fiscal note for FY '94 reflects that retroactive amount. The \$3.2 million would be typical from that date forward. The DOR only put in \$6 million because of the retroactivity problem and problems with a possible lawsuit, and they anticipate not collecting it all this fiscal year. It is Mr. Woodgerd's understanding that \$6 million was put into HJR 3 for FY '94.

Senator Gage asked the bill's sponsor for an explanation on how these figures are used in the reflection on HJR 3. Rep. Driscoll said when HJR 3 passed the House, there was nothing in there for HB 640. The estimate is that of the \$9 million collected, \$6 million will be one-time money.

Senator Eck asked what the prospects are of this being paid under protest. Mr. Woodgerd replied that whenever dealing with the 4R Act, he is never certain; however, the DOR believes there is a potential problem that has been raised by the taxpayers concerning the first year because of the retroactivity issue.

The DOR believes the prudent course is to assume they will not collect the first year's revenue in FY '94. However, they believe that for the next three years and beyond, the state is in compliance with the 4R Act and they will be able to collect that tax.

Closing by Sponsor:

Rep. Driscoll said the State will eventually get \$6 million in this fiscal year. HB 640 is constitutional, and he asks concurrence in the bill.

EXECUTIVE SESSION ON HB 640

MOTION/VOTE:

Senator Towe moved HB 640 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. (771206SC.Sma) Senator Towe will carry the bill on the Senate floor.

HEARING ON HB 639

Opening Statement by Sponsor:

Rep. Jerry Driscoll, House District 92, presented HB 639 which is a bill requiring the DOC to establish a program to provide matching state funds for local economic development funds, subject to appropriation. The money would be sent back to the certified communities. Rep. Driscoll said 96% of the population in the state lives in a community that is a certified community. The money would be used locally for economic development in those areas. At the present, there is not much money in the bill, but they are hoping that more money will be available in the future.

Proponents' Testimony:

Ron Klaphake, Missoula Economic Development Corporation, appeared in support of HB 639, and presented Exhibit No. 7 to these minutes. This exhibit is a summary of HB 639, with a list of certified communities in the state attached. Mr. Klaphake said HB 639 is basically a framework that says there ought to be a partnership between the state and the local communities when it comes to economic development. They started off trying to get some money in the bill, but there is none available. They believe if they can get a framework established, and get the philosophy put down by the Legislature, there will be an opportunity to seek official sources of funding.

Jerry Tavegia, Economic Development Office of the DOC, said he operates the Certified Communities program, and appeared in favor of HB 639 as it is now written. Mr. Tavegia presented

Exhibit No. 8 to these minutes. He said the economic development program has been operating since about 1985, with very good results. There are approximately 32 other states that run a certification-type program for economic development, and a good number of these states have incentives which make it easier to accomplish basic levels of proficiency with the different groups. Mr. Tavegia said this is not a public relations exercise; it requires between 300 and 500 hours of work on a community level to reach its destination. Most communities reach the strategic plans they have developed within three years; they are re-evaluated every three years to make sure that they are still in compliance with the requirements. With a state the size of Montana, this is about the only way the DOC can effectively have a partnership with local economic development units throughout the state. The DOC relies heavily on information available through this program, and Federal government agencies utilize this information in soliciting candidates for grants.

Jim Davison, Executive Director of Anaconda Local Development, spoke in support of HB 639, saying they see it as a mechanism for local development with support from the state.

Dixie Swenson, Executive Director for Gallatin Development Corporation, echoed what her colleagues have said, and called attention to the fact that this requires a one-to-one match between the local organizations and the state. Most of the local money provided to local economic development is private sector money. This allows a nice private sector/public sector partnership in addition to being a local/state partnership. She appreciates Committee support of HB 639.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Towe asked Mr. Klaphake if it is his understanding that the communities would be eligible under this formula based solely on a per capita determination under the last census. Mr. Klaphake said this program is not intended to be about specific projects. It is about the entire certified community's approach and support to an on-going effort of local groups. They would all be eligible to receive a match with a minimum of \$3,000 and a maximum of \$75,000, so that Billings and Missoula would not capture all of the matching funds. All communities would share in the planning/sustaining process.

Senator Towe asked Mr. Tavegia if he sees any possible funding for this program. Mr. Tavegia said he does; there may be Forest Service funds available to areas that are within 100 miles of forests, and in areas adjacent to National grass lands, there could be funding under the Farm Bill that would funnel down through the regional office in Missoula.

Closing by Sponsor:

Rep. Driscoll offered no further remarks in closing.

EXECUTIVE ACTION ON HB 639

MOTION/VOTE:

Senator Eck moved that HB 639 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. (771205SC.Sma) Senator Halligan will carry the bill on the Senate floor.

HEARING ON HB 616

Opening Statement by Sponsor:

Rep. Jerry Driscoll, House District 92, presented HB 616 which is a bill providing a clean coal technology demonstration loan to the Magnetohydrodynamics (MHD) Development Corporation in Billings. Rep. Driscoll presented Exhibit No. 9 to these minutes, which are amendments prepared by the DOR to HB 616. During the last Legislative Session, a clean coal technology demonstration fund was developed within the Coal Tax Trust Fund; \$25 million was put into that fund, and \$5 million per year will be added to the fund until it reaches \$50 million. HB 616 will authorize the first clean coal project. A \$25 million loan will go to the MHD, subject to an award from the Federal government out of their clean coal account, and private investments. For every dollar of coal tax money they get, they have to have \$4 of private money. MHD will efficiently generate electricity through a new technology; the emissions from these plants are very low, and will help clean up the SO2 from the air. There will be \$520 million in investments, and it will provide construction jobs and long-term jobs for people who will operate the plant.

Proponents' Testimony:

Jack Sherick, Vice President of MSE in Butte, spoke in support of HB 616. Mr. Sherick presented Exhibit No. 10 to these minutes. He said the objective of this project is to build a demonstration plant at a commercial level. That technology can significantly advance the efficiency in an operating environmental performance of coal-burning plants in the U.S. and the world. The goals of the project are listed in Exhibit No. 10. The Department of Energy (DOE) will announce a selection of

the proposals on May 6th. There were 24 proposals submitted from around the U.S. If the Billings plant is awarded, they will look for an initiation of construction about June, 1995, and an initiation of operation approximately two years after that, with a completion of three years of demonstration operations on that facility somewhere around the year 2001. The demonstration is very important for them to put forth the next step of the technology. At the end of that demonstration, it is their intention to continue to run the plant for some 15 to 20 years, and on that basis, they have built the financial plan for the proposal. The project will bring to the state approximately 200 to 250 construction jobs for a 3-year period. Above that, there will be about 50 permanent jobs for the operation and maintenance of the facility. There is an expected reduction of 10% in the sulfur oxide emissions from the current Corette facility, which will help with air pollution problems in the Billings area. Supplies will be purchased, and a spin-off technology will occur in the Billings area and the whole state. This project will provide a proper and competitive industry in the state. He encourages passage of HB 616.

John Tubbs, Bureau Chief of the Resource Development Bureau, Department of Natural Resources and Conservation (DNRC), appeared in support of HB 616. The DNRC has been given the responsibility to administer the clean coal technology demonstration fund, they administered the \$250,000 loan funds, and will be closing the loan to be approved in this bill. Mr. Tubbs said they didn't have time or money to review a million-dollar proposal so they cut to the quick to find out what the legislative proposal is for the \$25 million loan. The essence of the bill is the loan agreement. The total Billings MHD demonstration project will cost over \$520 million. The state is being requested to contribute \$28.4 million in tax credits, and a \$25 million loan. MHD Development Corporation will contribute approximately \$245 million; the U.S. DOE is being requested to contribute \$220 million. These funds will be used to design, engineer, and construct the facility. Mr. Tubbs limited his remarks to the \$25 million loan. The term of the loan is 25 years. The funds would start to be disbursed as soon as the DOE has selected the MHD project to receive a clean coal report. Any disbursements made will be no less than \$400,000, nor more than \$10 million. Loan funds must be matched by at least four times in private and Federal funds. In the initial period, the 4-1 match is very close, but by the end of the project, the construction match is more like 19-1. No more than \$8 million may be disbursed prior to the DOE issuing its final authorization for the project. It is that \$8 million that is at the greatest risk in this project. Those dollars will be used for design and engineering and at the end of this project, there will be an evaluation of the technology. At that point it will be determined as to whether they should proceed and expend more funds, or whether the project is infeasible and they can stop it. If the project is stopped at that point, nobody gets paid back. At that point, \$8 million would be on the table from the state, but there would be nearly

\$40 million in other funds, including a substantial contribution by the DOE. The remaining funds will be used for construction and will be disbursed once the DOE decides to proceed and provides notice of award.

Section 3 (7) of HB 616 explains repayment of the loan.

Steve Huntington, MHD Development Corporation, spoke in favor of HB 616, and explained amendments drafted at the request of Rep. Driscoll, which are on Exhibit No. 11 to these minutes. Mr. Huntington asked for adoption of these amendments.

Carroll South, Executive Director of the Board of Investments, explained the amendments on Exhibit No. 9. These amendments were drafted by the DOR to address some ambiguities in the current law. They do not relate to the project, itself, or whether the money is loaned to the project, but totally relate to how the money is invested until it is needed for the project. They have encouraged the DOR not to move the \$25 million cash from the Permanent Trust because if it is moved, income will be lost to the General Fund and the School Foundation Program. What the DOR has done is set up an Accounts Payable in the Trust and an Accounts Receivable in the Coal Technology Account which complies with the spirit of the law but it may not comply with the letter of the law. Thus, the amendments on Exhibit No. 9 will clarify that the cash will stay in the Permanent Trust until the DNRC says they need the money.

Ken Heikes, representing the City of Billings, the County of Yellowstone, the Billings Area Chamber of Commerce, and Montana Trade Board presented letters of support for HB 616 as Exhibits Numbered 13, 18, 14, and 12, respectively, to these minutes. The entities he represents thinks this is a good project and that the money involved will be repaid. They also support the amendments proposed by Rep. Driscoll.

Dan Ritter, representing the Montana Chamber of Commerce, added their support to HB 616.

Opponents' Testimony:

Rep. Royal Johnson, House District 88, said he had hoped he could rise as a proponent to HB 616 because Billings needs this kind of money coming into the area. He said if the Committee could leave off the amendments suggested, particularly the ones that Steve Huntington suggested, then he thinks the state should support this plan. Jack Sherick was President of MHD at the time this project was brought to the City of Billings, approximately 7 years ago, and the way it was brought was by MHD's industrial relations person, Bill Birmingham. The project was presented as a \$420 million project to retrofit the Corette Steam Plant and to reduce the emissions from this plant to approximately 35% to 40% less. That sounded good because there is a SO2 problem in the area. Mr. Birmingham said the project would cost the state

nothing; it was going to be funded by a consortium of people at 50% and by the Federal government at 50%. He said there may have to be some tax abatements in this program, but said they would work those out later. About 50 people traveled from Billings to Butte to see the MHD plant and they were shown the technology which is trying to be developed in this project. Now it is considered to be a free-standing generation plant, to be built next to the Corette plant, will operate independently, and will generate electricity on its own. Regarding the fiscal note, Rep. Johnson pointed out that Line 10 reads that 7% will be paid to the State in interest on the \$25 million loan. On Line 11, they say they will cap the interest at \$20 million, but Steve Huntington suggests they will raise that to \$25 million. The rule of 7 says that if \$25 million is put into a project, 10 years later the rule of 7 says you can double your money; that's \$50 million. Ten years after that, it will be worth \$100 million. They are going to pay back \$50 million of \$100 million to the Coal Tax Trust. Rep. Johnson said the Coal Tax Trust Fund ought to at least get its investment back at a reasonable rate of interest. The other creditors are looking at between 8% and 9% in today's market. There are a total of 7 investors. The MHD people have indicated they will have four times as much money coming from creditors as they do from the State. As a consortium, that is true; as individual loaners, that is not true. If you divide 7 into 4 times, you are not going to get the same amount of money, or even a close percentage to what the State of Montana will put into this project. Rep. Johnson said the Committee should study this situation closely; he thinks the State can be on a par with the other creditors, and he offered an amendment in the House to that effect. He hopes the Committee will resist the amendments offered here today and send HB 616 through.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Towe asked about the interest rate cap and is there something that can be done to avoid turning the funding into a subsidy. Mr. Sherick explained that when the initial discussions were held with the DNRC, they were working under HB 701, passed during the 1991 Session. That bill states that the requirements of a loan agreement on the State of Montana are to be no less stringent than the Federal government, which requires no paybacks after 20 years; if it is not paid back within that time, it is cancelled. It requires no payback from this project from the sale of electricity; and it requires only the two stipulations put into HB 616--the 5% on royalty and the 25% on revenues. On that basis, they put together their financial plan. The financial plan, working the DNRC, was to have this be a loan, not a subsidy. That loan was to be paid back to the state at something greater than what the Federal government requires.

They put together the financial plan based on no payback for 17 years, and a cap of \$20 million. On that basis, the project today is not financeable. They are still working toward getting the costs in line. Then the amendment went on the bill in the House. Because of that action, they went back and reviewed what could be done once they started to make revenue on this plant. If the MHD system works as they think it will, three years after the initiation of the operation, after the end of the demonstration, MHD should be able to have a funding source that can partially start paying back the state. On top of that, MHD looked at the cap, adjusted all the figures they could adjust, and went to the \$25 million increase. HB 616 also includes a repayment of \$4 million above and beyond the \$25 million and the cap that comes from the technology. They anticipate building additional facilities by the year 2001. The State will see dollars coming in from those additional plants. Mr. Sherick asked the Committee not to overlook the impact of 200-250 construction jobs for three years; 50 permanent jobs; and the multiplication factors of having this project in the Billings area. That will add to the state the actual repayment that makes this loan not a subsidy.

Senator Towe asked if the amendments being offered today would mean there would be no payments until the 17th year after the agreement is signed. Steve Huntington said the amendments will essentially bring HB 616 back to its original form, saying that at the very least, the State would get its repayment from the sale of electricity in year 17. There are other contingencies that may occur before year 17. The sale of technology will cause the State to get some money back; sales of equipment related to the technology will get some money back; and there is a clause in the bill that says that if prices change, if the price of electricity rises or O&M costs go down, then the margin created gives the State an opportunity to get paid back as the first one in line. Additionally, they have put into the bill the statement that if the technology is demonstrated successfully, then the state will immediately begin an income stream of at least \$250,000 per year, and perhaps greater, depending on how much that technology actually generates from the electricity. What MHD is trying to offer is beyond the level of what they think is contemplated in HB 701 in 1991--a secured income stream that says they will at least pay the State back beginning in year 17 forward, and the other opportunities that are risk-oriented that might get the state paid back before year 17 rolls around.

Senator Towe asked if there is a kicker in the bill. Mr. Huntington replied there is a kicker in the bill that says that beyond the \$25 million interest cap, \$4 million is paid to the State from the sale of technology or sale of goods produced.

Senator Harp asked if the other potential pay-off to the State that may occur besides the technology and selling of machinery, etc., is MHD hoping that by 2002 they will have a

commercial operation as far as the facility of a steam-powered generator on the other end, that can sell electricity and thereby derive an income that can pay back the State. Mr. Huntington said the steam-powered cycle is the base operational unit that is intending to be operating right away, and it will be producing revenue that will be paying senior debt creditors as well as the State. There is not enough money in that bonding cycle to guarantee that the State will get paid back prior to year 17.

Senator Harp asked about the demonstration megawatts. Mr. Sherick said they are around 80 to 100 megawatts, and the commercial cycle will be approximately the same size.

Closing by Sponsor:

Rep. Driscoll pointed out that Page 3 of HB 616 has a new section inserted in the House saying that this plant has to make electricity with or without MHD which will further guarantee the State that they will get their money back. After this plant operates and the loan is all paid off, the bank would probably loan them \$5 million or \$6 million in operating costs if they request the whole \$500 million as collateral. As far as the rule of 7, if you go to a bank now for a short-term loan, you could probably only get 2%. This project to be built in Billings will hire people to build it and operate it who are all Montanans. This project will not be a subsidy; the money will be repaid, plus \$25 million in interest. Rep. Driscoll asked that HB 616 be concurred in, with adoption of the amendments offered.

HEARING ON HB 670 and HJR 19

Opening Statement by Sponsor:

Rep. William Boharski, House District 4, presented HB 670 and HJR 19, two individual medical care savings plans. Rep. Boharski presented Exhibit No. 15 to these minutes which explains the advantages of HB 670. He said one of the reasons we have a health care problem in Montana and the U.S., is that our tax structure has created it, to a large degree. Page two of his exhibit shows what has happened between 1965, when Medicare went into effect, and 1990. In 1965, 83.2% of hospital bills were being paid by third parties; now it is 95%. The difference in physician services has gone from 38.4% in 1965 to 81.3% in 1990. All other health care services show that instead of an individual paying 48.4% of these costs, he now pays less than 1/4, with 76.7% being paid by third parties. Rep. Boharski said this trend indicates the public is shopping for a commodity that they think only costs, mentally, 25 cents on the dollar.

HB 670 talks about a \$2000 contribution an individual would make into a medical savings accounts, and then probably buy a \$2500 deductible health insurance policy. 88% of the people never spend \$2000 per year on medical expenses. Most of the

costs of medical expenses are incurred by 10% to 12% of the people. Rep. Boharski is trying to find out how to convey to the remaining approximately 88% of the people to look at health care as a little bit more of a marketable item.

Employers who pay medical insurance for employees are allowed to write-off this expense on their taxes; if the employer would give the cash to an employee and tell him to put it into a savings account, instead of paying for his medical insurance, he would be taxed. The incentive is no longer there.

As HB 670 is drafted with Sections 3 and 7 included, Rep. Boharski took national statistics to find out that 33 million people are without health insurance and extrapolated the Montana 145,000 number, and came up with figures of 75% of the people falling below the \$30,000 income range. The incentives in the bill are going to affect 70% to 75% of the public, according to Section 3 of HB 670. When the House passed HB 671, they took some of those out, but not all of them. Section 4 and Section 8 were inserted into the bill in the event SB 235, the sales tax, passes a vote of the people.

Rep. Boharski said that increasing the deductible amount on health insurance from \$1000 to \$2500 saves a person \$1749 per year in premiums.

With a medical savings account, one can ration their own health care. The incentive for a person to ration is going to be that if that person doesn't spend the money in the medical savings account, they can keep this money in the next year, so long as they leave it in that account. The interest made on that account is tax free. There is an incentive for a person not to spend that money.

In the instance of a pregnant woman with a policy such as the State of Montana offers now, that woman will have to come up with \$1200 out of her own pocket to cover the deductible and co-payments until she reaches a stop loss figure. If she had a medical savings account with \$2000 in it, even though the deductible on her health insurance is \$2500, she has coverage from day one; she only has to come up with \$500.

Rep. Boharski said with a medical savings account, the problem of job-locking is eliminated. This is where one has to stay with an employer because if they change jobs, they lose their health insurance benefits. If there is a time lag between jobs, the person is not covered. With a medical savings account, protected by the Tax Code, they will have the dollars to spend if they need them between jobs.

In order to make this medical savings account attractive to employers, the bill sponsors decided to put Workers' Compensation (WC) into HB 670. If the idea works for medical care outside of WC, there is no reason it shouldn't work inside WC.

Under HB 670, the theory is: At the beginning of a year, an employer would give a \$2000 check to an employee and tell him if he is hurt on the job that year, the first \$2000 is the employee's responsibility to pay; above the \$2000 in medical expenses, the employer's insurance will cover the injury. If he isn't hurt on the job, the \$2000 is his to keep. If the State gives the appropriate tax benefits to the employer, Rep. Boharski thinks the employers will be in favor of this plan. This is the reason HJR 19 is being offered; the Federal Government needs to come on board to make this program more inviting.

Proponents' Testimony:

Keith Colbo, representing the Golden Rule Insurance (GRI), a major health care provider for individuals across the nation, said GRI endorses the concept in HB 670 both in content and system-wise. GRI has been an industry leader in promoting this concept across the nation and at the Federal level. He asked for a concurrence in this bill.

Terry Frisch, appeared in support of HB 670 as a general health care consumer. Mr. Frisch said medical savings accounts appear to be the one health care concept/plan that solves a good share of all of health care cost problems. This idea allows a person to make their own health care decisions.

Paul Gorsuch, M.D., of Great Falls, appeared in support of HB 670, and presented Exhibit No. 16 to these minutes, which is a list of other physicians in the state who want to go on record as being in support of a medical savings account concept. Dr. Gorsuch said he has not yet talked to a physician who does not support this concept. Rarely does a patient who is covered by health insurance ask the cost of a medical procedure; this gives a carte blanche to all options. A patient wants 100% certainty, and a doctor wants 100% protection from tort problems. Services are demanded without any type of limit whatsoever. Patients with high deductible policies frequently ask the cost of procedures, so there is no question in a doctor's mind that a medical savings plan concept would be an effective way to reduce demands for medical services both on the part of patients and physicians. Studies have been made which bear out these facts, and indicate that people who had free care had health care expenses of 50% more than other groups, they are 25% more likely to see a physician, and are 33% more likely to enter a hospital. A medical savings account concept will reward the patient for saving money that he wouldn't otherwise see. A frequent objection to this type of concept is that people would not be smart enough to make their own health care decisions. Dr. Gorsuch said he feels all of his patients are quite capable of making their own decisions if they are given the right information.

Dan Ritter, representing the Montana Chamber of Commerce, said the Montana Chamber supports the concept of HB 670, and they encouraged Committee support of this bill.

Jerome Loendorf, representing the Montana Medical Association, appeared in support of HB 670, saying the tax incentives are important, but even more important are the other opportunities given the patient. By choosing a larger deductible insurance policy, the savings in premiums is substantial. Once a decision is made to choose a large deductible policy and supplement the deductible with the IMA that HB 670 provides, a patient will have first-dollar protection at a cheaper cost.

Bill Leary, representing the Montana Bankers Association, expressed support of HB 670. Mr. Leary sees the plan offered in HB 670 as an effort to cover the group of people who become retired but are still too young for Medicare. It will instill individual responsibility toward medical care, and people will be more acutely aware of what services are being offered and what those services are costing financially. He called HB 670 a good-conceived plan and urged support of it.

Opponents' Testimony:

Russell Hill, representing the Montana Trial Lawyers Association (MTLA), said they personally strongly endorse the concept of individual medical accounts. He does disagree that the reason it is great is because patients over-utilize insurance medical services or don't take an interest in their own care. Mr. Hill said the fact is patients pay dearly for the insurance coverage they buy. Patients are exercising their policy/contract rights and they don't want to have to worry about being very selective or rationing their medical services; that is why they buy insurance. Mr. Hill doesn't think there is a need to discipline people to choose to buy insurance when they exercise their policy rights. Mr. Hill thinks this bill has a serious problem to the extent that it tries to combine its concept with Workers' Compensation coverage. As Mr. Hill understands HB 670, an employer can reduce wages by the \$2,000 he contributes to an employee's IMA account, thereby forcing the employee to pay the first \$2,000 of his WC benefits. If there is no WC claim, then the employee loses substantial control over that portion of his money, and significantly the \$2,000 doesn't count as wages to the employee, so when average weekly wages for WC benefits are calculated, the \$2,000 is taken out. As HB 670 is drafted, if an insurer isn't liable for the first \$2,000 in the IMA, and the injured employee can't or won't pay for it, then Mr. Hill thinks there is a serious question about whether the employer is liable for the \$2,000; if he is not liable, then there is a serious question over whether the employee can sue him--whether it is outside WC coverage. HB 670 will interact with other WC bills that this Legislature is considering and essentially force an injured worker into managed care where he doesn't have the choice of his physicians and yet requires him to pay out of his IMA for

those services that the insurer is prescribing. Mr. Hill said he interprets the bill that a non-corporate employer, an employer that's a partnership or an individual, can establish an IMA account for an employee and control that account for WC purposes. He doesn't believe there is a requirement in the bill that the WC contribution be used only for the employee. If an employee wants to use it for his injured child, and then suffers a WC claim, there's not going to be any money in that account. Mr. Hill also doesn't think HB 670 requires that the worker pay the first \$2,000 out of the IMA. The worker may decide he wants to pay the first \$2,000 out of his pocket, leave the \$2,000 in the account, and this could pose some serious problems for both the insurer and the employer.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Halligan asked Rep. Boharski to respond to concerns raised by Mr. Hill as to whether the account is included as wages. Rep. Boharski said this money is not counted as wages, nor is the amount of money the employer presently contributes to insurance coverage on an employee. To the extent that an employer can reduce an employee's wages and give that money to the employee in the form of a contribution to a medical savings account, if the employee and employer agree to that, he doesn't see any problem. However, if the employer is paying an employee minimum wage, he obviously cannot do that. Or, if they are under a bargaining agreement, that can't be done. If an employee spends the money given to him for WC for something else, then if that employee has a loss, he will have to find the money somewhere else. An employer must elect to cover every employee in the same manner; he can't pick and choose which employees to give the \$2,000 to.

Senator Halligan asked why the House decided to include WC in HB 670. If an employer gives an employee the \$2,000, and the employee chooses to spend that money elsewhere instead of having it available for work-related injuries, the employer is still held liable. Current case law indicates that an employer cannot waive that statutory right, or pass it on to the employee; the employer is still liable for that. Rep. Boharski said it seems to him that the employer has already met the obligation to cover the first \$2,000 in medical expenses when he gives his employee the \$2,000.

Senator Gage asked how the DOR will determine the 10% penalty that is included in Section 3(8) of HB 670. Larry Turner, DOR, said the penalties will be applied similar to the IRA withdrawal penalties.

Senator Gage asked for explanation in the instance of an employee who has gathered the \$2,000 per year for several years and then has a non-work-related medical loss that uses up all that he has put into his account. After he recovers and goes back to work, he has a work-related accident, and there is no money remaining in his account. How would WC be affected? Rep. Boharski said Rep. Driscoll had a similar concern at the House hearing on HB 670 and the House put in an amendment on Page 4, Line 15-18, to address this concern. Rep. Boharski said he intends to talk with more attorneys to try to figure out if that language will answer the concerns of Senator Gage and Senator Halligan. During the first year when the first \$2,000 is given to the employee, Rep. Boharski thinks an employee will be extra careful to hold that money for possible WC related injuries during that first year. After that year, that money is the employee's to do with what he wants to do. When the \$2,000 is paid the following year, the employer is still not liable for the first \$2,000 of an employee's injury during that year; not an accumulated \$4,000.

Senator Halligan said the WC section is part and parcel of HB 670 and it cannot be segregated out of the bill. The whole bill could be challenged because of including the workers' compensation portions in the bill.

Senator Halligan suggested the income thresholds on Page 5 seem low. Rep. Boharski explained that the reason those amounts are in the bill is to try to benefit as many of the people as they can who cannot afford health care coverage. The cost of providing this IMA coverage will only cost the State \$3.5 million; the payment division of the bill generates \$4.5 million.

Senator Eck said this issue was discussed by the Health Care Committees, and there was a provision considered of how this could apply to lower income people. Rep. Boharski said there are actually two similar bills to this concept to seek a Federal waiver to allow Medicaid programs through an incentive such as if they don't spend what is anticipated they will spend, to a certain degree, they will be reimbursed; any savings over a certain portion will go to them as a bonus. There is another concept, according to Mr. Boharski, that they intend to work with Medicaid whereby rather than just putting everybody into the Medicaid system carte blanche as is done now, have a program that is not even insurance, just have people send their bill in, and the State pays for it. They are still working on some model language to try to apply this same concept to Medicaid.

Senator Gage asked about the household where both the husband and wife are working and file a joint tax return, and if the adjusted gross income limitation applies to that joint return. Mr. Turner said the \$2,000 is per taxpayer, but that applies if they file separately versus filing jointly. HB 670 doesn't say anything about filing jointly.

Senator Halligan said the fiscal note indicates considerable administrative costs of \$40,000 the first year and about \$30,000 the second year. He asked if that is in HB 2. Rep. Boharski said he is not sure if it is.

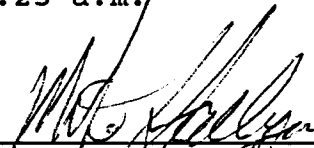
Rep. Boharski presented Exhibit No. 17 to these minutes which is an amendment drafted at the request of the DOR.

Closing by Sponsor:

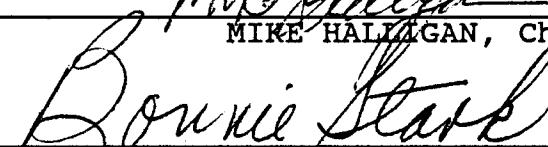
Rep. Boharski said HB 670 will not solve all our health care problems, but it will have a tremendous impact to the extent that individual tax incentives can stay in the bill. HJR 19 will go to Congress, and if the Federal Government were to give these tax incentives, it will cost them nothing because they currently allow employers to write all this money off anyway. There are currently 12 bills in Congress attempting to do this same thing. Even if all of the tax incentives can't be put into the bill, he thinks Montana will be a step ahead of a lot of other states.

ADJOURNMENT

Adjournment: The meeting adjourned at 11:25 a.m.



MIKE HALLIGAN, Chair



BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE

TAXATION

DATE _____

4-6-93

[illegible]

FC8

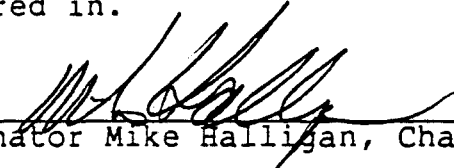
Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 6, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 17 (third reading copy -- blue), respectfully report that House Bill No. 17 be concurred in.

Signed: 

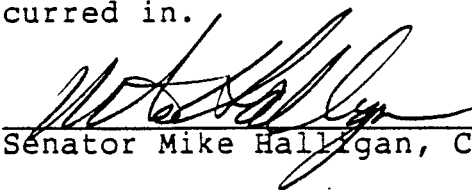
Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 6, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 640 (third reading copy -- blue), respectfully report that House Bill No. 640 be concurred in.

Signed: 

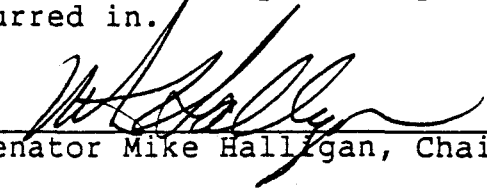
Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 6, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 639 (third reading copy -- blue), respectfully report that House Bill No. 639 be concurred in.

Signed: 

Senator Mike Halligan, Chair

ROLL CALL VOTE #1

TAXATION

BILL NO. HB 17

DATE 4-6-93

TIME 8:20

A.M. P.M.

NAME _____

YES

NO

[illegible]

Donnie Stark
SECRETARY

SECRETARY

Mike Halligan
CHAIR

CHAIR

MOTION: Be Concurred In - HB 17

Canned 6-3

State of Montana

Marc Racicot, Governor



Department of Revenue

Mick Robinson, Director

SENATE TAXATION

EXHIBIT NO. 1

DATE 4-6-93

BILL NO. HB 322

Natural Resource and
Corporation Tax Division

DATE: March 9, 1993

TO: Representative Gary Feland
House Taxation Committee

FROM: Mick Robinson, Director *Mick*
Department of Revenue

SUBJECT: Information Requested Regarding Stripper Oil Wells for HB
322

You requested information on the revenue impact of exempting the first 3 barrels of production from qualified oil stripper wells. Our estimate is \$398,000 and \$402,000 less in oil severance tax collections for fiscal year 1994 and 1995, respectively, if the first 3 barrels are exempt.

You also requested what was the average daily production from all qualified stripper wells in Montana. Based upon fiscal year 1990 the average daily production for all qualified stripper wells was 3.194 barrels per day. We used fiscal year 1990 because that is the last complete fiscal year that the stripper incentive applied to the state severance tax.

If you need any additional information let me know.

Northern Montana Oil & Gas Association

P.O. Box 621
Shelby, Montana 59474
Phone 434-5401

Senate Tax Committee;
March, 31, 1993

Chairman Halligan & Committee:

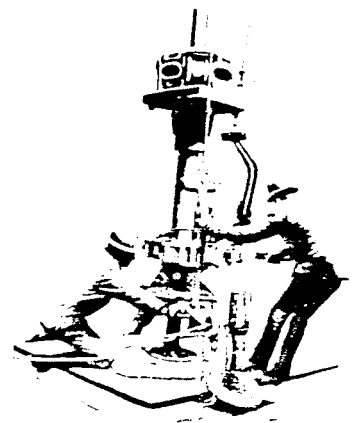
SENATE TAXATION

EXHIBIT NO. 2
DATE 4-6-93
BILL NO. H B 322

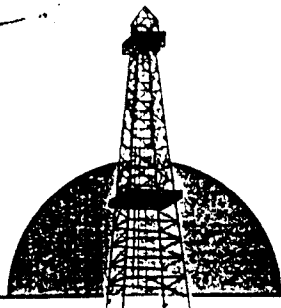
I am always looking for the single piece of information to be used to show my case. I think I have found it in this report.

I keep telling you just how bad it is in our production area, but there are not many good ways to really argue the point. Please read this report, and then make your decision.

Doug Abelin
" STRIPPER LOBBYIST"
Thank You!



FEB 22,
1993



J.R. Bacon Drilling, Inc.

February 19, 1993

To: ALL WORKING INTEREST OWNERS
Southwest Cut Bank Sand Unit
Glacier Co., & Pondera Co., MT

*Julie - Pls
copy + send to
Doug Abelin
1055 Mill Rd.
Helena, MT.
5960*

Attached is the following:

1. Fourth Quarter Operating Summary For 1992
2. 1992 Year In Review
3. 1993 - 1994 Budget

We do not plan to call for a yearly meeting of the Working Interest Owners since we just had one in November, 1992.

If you have any questions, please feel free to call.

Sincerely,

Roy L. Brown
Engineering Manager
J.R. BACON DRILLING, INC.
Operator/Southwest Cut Bank Sand Unit

RLB:hs
Enclosures

J. R. BACON DRILLING, INC.
SOUTHWEST CUT BANK SAND UNIT
Glacier & Pondera Counties, Montana

EXHIBIT 2
DATE 4-6-93
HB-322

OPERATING SUMMARY

Unit Report No. 245

Fourth Quarter 19 92

Acreage		Well Status (Total Unit)	shut down Overhead		
			Active	S.D.	Count
Total Unit	10,052				
Total Developed Waterflood	10,052	Oil	138	16	122
		Water Input	92	59	33
		Water Supply	4	2	2

	October 1992	November 1992	December 1992
<u>Production (Barrels)</u>			
<u>Oil</u> - Monthly Total	13,676	13,120	13,334
Daily Average	441	437	430
Monthly Pipeline Runs	13,727	13,373	12,696
<u>Water</u> - Monthly Total	172,789	181,390	208,276
Daily Average	5,574	6,046	6,716
Producing W/O Ratio	12.63	13.83	15.62
<u>Water Injection (Barrels)</u>			
Water Supply Wells	21,320	28,594	39,914
Recycled	172,789	181,390	208,276
Monthly Total	194,109	209,984	248,190
Daily Average	6,262	6,999	8,006
Injection W/O Ratio	14.14	16.00	18.61
<u>Cumulative</u>			
<u>Oil</u> - Since Discovery	33,653,313	33,666,433	33,679,767
Incr. from Waterflood	12,677,591	12,690,711	12,704,045
<u>Water</u> - Since Unitization	79,792,810	79,974,200	80,182,476
Producing W/O Ratio	6.29	6.30	6.31
<u>Runs</u> - Runs Since Unitization	14,063,521	14,076,894	14,089,590
Runs Since Discovery	33,680,364	33,693,737	33,706,433
<u>Water Injection</u>	140,244,727	140,454,711	140,702,901
Injection W/O Ratio	11.06	11.07	11.08

SOUTHWEST CUT BANK SAND UNIT
GLACIER & PONDERA COUNTIES, MONTANA

J.R. Bacon Drilling, Inc.
Operator

OPERATING SUMMARY

FOURTH QUARTER OF 1992

OPERATIONS

The following well work was done during the Fourth Quarter of 1992.

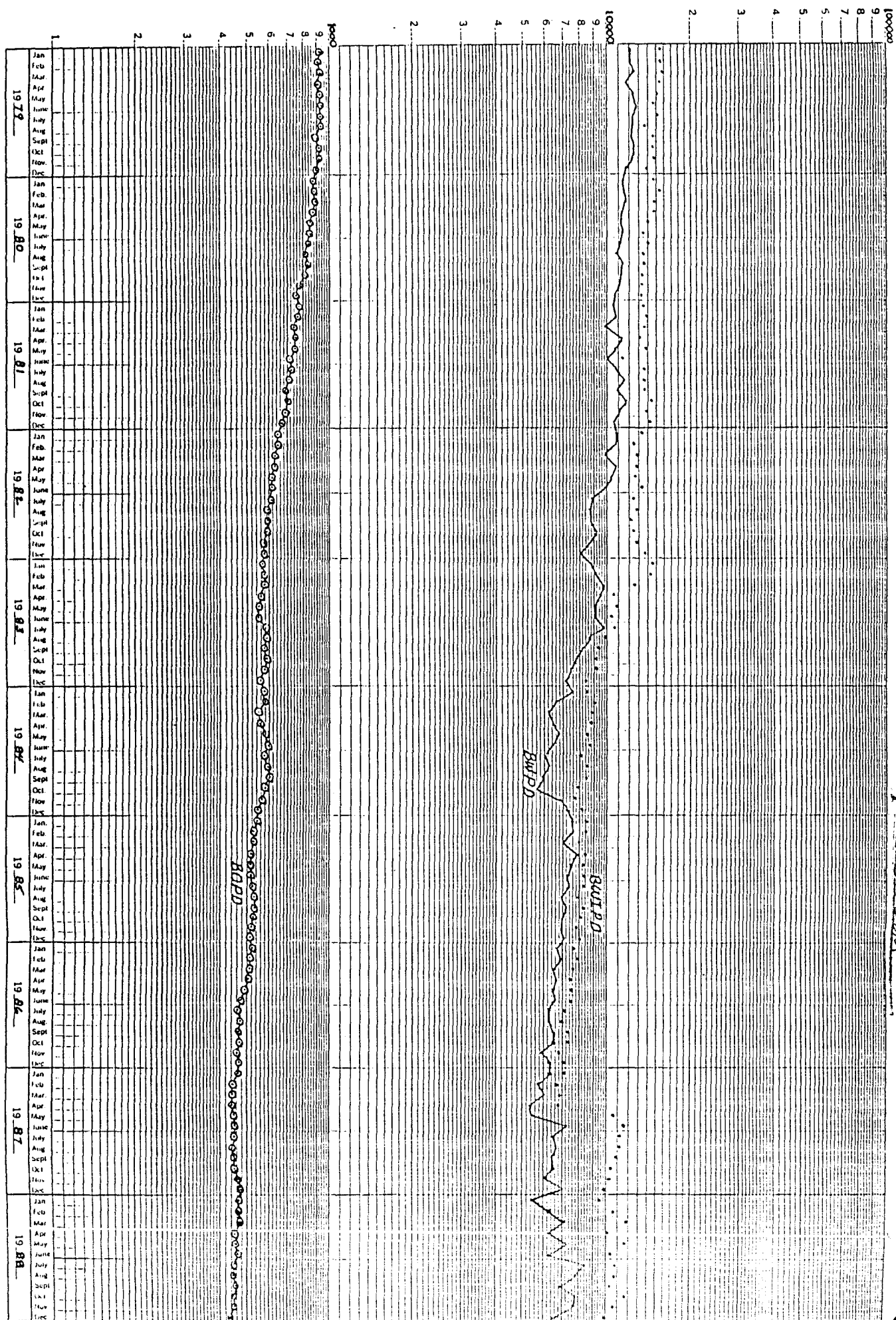
Tubing Leak Repairs.....	7
Tubing Leak Repairs with Pump Change.....	47
Pump Changes.....	42
Parted Rods.....	13
Parted Rods with Pump Change.....	8
Shake Up Job.....	1
Polish Rod Replacement.....	1
Cleanouts.....	4
Fishing Job.....	1
Water Injection Converted to Producer.....	1

CONSTRUCTION

Due to numerous flowline leaks several sections of line were replaced, including a large portion of the main 4" flow line to Tract 84 Tank Battery.

Attachment: Decline Curve

Exhib. 2



SOUTHWEST CUT BANK SAND
(continued)

[illegible]

EXHIBIT 2
DATE 4-6-93
48-322

1992 YEAR IN REVIEW
1993 - 1994 BUDGET
SOUTHWEST CUT BANK SAND UNIT
J.R. BACON DRILLING, INC.
Operator

As of
January 1, 1993

SOUTHWEST CUT BANK SAND UNIT
GLACIER & PONDERA CO., MONTANA

J.R. Bacon Drilling, Inc.
Operator

1992 YEAR IN REVIEW

PRODUCTION

Oil:	Gross Production (Bbls).....	165,892
	Daily Average (BOPD).....	454
Water:	Gross Production (Bbls).....	2,361,435
	Daily Average.....	6,470
Injection:	Gross Injected (Bbls).....	2,731,011
	Daily Average (BWIPD).....	7,482
Cumulative:	Oil Since Discovery (Bbls).....	33,679,767
	Incremental from Waterflood (Bbls)...	12,704,045
	Water Produced/Unitization (Bbls)...	80,182,476
	Water Injected (Bbls).....	140,702,901

REVENUE AND EXPENSES

	<u>Projected</u>	<u>Actual</u>
Gross Oil Revenue	\$ 2,624,000	\$ 2,747,845
Royalty	<u>341,100</u>	<u>355,217</u>
Net After Royalty	\$ 2,282,900	\$ 2,392,628
Expenses	\$ 1,959,300	\$ 2,048,841
Taxes (Paid & Accrued)	<u>388,100</u>	<u>422,109</u>
NET INCOME	(\$ 64,500)	(\$ 78,322)

REMARKS

No wells were drilled in 1992. Oil production was steady during 1992. Several troublesome flowlines were replaced. Oil production was 454 BOPD in 1992 compared to 450 BOPD in 1991. Oil prices have been very disappointing. expenses were slightly higher than projected in last year's budget. Taxes remain very high due to the reinstatement of the severance tax on stripper wells.

The average oil price for 1990 was \$21.79/Bbl. During 1991, the average oil price in 1992 was only \$16.55/Bbl.

The current oil price, adjusted for gravity is approximately \$15.75/Bbl.

The EPA is now requiring a plugging bond for every water injection well at an amount of \$5,000 per well. The Southwest Cut Bank Sand Unit has 92 injection wells, therefore, the total bond requirement is \$460,000. This is on top of the State, Federal and Tribal bonds that already exist on this property. We have talked to numerous bonding companies. Most will not put up the EPA Bond. The companies that will even discuss it, require that the bond be 100% collateralized with either a letter of credit or cash. We are scheduled to meet with the EPA on March 5, 1993. In the meantime, we are forced to start plugging water injection wells. There are 14 scheduled for 1993 and 10 for 1994.

The economics for 1993-1994, are not good at these depressed oil prices. We hope to keep the property as close to break even as possible until oil prices improve. The alternative is to plug the field and restore the surface, which is a very costly situation..

SOUTHWEST CUT BANK SAND UNIT
GLACIER & PONDERA COUNTIES, MONTANA

J.R. Bacon Drilling, Inc.
Operator

1993-1994 BUDGET

The attached 1993-1994 Budget assumes the following:

Average Oil Production.....420 BOPD - 1993
Average Oil Production.....415 BOPD - 1994

Oil Price Yearly Average...\$17.50/Bbl Constant - 1993
Oil Price Yearly Average...\$17.50/Bbl Constant - 1994

<u>Expenses</u>	Similar to 1992
<u>Investments-1993</u>	None Anticipated.
<u>Investments-1994</u>	None Anticipated.
<u>Taxes</u>	<u>17% Constant</u>
<u>Royalty</u>	<u>13% Constant</u>

Note: Due to EPA bonding requirements, approximately 14 wells will have to be plugged and abandoned in 1993. This will result in a extra ordinary cost of at least \$50,000. The 1994 Budget assumes 10 wells plugged.

1993-1994 BUDGET PROJECTION
SOUTHWEST CUT BANK SAND UNIT

EXHIBIT 2
DATE 4-6-93
HB-322

J.R. Bacon Drilling, Inc.
Operator

1993

1994

Production (Bbls) 153,300
Oil Price (\$/Bbl) \$ 17.50

151,500
\$ 17.50

INCOME

Gross Income \$ 2,682,700
Royalty 348,800
Taxes (State, County, Tribe) 395,800
Income After Royalty/Taxes \$ 1,938,100

\$ 2,650,800
344,600
392,000

13 1/2%
14.7%

EXPENSES

Labor, Supervision, PR Burden \$ 150,000
Bonds 2,000
Repairs & Maintenance 320,000
Repairs Materials 220,000
Workovers 20,000
Well Servicing 400,000
Chemicals 46,000
Road Maintenance 5,000
Water Disposal 4,000
Acidizing 5,000
Supplies 9,000
Utilities 230,000
Transportation 60,000
Equipment Rental 10,000
Combined Rate 450,000
Worker's Compensation 11,000
Insurance 21,000
Plug & Abandonments 50,000

\$ 152,000
2,000
325,000
225,000
20,000
400,000
47,000
5,000
4,000
5,000
9,000
235,000
62,000
10,000
450,000
11,000
22,000
40,000

Total Expenses \$ 2,013,000

\$ 2,024,000

Capital Expenses -0-

-0-

NET PROFIT/LOSS (\$ 74,900)

(\$ 109,800)

See Attached "remarks".

1993-1994 BUDGET PROJECTION
SOUTHWEST CUT BANK SAND UNIT

J.R. Bacon Drilling, Inc.
Operator

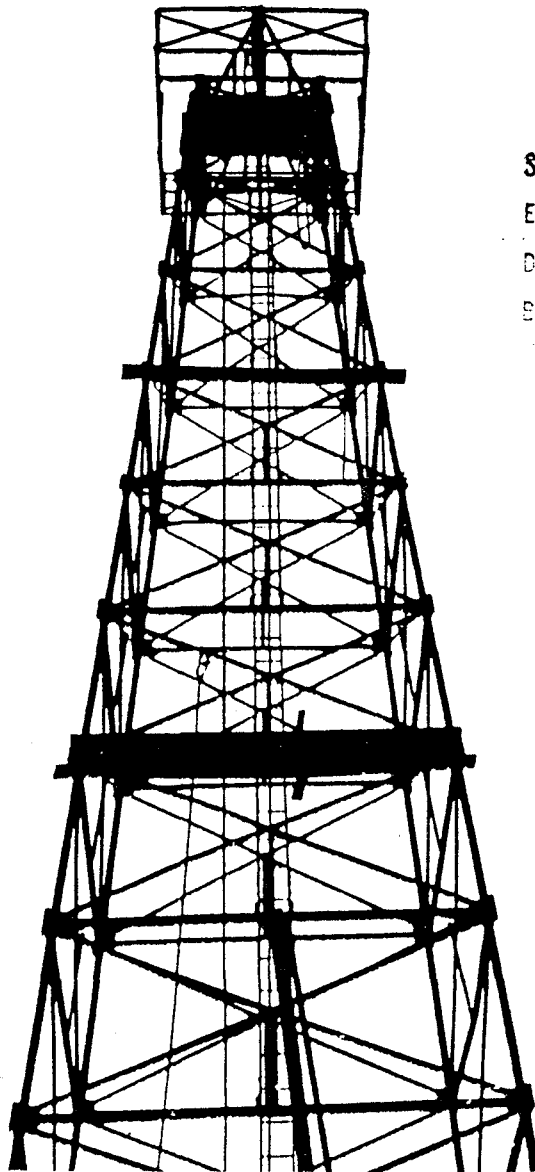
REMARKS TO 1993-1994 BUDGET

As can be seen from the Budget Projections, at current oil prices, the Unit will be operating at a minor loss. The intent is to maintain the Unit as well as possible until such time as the oil price improves.

No new wells are planned in the foreseeable future. With the onerous burden of State, County and Tribe taxes at very high rates, new drilling cannot be justified. Horizontal drilling has good potential for the Cut Bank Sand, but with the current tax structure and low oil prices, it cannot be recommended at this time.

Northern Montana Oil & Gas Association

P.O. Box 621
Shelby, Montana 59474
Phone 434-2047 or 434-5401



SENATE TAXATION

EXHIBIT NO. 3
DATE 4-6-93
BILL NO. HB 322

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

"THE MONTANA STRIPPER - NOTHING LEFT TO TAKE OFF"

NORTHERN MONTANA OIL AND GAS ASSOCIATION

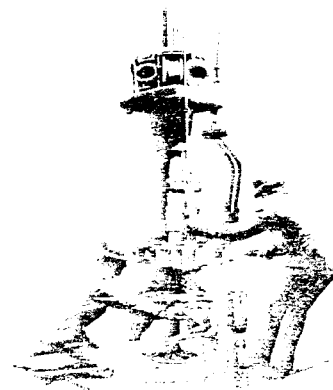
P.O. Box 621
Shelby, MT 59474

(406) 434-5401

February 6, 1991
6:00 pm
Colonial Inn
Helena, MT

Douglas R. Abelin, Lobbyist
1055 Mill Road
Helena, MT 59601
449-7353

President - Kneelon Teague
434-2047
Secretary - C.J. Iverson 434-5401



NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

Following are definitions of terms used in the oil and gas industry.

ASSOCIATED GAS - an accumulation of gas in the highest part of the reservoir, overlaying an accumulation of crude oil, but not in solution with the oil. Gas that is produced simultaneously with oil, and in most cases the oil cannot be produced without the gas.

POSTED FIELD PRICE - Price paid for oil by purchasers to producers specified in publicly available price bulletins or other price notices. The price will be net of all adjustments for quality (api gravity, sulphur content, etc.) and location for oil in marketable condition.

STRIPPER WELL - OIL - a well that produces an average of 10 barrels of oil or less per day. This definition was adopted from the Windfall Profits Tax Act.

STRIPPER WELL - GAS - a well that produces an average of 60,000 cubic feet of gas or less per day. Definition adopted from the Natural Gas Policy Act.

SWEET CRUDE - crude oil containing only small quantities of hydrogen sulphide gas and carbon dioxide.

SOUR CRUDE - crude oil containing significant quantities of hydrogen sulfide. This type of crude oil requires additional processing to remove the impurities.

SOUR GAS - natural gas contaminated with chemical impurities, mostly hydrogen sulphide or sulfur compounds, which cause a foul smell. These impurities must be removed before the gas can be used for commercial or domestic purposes.

OLD PRODUCTION - wells that were drilled and began producing oil and/or gas prior to July 1, 1985.

NEW PRODUCTION - wells that were drilled and began producing oil and/or gas after July 1, 1985.

NEW OIL and GAS NET PROCEEDS TAX - a tax paid quarterly to the county for "new production." The rate is 7% for oil and 12% for gas.

OIL and GAS NET PROCEEDS TAX - a tax that applied to "old production" prior to being replaced by the Local Government Severance Tax. This tax was paid directly to the county and the amount of the tax was based on the mill levy for the school district in which the production occurred.

Definitions.....

Page 2

FLAT TAX - the common name used when referring to the Local Government Severance Tax (LGST). The LGST replaced the Oil and Gas Net Proceeds on "old production." The LGST is paid to the state and the money is distributed back to the counties.

WELL HEAD PRICE - the price paid for gas at the well head versus the price paid away from the well head after the gas has been gathered, compressed or processed. This price is adjusted to the British Thermal Unit content of the gas.

DELIVERED PRICE - the price paid for processed natural gas that is ready for use by the consumer.

SECONDARY RECOVERY - production of oil utilizing artificially created reservoir energies such as waterflood, gas injection, or enriched gas drive. Gas lift operations or mechanical lifting devices may be employed.

TERTIARY RECOVERY - Chemicals or other energy are injected into an oil producing formation to move the oil to a production well. The statute includes such things as steam drive injection, polymer augmented water flooding, and carbon dioxide water flooding.

WORKING INTEREST - the name given to the party or parties who have leased the rights to explore for and produce oil or gas. These owners bear the exploration, development and operating costs of an oil or gas property.

NON-WORKING INTEREST - These are typically Royalty owners. They are any interest owner who does not share in the development costs of an oil or gas property. Non-working interest owners only expense is taxes.

INDEPENDENT OPERATOR - an operator of an oil and gas lease or unit who only produces the oil or gas and is not engaged in the transportation, refining or marketing of oil or gas.

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

SUMMARY OF TAXES PAID TO STATE OF MONTANA BY PETROLEUM INDUSTRY

	SEVERANCE TAX		RESOURCE INDEMNITY TRUST TAX		PRIVILEGE & LICENSE TAX	
	OIL	NATURAL GAS	OIL	NATURAL GAS	OIL	NATURAL GAS
1980	\$10,544,555	\$1,264,025	Actual figures not available	Figures not available	Figures not available	Figures not available
1981	19,578,173	2,116,291	Actual figures not available	Figures not available	Figures not available	Figures not available
1982	51,073,425	2,659,811	Actual figures not available	Figures not available	286,989	32,731
1983	45,228,535	2,649,726	\$4,783,438	\$537,871	302,394	35,675
1984	49,029,017	2,797,996	4,279,714	589,348	497,290	79,013
1985	48,787,984	2,945,778	4,204,763	627,504	662,176	90,736
1986	34,728,749	2,890,666	3,913,955	583,961	542,492	88,407
1987	16,143,592	2,492,465	1,859,932	538,251	539,715	145,605
1988	16,484,059	1,491,523	2,033,646	484,357	778,719	148,492
1989	13,234,516	1,724,735	1,627,445	539,442	617,133	163,836
1990	14,510,149	1,057,277	1,795,586	453,052	708,886	165,162

SEVERANCE TAX - is 5% of the gross value of oil and 2.65% of natural gas. This revenue goes to the state general fund. (State Tax)

RESOURCE INDEMNITY TRUST TAX - is .5% of gross value of all minerals produced. These taxes are placed in a trust fund to "indemnify the state against damage to the environment from the extraction of non-renewable natural resources." (State Tax)

PRIVILEGE AND LICENSE TAX - The Board of Oil and Gas Conservation levies this tax to pay for its own administrative costs. The tax is .2% of all gross revenue. (State Tax)

LOCAL PROPERTY TAXES - The local mill levies are applied to all field equipment and plants. These taxes are applied to hospitals, education, university system, etc.

All royalties from production that is paid to individuals and businesses are taxed as Montana income. The State receives significant amounts of rentals and royalties from leasing and wells on state lands.

Information from Montana Department of Revenue and Glacier County Assessor.

EXHIBIT 4-6-93
DATE 4B-322

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

TOTAL VALUATION VERSUS NET PROCEEDS TAX

GLACIER COUNTY

Tax Year	Total Taxable Value	Net Proceeds Taxable Value	% N.P. of Taxable Value
1980	\$41,904,427.00	\$24,477,307.00	48.39%
1981	47,745,481.00	29,513,924.00	61.85%
1982	44,961,371.00	26,965,574.00	59.97%
1983	42,749,028.00	25,421,094.00	59.47%
1984	45,737,324.00	27,445,273.00	59.94%
1985	48,824,984.00	29,274,409.00	59.96%
1986	47,120,567.00	27,455,613.00	58.27%
1987	31,347,152.00	11,609,096.00	37.03%
1988	33,228,125.00	15,048,034.00	45.29%
1989	29,721,874.00	10,072,328.00	33.89%

TOOLE COUNTY

1980	\$34,611,417.00	\$16,708,195.00	48.00%
1981	40,308,476.00	22,188,791.00	55.00%
1982	45,248,213.00	27,190,622.00	60.00%
1983	42,972,193.00	25,581,227.00	60.00%
1984	48,027,546.00	29,808,532.00	62.00%
1985	48,532,621.00	29,035,011.00	60.00%
1986	43,483,887.00	23,897,102.00	55.00%
1987	31,447,268.00	12,356,039.00	39.00%
1988	30,322,451.00	12,332,194.00	44.00%
1989	27,246,106.00	9,025,003.00	33.00%

COMMENT:

"With the increasing medical costs over the past ten years declining mill value has put our county operated hospital in financial straits. The loss has also affected our Sheriff's Department and Road Department, as we have to maintain all services with less dollars to pay for it."

John Alstad
Toole County Commissioner

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

TAX RATES ON OIL PRODUCTION FOR SEVERAL STATES

	STATE	LOCAL	MISC.	TOTAL
Montana (old/non-stripper)	13.40%	-0-	.700%	14.10%
Montana (old stripper)	10.00	-0-	.700	10.70%
Montana (New Net Proc.)	5.00	7.00	.700	12.70%
North Dakota	9.00	-0-	-0-	9.00%
Wyoming	6.00	6.50	.040	12.54%
Utah	4.00	N/A	.200	N/A
Texas	4.60	1.25	.750	6.60%

TAX RATES ON GAS PRODUCTION FOR SEVERAL STATES

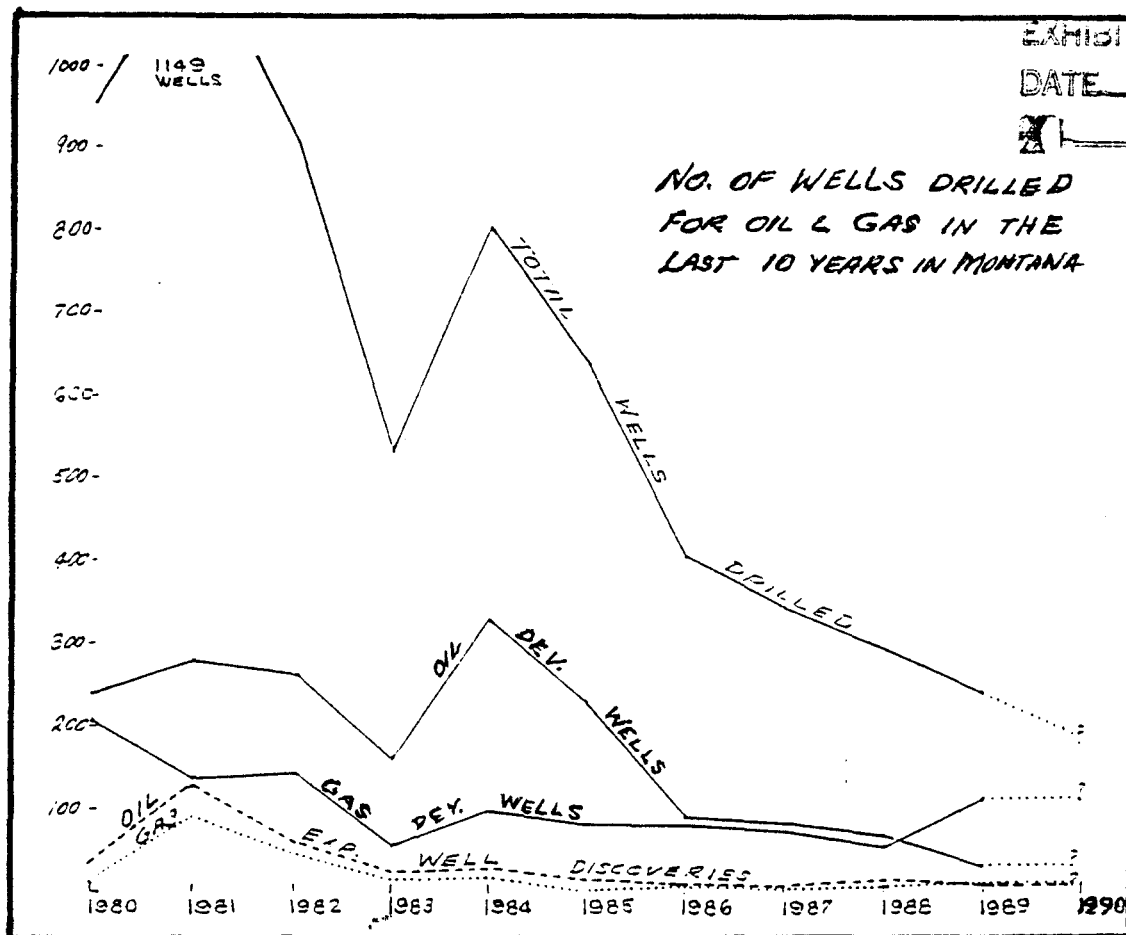
Montana (old/non-stripper)	17.90	-0-	.700%	18.60%
Montana (old stripper)	11.59	-0-	.700	12.29%
Montana (New Net Proc.)	2.65	12.00	.700	15.35%
Montana (Royalties)	17.90	-0-	.700	18.60%
North Dakota	5.00	-0-	-0-	5.00%
Wyoming	6.00	4.95	.040	10.99%
Oklahoma	7.00	-0-	.085	7.09%
Utah	4.00	N/A	.200	N/A
Texas	7.60	1.25	-0-	8.75%

*The severance tax for gas allows for a stripper exemption of 30mcf per day tax free.

Montana is one of the few states that have a personal property tax on oilfield equipment.

Information from Montana Dept. of Revenue and various other States Department of Revenue.

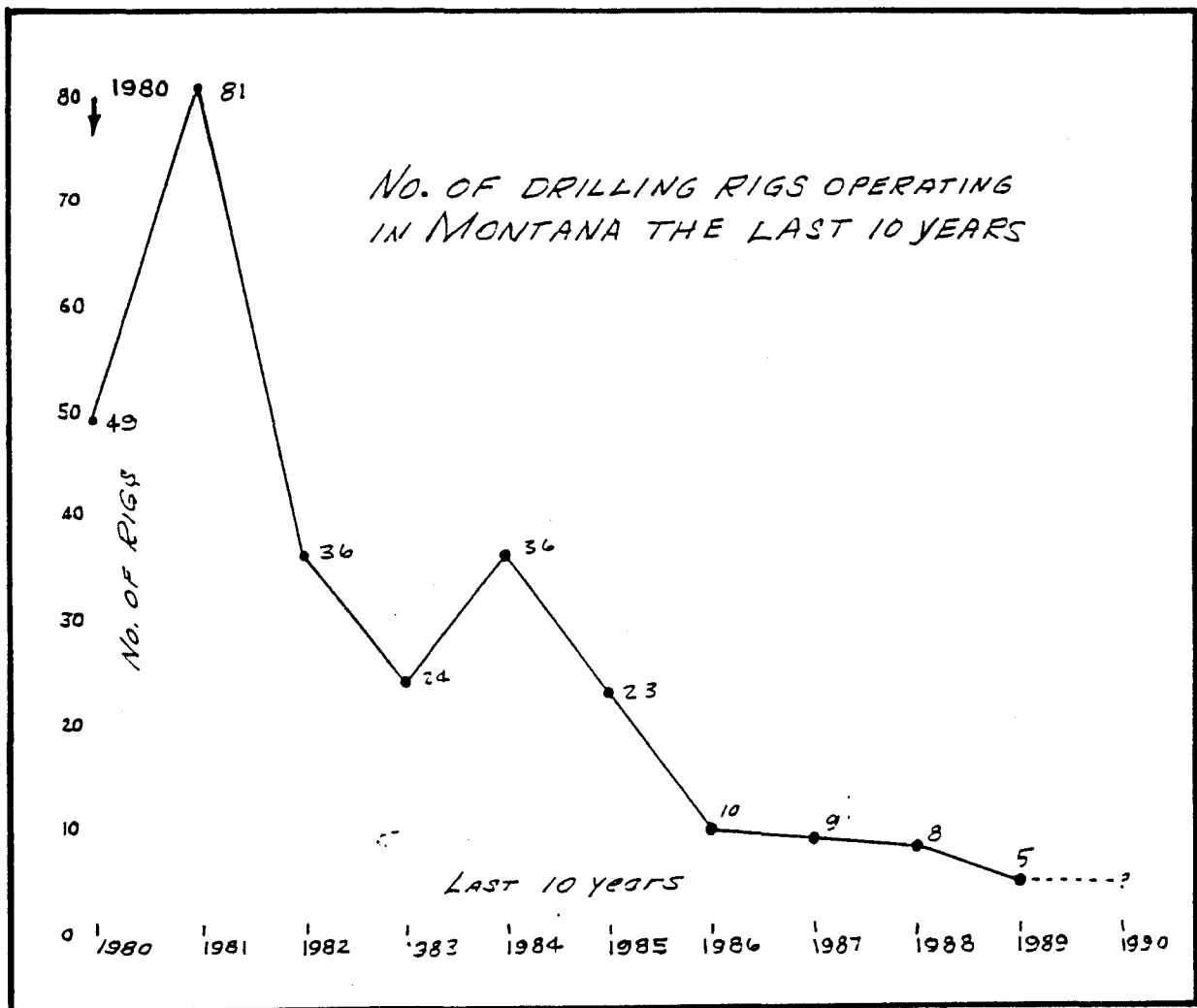
NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR



SUMMARY OF NUMBER OF WELLS DRILLED IN MONTANA

Year	Service Wells	Gas Dev. Wells	Oil Dev. Wells	Dev. Dry Holes	Gas Exp. Wells	Oil Exp. Wells	Exp. Dry Holes	T.A. Exp. Wells	Total Wells
1980	-0-	203	241	206	12	30	260	-0-	952
1981	-0-	133	276	188	85	126	341	-0-	1149
1982	19	145	263	120	46	64	248	-0-	905
1983	10	55	160	88	16	25	156	23	533
1984	20	99	327	87	21	33	189	25	801
1985	18	84	227	90	2	16	192	11	640
1986	4	81	90	69	10	11	130	10	405
1987	21	75	86	39	9	7	100	11	348
1988	12	54	72	46	19	10	100	9	322
1989	8	115	32	29	12	8	38	0	242

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR



YEAR	NO. OF RIGS OPERATING	YEAR	NO. OF RIGS OPERATING
1980	49	1985	23
1981	81	1986	10
1982	36	1987	9
1983	24	1988	8
1984	36	1989	5

One drilling rig employees 13 people for the operations of the rig. The annual payroll LOST per rig is \$309,244.00. Each well drilled requires the services of an additional 30 people. Such as geologists, attorneys, landpersons, water haulers, cementers, logging personnel, excavators, surveyors, fuel haulers, mud companies, pipe companies, engineers and many others.

EXAMPLE: Comanche Drilling Company, Cut Bank, Montana, annual payroll for 1981 was \$1,662,347.97 and for year 1990 the annual payroll was \$356,579.40. These figures DO NOT include any partners, directors or owners salary for either of the above years.

NORTHERN MONTANA OIL AND GAS LEGISLATIVE INFORMATION SEMINAR

EXHIBIT 3

DATE 4-6-93

ECONOMIC IMPACT IN TOOLE AND GLACIER COUNTIES

HB-322

TYPE OF BUSINESS	NO. OUT OF BUSINESS	NO. CUT BACK OR MOVED	EST. JOBS LOST
Retail Stores	7		56
Oil and Gas Companies	11	13	87
Service and Support Companies	17	13	181
Professional	32	9	79

This is a partial listing of businesses that have moved, gone out of business or cut back during the past decade.

TOOLE AND GLACIER COUNTY CENSUS

	<u>1980</u>	<u>1990</u>
Toole County	5504	5046
Glacier County	10628	12065*

*This increase was due to Federal Government Activities.

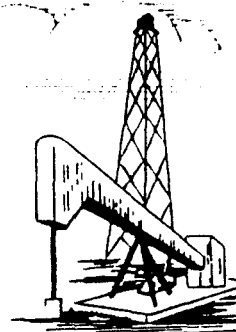


PETROLEUM CO.

OIL AND GAS PRODUCERS

JERRY CROFT, PRESIDENT

PETROLEUM CENTER BUILDING
214 NO. CENTRAL AVE.
P.O. BOX 397
CUT BANK, MONTANA 59427
TELEPHONE (406) 873-5547



Campbell #8-11 and #9-11

Starting in 1984 to present, Croft Petroleum Co. and six Montana partners began acquiring leases in Teton County with potential for oil and/or gas production. To date we have spent over \$24,000.00 on bonuses and rentals.

Croft Petroleum Co. et al, in what you might call its most successful exploration program in the past six years, drilled two wells which are called the Campbell #8-11 & #9-11 in Teton County on the above mentioned leases.

To date, cumulatively, we have spent over \$175,000 in development costs, and over \$122,000 in operating costs and equipment. Including bonuses and rentals, that is a total of over \$322,000 spent against almost \$105,000 in oil sales, representing 5,316.8 barrels sold.

These wells are only 3,000' deep, and with approximately \$217,000 in unrecovered costs, it is unlikely we will ever recover the money that will have been spent.

With success like this, it makes you squeamish to think about the money spent on all of the less successful wells that we have drilled over the past six years.

Incentives on the part of the State of Montana are definitely necessary to encourage exploration in Montana in this day and age when the rewards are few and far between.

SUMMARY OF ACCOUNTING SCHEDULES FOR A STRIPPER
NATURAL GAS FIELD AND STRIPPER OIL FIELD

Dear Legislator:

INTRODUCTION

The general public's image of oil and gas is implanted by the media, by TV shows like Dallas, the rich Arabs and the overpowering images of the major oil companies.

Most of Montana's oil and gas is from "stripper wells." Like the name implies stripper wells are small wells drilled by small independent "wildcatters."

These stripper wells are essential to Montana but due to their limited income - are very subject to changes in their economics, like variation of price, fluctuation of taxes and operational costs. Once a stripper well reaches its lower economic limit, it has to be plugged and abandoned - which is permanent - it can't be "opened up" again.

Taxation is critical to the stripper well. An increase in one of the 5 state taxes on stripper wells - always results in the plugging of some stripper wells. How many depends upon the amount of the tax increase. Thus, it is critical that our legislators have a working knowledge of oil and gas taxation.

95% of our wells are stripper.

SOUTH SOUTH PRAIRIE DELL FIELD

A stripper natural gas field example (see attached accounting.)

This field consists of 7 stripper gas wells. The wells cost approximately \$37,000 a piece, so the original investment in this field is \$259,000.

An independent feels good if his wells can pay back the original drilling and completion costs in 3 or 4 years, many times that is not the case.

This particular field is paid out and as most of our wells are now stripper.

From the attached accounting, you can see 4 taxes are being paid on production.

In addition there is a property tax which we are not showing. You will also note that the net income (NI) is only 59.43% of the money returned to the people who drilled the well - the rest is taxes and operating costs.

EVERYBODY - PONDERA COUNTY

A stripper example of an oil field.

This field consists of 3 producing oil wells. We also drilled one dry hole in this field. Initial investment was approximately \$190,000.

You will note that in this case, that the net income (NI) is only 49.79% of the money the lease made was returned to the people who drilled the well, the other half of the money is spent on taxes and operational costs.

SUMMARY

In Toole County, oil and gas pays approximately 40% of all county taxes, and most -- 95% of that tax comes from comparable marginal wells as I've shown here. These wells are fragile - simply because they don't make much money.

Thank you for joining our seminar, we hope it has been informative.

Jerry L. Branch
Branch Oil & Gas
For: The Montana Oil & Gas Assoc.

BRANCH OIL & GAS
NET INCOME ANALYSIS
12/89 to 11/90

GOVT. ROY. INTEREST (Exempt)	ROYALTY INTEREST (Non-Exempt)	WORKING INTEREST
------------------------------------	-------------------------------------	---------------------

South South Prairie Dell - Stripper Gas
(7 wells)

Gross = \$79,096	\$588	\$13,707	\$64,801
Less Taxes			
Local Govt. Severance	N/A	2,091	6,480
Gas Severance Tax	3	52	233
Gas Priviledge & License Tax	N/A	27	130
Resource Indemnity Trust Tax	N/A	69	324
Less Operating Expenses (Legal, Acctg, Supervision, Ins.)			19,122
NET INCOME	\$583	\$11,468	\$38,512
Net Income/ Gross Income		83.67%	59.43%
Taxes & Expenses/Gross Income		16.33%	40.57%
Taxes / Gross Income		16.33%	11.06%

Everybody - Stripper Oil
(3 wells)

Gross = \$37,582	--	\$ 6,201	\$31,381
Less Taxes			
Local Govt. Severance	N/A	775	1,569
*Gas Severance	--	128	649
Gas Priviledge & License	N/A	12	63
Resource Indemnity Trust	N/A	31	157
Less Operating Expenses (Supervision, Pumping, Electric, Misc.)			13,319
NET INCOME		5,255	15,624
Net Income / Gross Income		84.74%	49.79%
Taxes & Expenses / Gross Income		15.26%	50.21%
Taxes / Gross Income		15.26%	7.77%

EXHIBIT 3
 DATE 4-6-93
 # HB-322

BRANCH OIL & GAS
 NET INCOME ANALYSIS
 12/89 to 11/90

* Oil stripper status was lost 9/1/90

Rate increased from 3% to 5%

Exempt Barrels (# of wells x 5 x 90 days per Quarter) status was lost.

Gross income would of increased based on increased price per barrel of
 approximately \$13 per barrel (avg. price per barrel since Sept. 1, 1990
 = \$30.29; avg. price from 12/89 to 8/31/90 = \$17.48)

	TOTAL	Royalty Interest	Working Interest
Total Barrels 12/89 to 8/90	1258.71 x13		
	16,363	2700	13,663
Additional Taxes Paid	1,102	182	920

TESTIMONY FOR HOUSE BILL 17 & 70

WEIGHTS & MEASURES BUREAU
PUBLIC SAFETY DIVISION
DEPARTMENT OF COMMERCE

PREPARED BY W. JAMES KEMBEL, ADMINISTRATOR, PUBLIC SAFETY DIVISION

The proposed legislation does three things by amending Section 82-15-105, MCA and 30-12-203, MCA:

1. It authorizes the Department to establish petroleum dealer, liquefied petroleum dealer license and weighing device fees by rule, instead of by statute;
2. It requires that the fees be deposited in a state special revenue fund for use in administering the weights and measures regulations;
3. It provides that the change applies to the licensing cycle beginning on December 31, 1993.

In carrying out the intent of the legislation the Department would be required to adopt rules establishing fees. The fees are to be set in an amount necessary to cover costs of the Department in administering Title 82, Chapter 15 and Title 30, Chapter 12.

The program is currently general funded, however fees charged for petroleum licenses currently generate approximately \$104,000 per year, for weighing device licenses \$125,000 and for miscellaneous inspection fees approximately \$8,000. The budget for the program is currently \$432,722. By making the program self supporting the general fund would save approximately \$200,000.

A comparison of the existing and proposed fees is as follows:

PROPOSED FEES VS. EXISTING FEES

TYPE FEE	CURRENT FEES	PROPOSED	FEES*
<u>Measuring Devices</u>			
Retail Pumps Per Nozzle	7	12	
Petroleum Meters 2" or <	20	35	
Petroleum Meters > 2"	25	45	
LPG	30	55	
Vapor Meters	4	8	
Vehicle Tanks 2,000 gal.	25	45	
Each Added 1,000 gal.	5	9	
<u>Weighing Devices</u>			
Capacity 0-499	5	10	
500-1,999	8	15	
2,000-7,999	15	25	
8,000-60,000	40	75	
60,001+	70	130	

To give an idea of the impact of the fee increase on business, the following example is offered, for measuring devices . Assume that the average gas pump delivers 250 gallons per day and that it is in use seven days per week. That means that the gasoline pump delivers 91,250 gallons per year. The fee increase of \$5 per year translates into .005 cents per gallon.

An example of the impact of the weighing device fee increase on business is as follows. Assume that a supermarket sells 23,000 pounds of meat per year (63 pounds per day), the additional \$5 fee will cost .02 of a cent per pound.

The proposed legislative change allows the program to be more responsive to both the needs of the program and the licensees. After raising the fees during the last legislative session to cover the costs of the proposed equipment budget, the equipment budget was reduced during the special legislative sessions. It is hoped that by making the program self supporting the legislature would be more willing to fund the equipment necessary to keep the program in operation.

One of the vehicles cut during the special session has 170,000 miles on it, travels 30,000 miles per year statewide and tows 3,000 pounds of test equipment. The vehicle experienced metal fatigue in the bumper hitch and nearly lost the trailer. Had the operator not detected the problem and stopped in time he or some other party could have been seriously injured.

From time to time the Federal regulations change requiring the program to make equipment changes to meet the updated regulations. These changes put additional demands on the general fund.

The weights and measures program virtually impacts the lives of all Montana's residents on a daily basis. It has a great deal of impact on both sellers and buyers and thus guarantees both a fair business transaction when weighing, measuring or packaging is involved in their dealings.

This legislation allows the Department to set the fees for measuring and weighing devices. It is important to note that in order for the proposed conversion to a self supporting program to work both bills must pass. The passage of both bills will save the general fund a minimum of approximately \$200,000 and will assure you that when you buy gasoline you are not paying more than you should be.

The self supporting status still offers many controls over amount of fees to be charged by the Department.

1. Any proposed fee increases must be approved by the Department Director.
2. The Governor also has control over the program and what is charged.

EXHIBIT 4
DATE 4-6-93
HB-17

3. The proposed fee changes must withstand the public hearings process. If the Department does not respond adequately to adverse comments the proposed fee increases can be thrown out or challenged in court.

4. The Legislative Code Committee has the authority to review all rules adopted by agencies and thus can influence what is proposed.

5. The Legislative Auditors review program performance and can audit what is being done with fees and if these fees are out of line with costs of performing the service.

6. Last but by no means the least is the fact that Legislature sets the budget of the program, which in turn indirectly controls the level of the fees charged. In addition if the Legislature does not like what the program is doing the statutes can once again be changed to make the program a general funded operation.

Without the flexibility to raise and lower fees administratively, the Legislature would have to adjust fees up and down each time the program needs equipment or increase the burden on the general fund. It is important to note without the equipment the Department cannot complete the required field tests and inspections. If the program is not properly administered, both business and consumers will be significantly impacted.

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.

I am appearing this morning in support of HB 688 concerning coal produced by extended depth 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 is reached when it becomes more costly to remove the 150 to 200 feet of overburden than is justified by the value of the coal.

Extended depth auger mining recovers coal from this final highwall by boring large shafts or holes in the coal seam.

There are 8 major benefits to the State of Montana from the passage of this bill:

1. The coal recovered by extended depth auger mining is coal that would otherwise not be mined and would be lost forever. The recoverable coal resources of Montana are therefore increased by extended depth auger mining.
2. The severance tax received from extended depth auger coal is tax revenue that would not otherwise be realized.
3. There is absolutely no additional surface disturbance by extended depth auger mining but additional coal is recovered.
4. Extended depth 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 extended depth auger coal production in Montana and without passage of this bill there may never be any. Valuable coal resources and tax revenue would therefore be lost forever.
6. Approximately 25 jobs including support personnel are created with each extended depth auger machine working.
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 several years.

There are no detrimental effects of this bill.

In addition to the above, Coal Development Corporation is working with Montana State University engineering personnel toward the goal of future technological advances in extended depth auger mining. Hopefully, this will create even more tax revenues and jobs for Montana.

SENATE TAXATION

EXHIBIT NO. 5

DATE 4-6-93

BILL NO. 118

7. Why is underground mined coal taxed at 4 percent while surface mined coal is taxed at 15 percent? What is difference in cost between underground mined coal and surface mined coal?

The reason behind the lower tax rate for underground mined coal as compared to surface mined coal is significantly higher cost to mine underground coal. Both the States of Utah and Wyoming have underground coal mines. Utah was unable to provide us with any cost comparison or any cost information for their underground mines. Using the cost to mine coal from a surface mine in Montana and comparing it to the average cost of underground mined coal in Wyoming, the cost to mine underground coal is 3.5 times higher than surfaced-mined coal.

8. What amount of natural gas is sold from stripper wells and what has the trend been since enactment of the stripper incentive in 1987?

To qualify for stripper for natural gas a well must produce less than 60,000 cubic feet of gas per day for the previous calendar year. Once a well has qualified for stripper the first 30,000 cubic feet of natural gas produced per day is exempt from tax, and any production over 30,000 cubic feet per day is taxed at a reduced rate of tax of 1.59 percent.

<u>Fiscal Year</u>	<u>Percent Stripper</u>	<u>Percent Exempt</u>
1988	31.11%	79.19%
1989	28.81%	78.92%
1990	32.98%	80.36%
1991	50.87%	84.85%
1992	56.67%	84.65%

9. What amount of crude oil is sold from stripper wells and what has the trend been since enactment of the stripper incentive in 1987? Note: This incentive terminated in September of 1990.

To qualify for stripper for oil a well must produce less than 10 barrels per day for the previous calendar year. Once a well qualified for stripper the first 5 barrels produced per day were exempt from tax, and any production over 5 barrels per day were taxed at a reduced rate of tax of 3 percent.

SENATE TAXATION

EXHIBIT NO. 7

DATE 4-6-93

BILL NO. HB 639

HB 639 Amended

CERTIFIED COMMUNITIES LEGISLATION - 1993

- Requires the Department of Commerce to establish a program and partnership with local economic development organizations.
- Provides for annual matching grants contingent upon the availability of state funds to certified communities lead organizations (47 certified to date) to be used to further their strategic plans for economic development.
- Funds to be distributed on per capita basis with maximum of \$75,000 and a minimum of \$3,000 per year per organization.
- Requires local match: 1 local dollar for each state dollar.
- To retain annual eligibility, each certified lead organization must:
 - A. Be designated as lead organization by local government.
 - B. Maintain certified communities certification.
 - C. Provide proof of matching funds.
 - D. Participate in regional certified communities meetings.
- Provides funding for DOC program administration, certification assistance to non-certified communities, and organization/staffing of regional meetings.
- Requires that 91% of available funds be distributed to communities; 8% be used to fund DOC administration; 1% be used for certification assistance to non-certified communities or distributed to communities with current certification.
- Uses the existing network of 47 local certified communities lead organizations as the network for designing and implementing regional economic development initiatives.

CURRENT CERTIFIED COMMUNITIES
(Designated/Lead Economic Development Organizations)

Anaconda Local Development Corporation
Belgrade Chamber of Commerce
Sweet Grass County Opportunities
Billings Chamber of Commerce
Gallatin Development Corporation
Bridger Development Corporation
Butte Local Development Corporation
Choteau Certified Communities Organization
Columbia Falls Chamber of Commerce
Columbus/Stillwater County Planning Office
Conrad Chamber of Commerce
Glacier Action & Involvement (Cut Bank)
Powell Progress (Powell County)
Beaverhead Development Corporation
Tobacco Valley Economic Development Council (Eureka)
Flathead Economic Development Corporation
Forsyth Area Chamber of Commerce & Agriculture
Fort Benton Economic Development Organization
Fort Peck Tribal Executive Board
Glasgow Area Chamber of Commerce & Agriculture
Glendive Area Chamber of Commerce
High Plains Development Authority, Inc. (Great Falls)
Bitterroot Valley Chamber of Commerce (Ravalli County)
Hardin Chamber of Commerce & Agriculture
Wheatland County Economic Development Corporation
Bear Paw Development Corporation (Hill, Blaine, Liberty Counties)
Helena Area Chamber of Commerce
Kalispell Area Chamber of Commerce
Laurel Economic Development Organization
Lewistown Area Chamber of Commerce
Lincoln County Economic Development Council
Park County Economic Development Corporation
PhillCo Economic Growth Council (Phillips County)
Miles City Area Chamber of Commerce
Missoula Economic Development Corporation
Polson Community Development Agency
Red Lodge Area Chamber of Commerce
Central Lake County Community Development Corporation (Ronan)
Toole County Growth Council
Greater Richland County Economic Development Corporation
Mineral County Small Business Development Center
Sanders County Economic Development Corporation
Three Forks Economic Development Council
Broadwater County Development Corporation
Whitefish Community Development Corporation
Whitehall Business Association
Wolf Point Chamber of Commerce & Agriculture



SENATE TAXATION

EXHIBIT NO. 8

DATE 4-6-93

BILL NO. HB 639

The Montana Certified Communities Program

Purpose

To establish and maintain an active network of local development organizations trained and prepared to respond to economic development opportunities or concerns.

History

In July, 1981, the Department of Community Affairs was dissolved, and the Montana Department of Commerce was created. One of the first positions filled in the "Economic and Community Development Division" was a "Local Development Officer." This liaison role was recognized as being critical to initial operations, evolution, and continuity of an effective economic development effort. This position preceded staff assignments in finance, marketing, international trade, the Small Business Development Center, or government procurement.

In the spring of 1982, the Montana Economic Development Project (also known as the McKinsey Report) began to identify and analyze Montana's economic concerns and opportunities. After an expenditure of \$100,000 and the involvement of hundreds of participants from state government, business, labor, the University System and a major management and economic consulting firm, the findings resulted in new directions and programs.

Under the general heading of local development organizations, the Report noted the following:

- "The state should provide matching funds operating grants to local development corporations to help establish them, and the state should increase training and technical assistance services to local development corporations."
- "An active program of working with local development corporations serves as the necessary link between the state programs and the local community, especially in the areas of recruitment and business planning assistance."
- The state has only a very limited capacity to help create and strengthen local development organizations. Both the Department of Commerce and the Private Industry Council, using federal funds, have provided some assistance to community based local development corporations. The Department of Commerce is developing a program to provide community leaders with training in economic development skills."

The resulting "program", which became operational about two and a half years after the final Montana Economic Development Project Report, was known as "Montana Certified Cities." The original effort was a hybrid of similar programs established in Texas, Missouri, Mississippi, and Alabama. Starting with an initial conference in July, 1985, 17 Montana communities began the certification process. All of the instructional phases of the process were conducted in Helena at major conferences using guest speakers in a lecture format. From 1985-1987, 26 communities were "Certified", with three different local development officers in the Commerce Department administering the program. The name was changed to "Certified Communities" to include counties, regions, and Reservations.

In 1988, major program changes were initiated by the current local development officer after an audit of the files and interviews with community contacts revealed deficiencies. Among the major problems noted were that many communities certified had not completed specific requirements, and only a limited number of community leaders had been exposed to the fundamentals of local economic development techniques. Corrections taken included the tightening of task performance, and the institution of on-site basic training to educate a wider audience of community leaders.

In 1989, the communities who had initially been certified in 1986 were "recertified" using criteria approved by a committee of local economic development officers. One community was decertified due to noncompliance. During 1990, the onerous requirement of preparing a slide show or video tape was replaced with publication of a community fact sheet. This change produced a more flexible local development tool that is considerably less time consuming and expensive. In 1991, the original manual for the program was largely discarded and replaced by the Small Business Administration's BUSINESS OPPORTUNITIES WORKBOOK AND CASEBOOK.

Program Facts

- To date 46 communities have completed certification.
- 98% of communities have opted to comply with all requirements to maintain their designation after three years.
- The smallest certified community has a population of under 700 residents (Bridger).
- Based on preliminary survey results, a majority of strategic plans and action plans are accomplished within the initial 3 year period.
- Eleven Montana communities have commenced, but not completed the "Certification" process.
- 32 other states are conducting similar programs according to the National Association of State Development Agencies (NASDA). In recent years Arizona, Arkansas, Idaho, Nebraska, Oklahoma, South Dakota, and West Virginia commenced certification type programs.

Certification Requirements

To be designated a Montana Certified Community, a community must complete the following requirements:

Submit an entry form, and an authorizing resolution from the local government. (Economic development corporations, chambers of commerce, or business associations are the preferred sponsoring organizations for certification.)

Assemble a working group to attend instructional sessions and accomplish the following certification standards:

- complete a community profile
- inventory all unoccupied commercial buildings and property
- identify all existing businesses
- develop, administer, and analyze a community business survey
- develop a business location response letter
- develop a one page community brochure (fact sheet)
- formulate a five year strategic plan addressing community needs, business retention, business expansion, new business development, and business recruitment goals/objectives
- formulate a one year action plan that is specific and identifies who will conduct priority activities, how they will be accomplished, and a deadline for completion
- establish an informational center where community data and business assistance reference materials are located
- prepare for business location prospects, including: designation of host team, determination of community tour route, assembly of informational packet and presentation agenda

Successfully complete a "certification visit" to demonstrate proficiency in handling a business location prospect.

Certified Community candidates are given multiple on-site instruction sessions totaling approximately 20 hours in the fundamentals of business retention, physical and market expansion for existing businesses, new business development and techniques for business recruitment. Upon completion of instructional sessions and required task assignments, a simulated prospect location visit is utilized to evaluate community preparedness. It generally requires 300-500 hours of collective community labor to complete the process. Most communities are able to achieve certification standards within a 12 month period. State certification is effective for three years.

AMENDMENTS
HOUSE BILL 616
THIRD READING VERSION (BLUE COPY)
PREPARED BY DEPARTMENT OF REVENUE
April 5, 1993

The purpose of this amendment is to clarify that the Department of Revenue will transfer funds from the coal tax severance tax permanent fund to the clean coal technology demonstration fund upon request of the Department of Natural Resources.

1. Title, line 21,
Following: "LAWS OF 1991;"
Insert: "AMENDING SECTION 11, CHAPTER 722, LAWS OF 1991, AND 17-5-703, MCA;"
2. Page 24, line 16
Following: line 15
Insert: "Section 5. Section 11, Chapter 722, Laws of 1991, is amended to read: Section 11. Transfer of Funds. There is transferred from the coal severance tax permanent fund up to \$25 million upon request of the department to the clean coal technology demonstration fund for projects approved pursuant to the provisions of this act."

Section 6. Section 17-5-703, MCA, is amended to read:

"17-5-703. Coal severance tax trust funds. (1) The trust established under Article IX, section 5, of the Montana constitution shall be composed of the following funds:

(a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal severance tax shall be deposited;

(b) a treasure state endowment fund;

(c) a clean coal technology demonstration fund;

(d) a coal severance tax permanent fund;

(e) a coal severance tax income fund; and

(f) a coal severance tax school bond contingency loan fund.

(2) The state treasurer shall determine the amount necessary to meet all principal and interest payments on bonds payable from the coal severance tax bond fund on the next two ensuing semiannual payment dates and retain that amount in the coal severance tax bond fund.

(3) (a) On January 21, 1992, and continuing as long as any school district bonds secured by state loans under 20-9-466 are outstanding, the state treasurer shall from time to time and as provided in subsection (3)(b) transfer from the coal severance tax bond fund to the coal severance tax school bond contingency loan fund any amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall transfer the amount referred to in subsection (3)(a) until and unless the balance in the coal severance tax school bond contingency loan fund is equal to the

amount due as principal of and interest on the school district bonds secured by state loans under 20-9-466 during the next following 12 months.

(4) Beginning July 1, 1991, and ending June 30, 1997, from any amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of any amount that is required to be transferred by subsection (3), the ~~department of revenue state treasurer~~ shall upon request of the department of natural resources ~~from time to time~~ transfer an amount up to not exceeding \$5 million per fiscal year to the clean coal technology demonstration fund.

(5) Beginning July 1, 1993, and ending June 30, 2013, the state treasurer shall transfer to the treasure state endowment fund any amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of amounts that are transferred pursuant to subsections (3) and (4).

(6) (a) Beginning July 1, 1993, and ending June 30, 2013, the state treasurer shall from time to time transfer to the coal severance tax permanent fund 50% of the principal transferred from the coal severance tax bond fund to the treasure state endowment fund in the preceding year.

(b) The state treasurer shall annually transfer to the treasure state endowment special revenue account the amount of interest earnings required to meet the obligations of the state that are payable from the account in accordance with 90-6-710. Interest earnings not transferred to the treasure state endowment special revenue account must be retained in the treasure state endowment fund."

{ Internal References to 17-5-703:

20-9-466 90-6-701 (2) }

Renumber: Subsequent sections

MHD Development Corporation

PROJECT OVERVIEW

Billings Magnetohydrodynamic Demonstration Project

SENATE TAXATION

EXHIBIT NO. 10

DATE 4-6-93

BILL NO. HB 616

☐ OVERVIEW

The Billings Magnetohydrodynamic (MHD) Demonstration Project (BMDP) will be the world's first demonstration of the fully-integrated operation of an MHD plant at the 100-MW_e scale. The plant will be located in Billings, Montana, at The Montana Power Company's J. E. Corette Plant site. This project, being pursued by the MHD Development Corporation (MDC), is the next critical step for providing data to scale up MHD to commercial size.

The project will be constructed, operated, and owned by MDC. Babcock & Wilcox, Gilbert Commonwealth, MSE, Textron Defense Systems, The Montana Power Company, TRW, University of Tennessee Space Institute, and Westinghouse are the major team members. Participation Agreements with EPRI and electric utility company supporters will be established.

After three years of demonstration operation, the project will be operated as an independent power project. The revenue from electric power sales will be used to amortize bonds and cover the ownership risk.

A request for \$220 million in funding support has been made to the Department of Energy (DOE) through its Clean Coal V Program. Upon selection by DOE, the State of Montana will provide a \$25 million loan, and additional project financing will be provided through equity participation and bank loans. The Bank of America is the financial advisor for this project.

☐ MHD BACKGROUND

Magnetohydrodynamics (MHD) provides the highest potential efficiency and best total environmental performance of any coal-burning technology being developed today. The United States and the world will need this new technology to provide the most efficient coal-fired electrical power generation alternative. DOE's MHD proof-of-concept program is nearing completion, and the next phase of development is required to advance the technology to commercialization. The Program Opportunity Notice for DOE's Clean Coal V solicited proposals for the demonstration of coal-using technologies that will "advance significantly the efficiency and environmental performance."

☐ BILLINGS MHD DEMONSTRATION PROJECT STATUS

The MHD Development Corporation has submitted a proposal in response to DOE's Clean Coal V solicitation for proposals to build the BMDP, an MHD commercial demonstration to be collocated at The Montana Power Company's J. E. Corette Plant site in Billings, Montana.

☐ PROJECT PARTICIPANTS

This project is being sponsored by MDC, which was formed in 1985 to promote and coordinate the commercialization of MHD. Since an MHD plant is essentially two complete power systems and not a single component, it requires a broad technological base. No single equipment supplier has the technical depth or variety of commercial products to supply the entire facility. Thus, this consortium blends the traditional power industry, regional expertise, and specialty organizations needed to develop this energy efficient technology. The Montana Power Company (host utility and site owner) and Gilbert Commonwealth (project architect and engineer) represent the traditional electric industry to ensure that MHD will be scalable and transferrable to the evolving utility industry. MSE

Amendments to House Bill No. 616
Third Reading Copy

SENATE TAXATION

EXHIBIT NO. 11

DATE 4-6-93

BILL NO. HB 616

Requested by Representative Driscoll
For the Committee on Taxation

Prepared by Greg Petesch
March 30, 1993

1. Page 5, line 1.

Strike: line 1 in its entirety

2. Page 7, line 7.

Following: "(6)"

Insert: "(a)"

Strike: "INTEREST"

Insert: "Subject to subsection (6)(b), interest"

3. Page 7, lines 8 and 9.

Following: "as" on line 8

Strike: remainder of line 8 through "OF" on line 9

Insert: "same rate as"

4. Page 7, lines 11 and 12.

Following: "parties" on line 11

Strike: remainder of line 11 through "CREDITORS" on line 12

5. Page 7, line 15.

Following: line 14

Insert: "(b) The total interest amount may not exceed \$25
million."

6. Page 8, line 1.

Strike: "(I)"

Following: "shall"

Insert: ", when there is sufficient cash flow after the
appropriate allowance for the payment of taxes,"

7. Page 8, line 9.

Strike: "AS PART OF THE"

Insert: "upon the occurrence of any of the following:"

(i) the beginning of the 17th year after the loan agreement
is signed by the parties;

(ii)"

8. Page 8, line 10.

Following: "CREDITORS"

Insert: "have been satisfied;

(iii) changes in the price of electricity sold as a result
of project operations, changes in expenses paid as a result of
project operations, or changes in other financial factors cause
net cash flow to be greater than that projected to be available
after making periodic payments to senior debt creditors and the
appropriate allowance for taxes; or

(iv) the successful completion of the MHD technology demonstration"

9. Page 8, lines 18 through 20.

Strike: "(II)" on line 18

Insert: "(c)"

Following: "made" on line 18

Strike: remainder of line 18 through "1" on line 20

ReNUMBER: subsequent subsection

10. Page 9, line 8.

Following: line 7

Insert: "(e) The payment made upon completion of the MHD technology demonstration must be a minimum of \$250,000 per year, are owed only for a year in which the MHD technology operates at least 50% of the year, and must be paid in full by March 31 of the following year."

11. Page 11, line 20.

Strike: "are NOT subordinate to"

Insert: "do not impair"

12. Page 23, lines 12 and 13.

Following: "used"

Strike: remainder of line 12 through "1993," on line 13

13. Page 24, line 3.

Strike: "(2)"

Insert: "(3)"

Economic Development Center

115 North Broadway, Suite 200
Billings, MT 59101-2043
Ph (406) 256-6873
Fax (406) 256-6877



Business & Community Development

March 30, 1993

Senator Mike Halligan, Chair
& Committee Members
Senate Taxation Committee
State Capitol
Room 413/415
Helena, MT 59601

SENATE TAXATION

EXHIBIT NO. 12

DATE 4-6-93

BILL NO. HB 616

RE: Support Clean Coal Technology Demonstration Loan to
MHD Development Corporation, HB 616

Dear Senator Halligan and Committee Members:

The proposed MHD project will allow Montana to effectively add value to one of its precious natural resources, coal. The proposed demonstration project will utilize Montana coal to effectively produce electricity through the technology known as magnetohydrodynamics. Although this technology is extremely complicated, the economics of the project are not.

You are being asked to commit tax dollars accumulated from coal development, processed coal that is presently being shipped out of the state, and invest some of those tax dollars into in-state development that could bring economic development to Butte and Billings communities for many years to come. The idea that state, federal and private money amounting to roughly 600 million dollars being invested in jobs for Montanans via construction, research and development, and operations can be quite appealing since its only intent is to work with a Montana resource, coal.

I'm told that many people will come from all around the world to analyze this technology for many years. This will certainly bring more dollars into Montana, creating or retaining even more Montana jobs.

There can be no better use of tax dollars on our vast resources than developing a clean value added process that can create additional taxable value as a result of this development, i.e. income tax on wages and profits.

Please give your support of this bill, not only for our sake, but for the sake of our children and their children.

Thank you for your support.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jerry S. Thomas".
Jerry S. Thomas
Executive Director



CITY OF BILLINGS

OFFICE OF CITY ADMINISTRATOR

P.O. BOX 1178
BILLINGS, MONTANA 59103
(406) 657-8433
FAX (406) 657-8390



March 30, 1993

Senator Mike Halligan, Chair
Senate Taxation Committee Members
Helena, Montana 59601

SENATE TAXATION

EXHIBIT NO. 13

DATE 4-6-93

BILL NO. HB 616

RE: SENATE BILL 616 - BILLINGS MHD PROJECT

Dear Senator Halligan:

On behalf of the City of Billings, I am writing this letter to express the support of our community for the Magneto Hydro Dynamic Demonstration Project (MHD) here in Billings. After receiving a report from the MHD Development Corporation, I was impressed with the enormous economic potential that it offers for not only the City of Billings but the State of Montana. Through the development of a nationwide consortium of private and public sector entities, this pilot project offers an enormous potential for the creation of new technology utilizing coal as its primary source of fuel.

The MHD Development Corporation has been advised by the Department of Energy that the Billings MHD Project has been prioritized as a major project of interest through its grant program. If the possibility of advanced coal burning technology can be developed, it may offer an opportunity to induce additional mining of coal within Montana which will economically benefit our state.

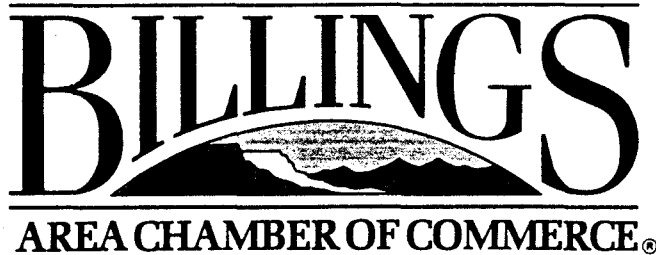
Insofar as sulphur dioxide emissions is concerned, based on presentations that we have heard, we would recognize that the stand alone MHD Project would have a net effort of reducing sulphur dioxide emissions by approximately 1,000 tons per year through advanced coal usage management techniques. Through a pressurized combustor, we would recognize that most all of the coal and its by-products will be utilized in the production of electrical energy.

The project offers the potential of providing enormous long term economic benefits for the State of Montana. As in any nationally recognized project, it takes a commitment of not only private industry and local government, but also significant indications of support from the State government. We urge your support of SENATE BILL 616 which would provide necessary support from the State of Montana for the MHD Project in Billings.

Very truly yours,

Mark S. Watson
City Administrator

Billings Pride
City-wide



March 30, 1993

Senator Mike Halligan, Chair
& Committee Members
Senate Taxation Committee
Capitol Station
Helena, MT 59620

SENATE TAXATION

EXHIBIT NO. 14

DATE 4-6-93

BILL NO. HB 616

Dear Senator Halligan & Committee Members:

On behalf of the Billings Area Chamber of Commerce, we would like to express our strong support of the MHD project and the un-amended HB616. The Billings community is very anxious to see this plant built and the technology advanced to the commercial stage which will in turn be a tremendous boost to the Montana coal industry and the state's economy in general.

We ask that you and your committee not overlook the short and long term benefits to Montana that the MHD project represents.

- 15,000 tons of Montana coal burned per day, 250 days per year
- \$650 million total project cost, roughly 20% paid to local businesses
- 200 construction jobs for nearly 3 years construction
- 50 new permanent jobs
- reduction in SO₂ and NO_x emissions
- technology that by using Montana coal will be perfected for commercialization, thus a tremendous return for investment
- complimentary companies, or "spin-off" businesses expanding to Montana due to the project

Please do not jeopardize all of the benefits for Montana by passing the amended version of HB616. Montana has such great opportunities — we need to take advantage of those and work toward betterment of our state. The original HB616 does just that — don't let this opportunity slip through our fingers. Thank you for your support.

Respectfully,

A handwritten signature in dark ink, appearing to read "Butch Ott".

Butch Ott
President/CEO

BO/cz

THE ADVANTAGES OF INDIVIDUAL MEDICAL ACCOUNTS (HOUSE BILL 670)

SENATE TAXATION

EXHIBIT NO. 15

DATE 4-6-93

BILL NO. HB 670-HJR 19

SAVING MONEY. When people purchase medical care with funds in an IMA, they will be spending their own money rather than someone else's money. As a result, they will become careful, prudent customers in the medical marketplace.

RESTORING THE DOCTOR-PATIENT RELATIONSHIP. Bureaucratic efforts to control costs are increasingly interfering with the doctor-patient relationship. With IMAs, patients and doctors will be encouraged to manage their own care - and will probably do a much better job.

MAINTAINING THE QUALITY OF CARE. Bureaucratic efforts to reduce costs are also threatening the quality of patient care. To the degree that patients are spending their own money, patients and doctors will make the decision.

ENCOURAGING RATIONING BY CHOICE. Unless someone makes the difficult choice between medical care and other uses of money, we will be spending the entire GNP on health care. IMAs allow individuals and families - rather than large, impersonal bureaucracies - to make those decisions.

CREATING A COMPETITIVE MARKETPLACE. Most patients cannot discover the price of even routine procedures before entering a hospital and cannot read the bill when they are discharged. But patients spending their own money will quickly force radical change. As in the market for cosmetic surgery and for surgery performed in the private sector in England, single package prices will be announced in advance.

PROVIDING FUNDS FOR PREVENTIVE CARE. IMAs would provide a source of funds for services not covered by health insurance.

PROVIDING FUNDS FOR HEALTH INSURANCE PREMIUMS. IMAs will provide a source of funds to continue health insurance coverage when people are unemployed.

PROVIDING FUNDS FOR LONG-TERM CARE. IMA funds not spent during a person's working years will be available for long-term care, long-term care insurance and other post-retirement medical needs not met by Medicare.

CREATING REAL INSURANCE. With IMAs, health insurance will likely return to its traditional function - payment for risky, unforeseen, costly medical episodes - and many of the problems in the health insurance marketplace should disappear.

CREATING PERSONAL AND PORTABLE BENEFITS. IMAs will be the private property of the individual account holder. Their establishment will be a movement in the direction of a worthwhile social goal: making all employee benefits personal and portable.

NECESSARY WORKERS COMPENSATION REFORM. Employer-funded IMAs will encourage employees to utilize more efficiently precious Work Comp medical benefits resulting in lower Work Comp premium costs.

PERCENT OF PERSONAL HEALTH EXPENSES PAID BY THIRD PARTIES

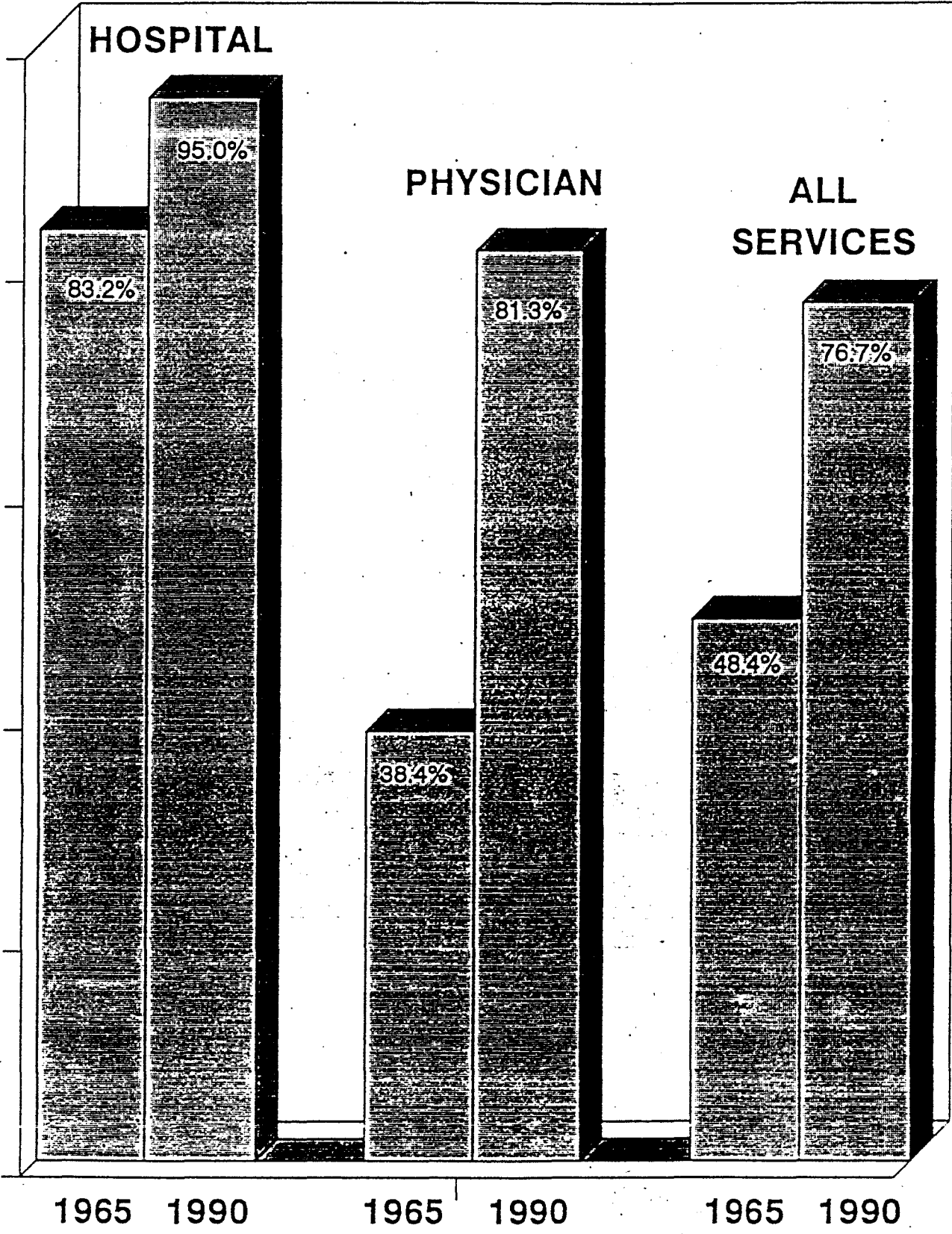
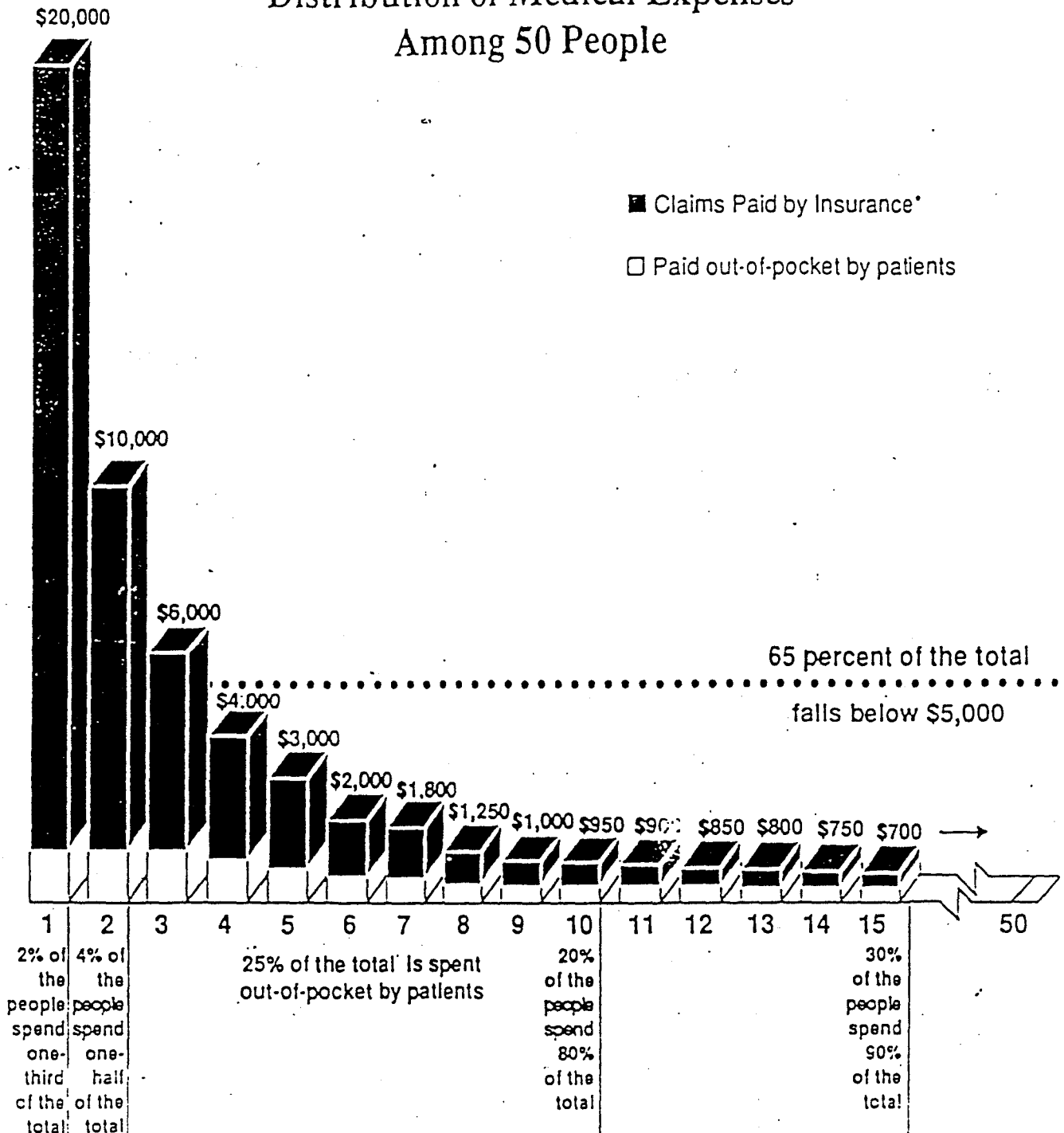


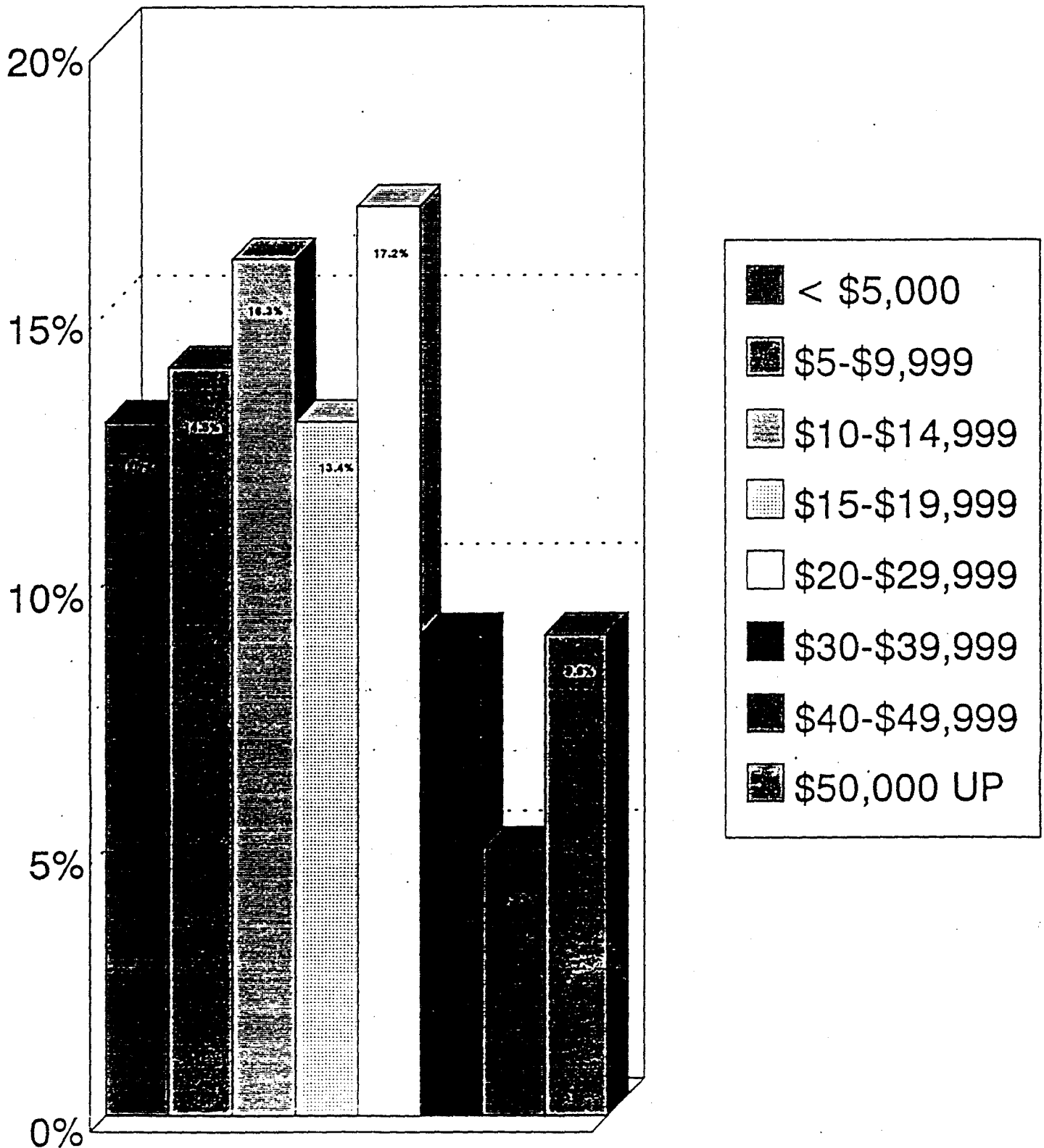
EXHIBIT 15
 DATE 4-6-93
HB 670 & HJR 19

Distribution of Medical Expenses Among 50 People



*Assumes a \$250 deductible and a 20% copayment on the next \$5,000 of expenses. Period of coverage is one year.

PEOPLE WITHOUT HEALTH INSURANCE BY FAMILY INCOME LEVEL



ANNUAL PREMIUM SAVINGS

FROM HIGHER DEDUCTIBLES FOR FAMILIES IN CITIES
WITH AVERAGE HEALTH CARE COSTS

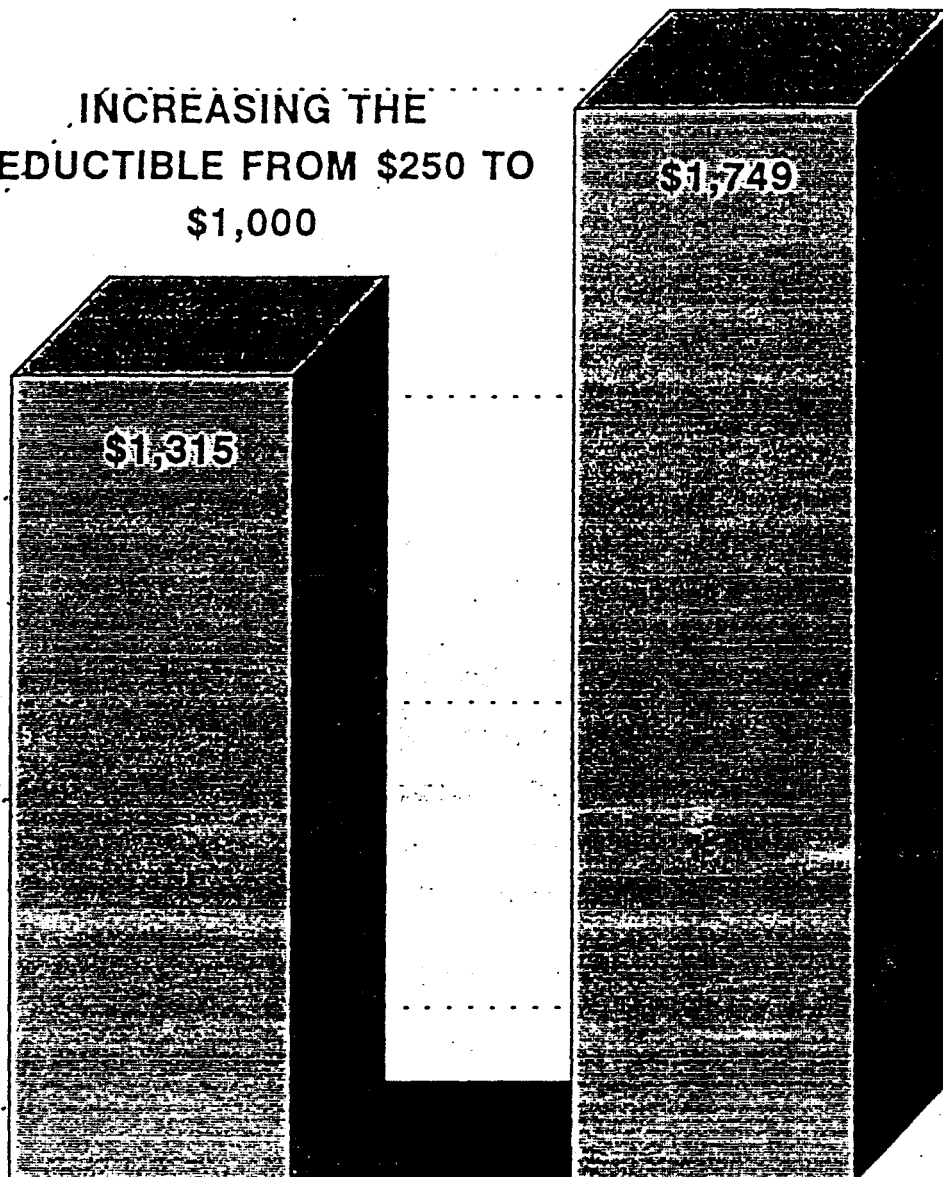
EXHIBIT 15

DATE 4-6-93

FLHR-670 + HJR-19

INCREASING THE
DEDUCTIBLE FROM \$250 TO
\$2,500

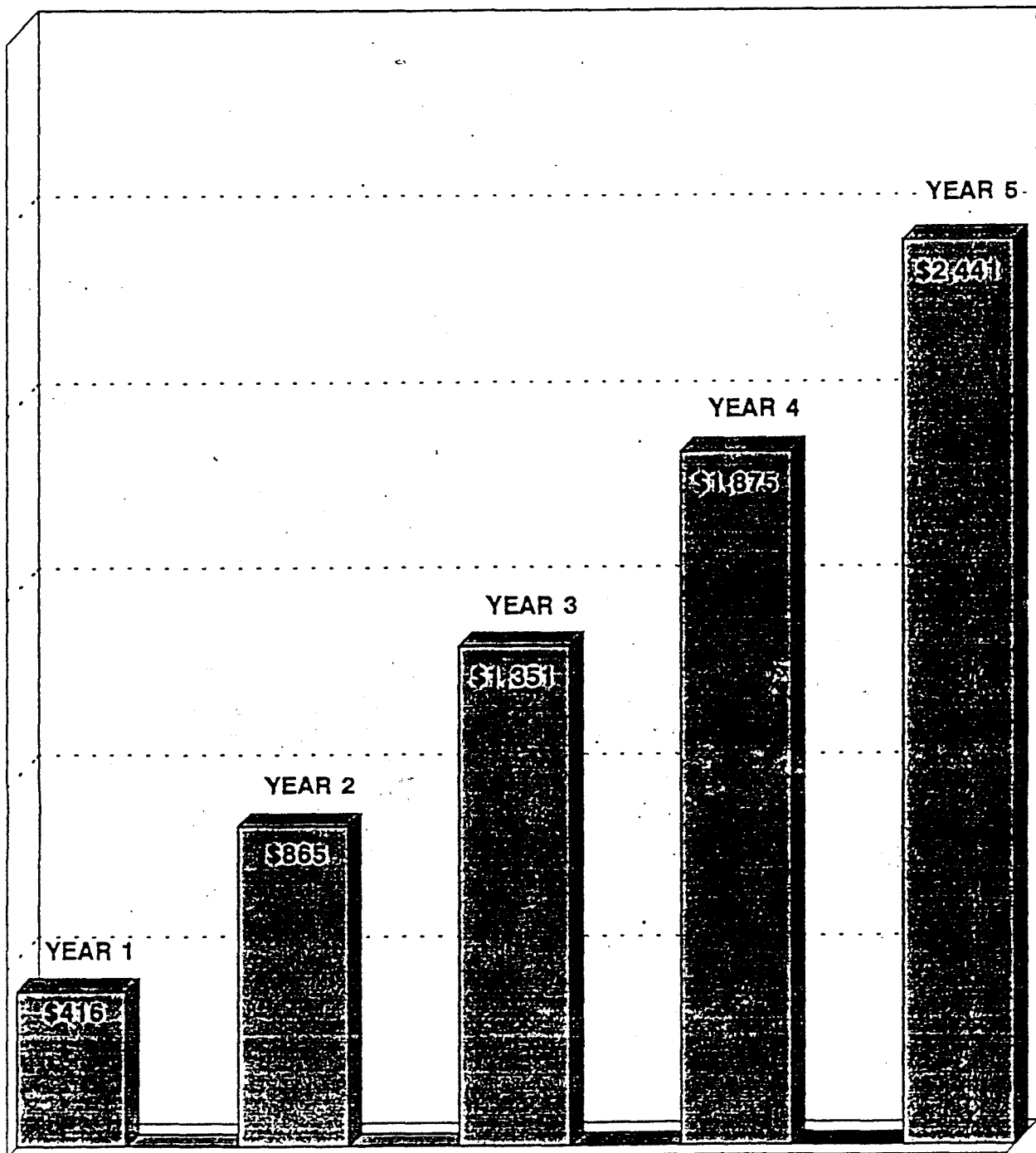
INCREASING THE
DEDUCTIBLE FROM \$250 TO
\$1,000



FIGURES ARE FOR A FAMILY OF TWO ADULTS AND TWO CHILDREN.

GROWTH OF MEDISAVE ACCOUNTS WITH \$400 ANNUAL DEPOSITS

(END OF YEAR BALANCE)

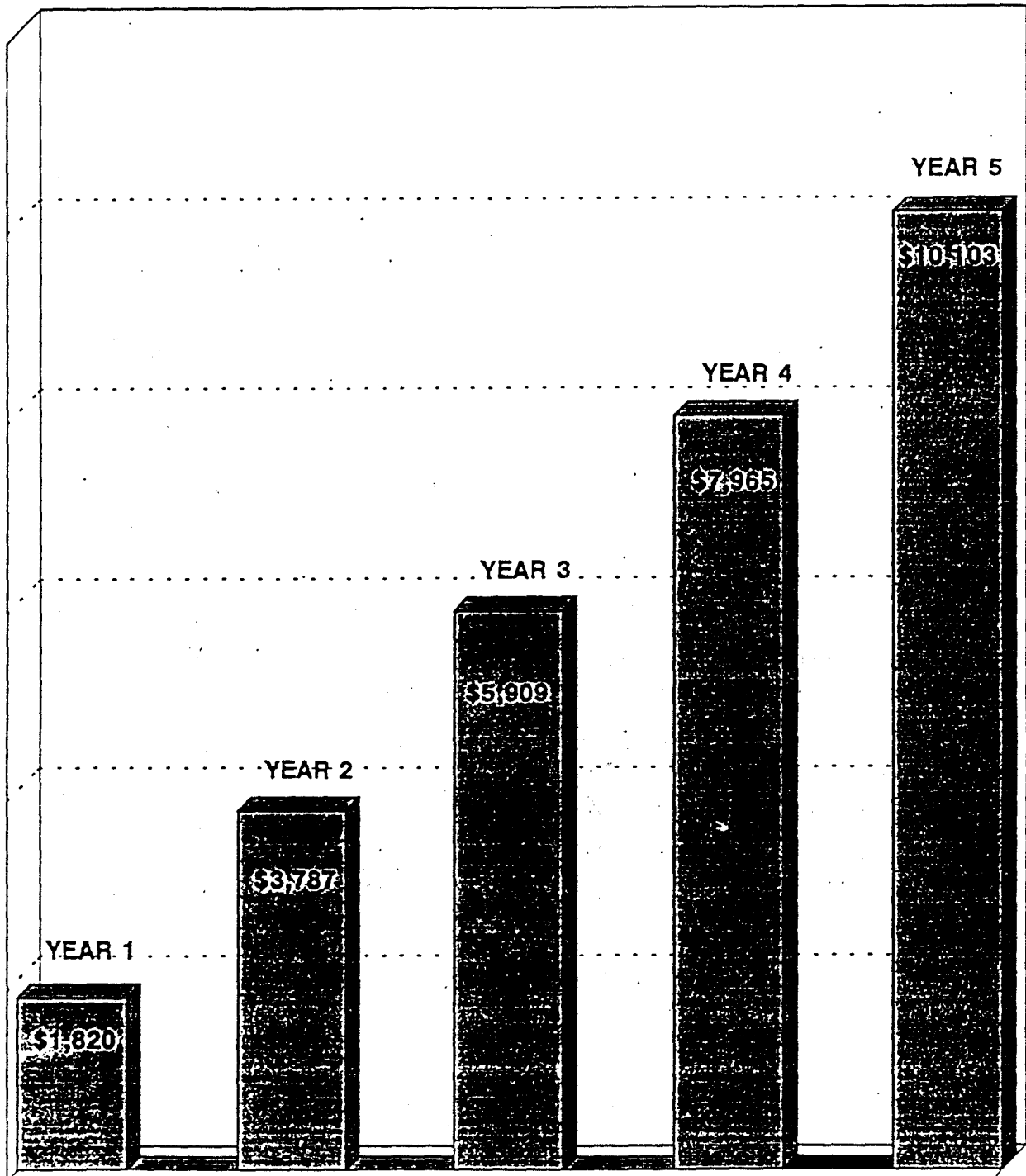


ASSUMES 8 PERCENT INTEREST

GROWTH OF FAMILY MEDISAVE ACCOUNTS WITH \$1,750 ANNUAL DEPOSITS

(END OF YEAR BALANCE)

EXHIBIT 15
DATE 4-6-93
LB 670 + HJR-19



ASSUMES 8 PERCENT INTEREST

PAUL L. GORSUCH JR., M.D.
Neurological Surgery
Board Certified

April 5, 1993

The following physicians support the idea of Medical Savings Accounts.

Paul L. Gorsuch Jr.

Paul L. Gorsuch Jr., M.D.

Elton Adams, M.D.
Great Falls

Ted Ajax, M.D.
Great Falls

Jake Allen, M.D.
Great Falls

Eric Anderson, M.D.
Great Falls

Robert Ardis, M.D.
Great Falls

Susan Avery, M.D.
Great Falls

John Avery, M.D.
Great Falls

Brian Bertha, M.D.
Great Falls

Keith Bortnem, M.D.
Great Falls

Robert Casey, M.D.
Great Falls

Irene Coen, J.D., R.N.
Great Falls

Ronald Coen, M.D.
Great Falls

Paul Comer, M.D.
Great Falls

John Cook, M.D.
Billings

John Crowley, M.D.
Great Falls

J. Michael Dempsey, M.D.
Ronan

Raymond Fowler, M.D.
Great Falls

Alan Gabster, M.D.
Missoula

Luis Galano, M.D.
Fort Benton

Lea Gorsuch, M.D.
Great Falls

Grant Harrer, M.D.
Great Falls

John Henneford, M.D.
Great Falls

James Hinshaw, M.D.
Great Falls

Patrick Holland, M.D.
Bozeman

Ronald Isackson, M.D.
Lewistown

Charles Jennings, M.D.
Great Falls

Elmer Kobold, M.D.
Billings

Michael Lahey, M.D.
Missoula

Richard Lauritzen, M.D.
Great Falls

John Lavin, M.D.
Kalispell

Stephen Ley, M.D.
Bozeman

Charles Ludden, M.D.
Kalispell

Mel Margaris, M.D.
Great Falls

Irene Martin, M.D.
Kalispell

John McGregor, M.D.
Great Falls

Brian McGuire, M.D.
Billings

James Mendenhall, M.D.
Great Falls

Kenneth Mueller, M.D.
Billings

Pamela Oehrtman, M.D.
Kalispell

Cheryl Reichert, M.D.
Great Falls

Lee Richardson, M.D.
Laurel

Eric Ridgway, M.D.
Deer Lodge

David Ross, M.D.
Butte

Dale Schaefer, M.D.
Great Falls

John Schvaneveldt, M.D.
Great Falls

Mike Schweitzer, M.D.
Billings

Carl Shonk, M.D.
Great Falls

Lashman Soriya, M.D.
Billings

Daniel Staples, M.D.
Butte

John Stone, M.D.
Great Falls

Paul Suarez, M.D.
Great Falls

Tamela VanderAarde, M.D.
Great Falls

Robert Wynia, M.D.
Great Falls

SENATE TAXATION

EXHIBIT NO. 17

DATE 4-6-93

BILL NO. HB 670

AMENDMENTS

HB 670

THIRD READING VERSION (BLUE COPY)

PREPARED BY DEPARTMENT OF REVENUE

April 5, 1993

The purpose of this amendment is to appropriate the necessary funds to implement and administer HB 670.

1. Title, line 24
Following: "EFFECTIVE DATE"
Strike: "AND"
line 25
Following: "APPLICABILITY DATE"
Insert: "AND PROVIDING AN APPROPRIATION"
2. Page 33, line 1
Insert: "NEW SECTION. Section 17. Appropriation. There is appropriated \$40,342 from the general fund to the department of revenue for fiscal year 1994, and \$29,943 to the department of revenue for fiscal year 1995.

Renumber: Subsequent sections

County of Yellowstone



COMMISSIONERS

March 29, 1993

(406) 256-2701

Senator Mike Halligan, Chair
& Committee Members
Senate Taxation Committee
State Capitol
Room 108
Helena, MT 59601

Box 35000
Billings, MT 59107

SENATE TAXATION

EXHIBIT NO. 18

DATE 4-6-93

BILL NO. HB 616

RE: Support Clean Coal Technology Demonstration Loan to
MHD Development Corporation, HB 616

Dear Senator Halligan and Committee Members:

The proposed MHD project will allow Montana to effectively add value to one of its precious natural resources, coal. The proposed demonstration project will utilize Montana coal to effectively product electricity through the technology known as magnetohydrodynamics. Although this technology is extremely complicated, the economics of the project are not.

Yellowstone County has already worked the local property tax abatements in the 1991 session. Now you are being asked to commit tax dollars accumulated from coal development, processed coal that is presently being shipped out of the state, and invest some of those tax dollars into in-state development that could bring economic development to Butte and Billings communities for many years to come. The idea that state, federal and private money amounting to roughly 600 million dollars being invested in jobs for Montanans via construction, research and development, and operations can be quite appealing since its only intent is to work with a Montana resource, coal.

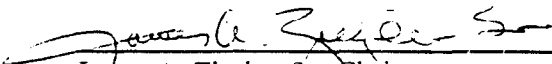
There can be no better use of tax dollars on our vast resources than developing a clean value added process that can create additional taxable value as a result of this development, i.e. income tax on wages and profits.

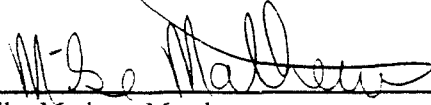
Please give your support of this bill as it will certainly bring more dollars into Montana, creating or retaining even more Montana jobs.


Thank you for your support.

Sincerely,

BOARD OF COUNTY COMMISSIONERS,
YELLOWSTONE COUNTY, MONTANA


James A. Ziegler, Sr., Chair


Mike Mathew, Member


Bill Kennedy, Member

DATE 4-6-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 17, 322, 616, 639, 640,
670, 688, HJR 19

Name	Representing	Bill No.	Check One	
			Support	Oppose
W James Kembel	Public Safety Division DOC	HB 17	✓	
Robert J Labrie	MHD Development Corp	HB 616	✓	
Jack Sherick	MSE	HB 616	✓	
Steve Huntington	MHD Development Corp	HB 616	✓	
Ron Klephake	Msia Econ. Dev.	HB 639	✓	
Kew Heikes	Billings	616	✓	
DAN RITTER	MT LHAMBER	616	✓	
RYTTER	MCC	670	✓	
Dixie Swanson	Golden Rule Corp	HB 639	✓	
Jim Mockler	MT Coal Council	HB 688 HB 690	✓	
Reas Macken	Coal Develop.	HB 688	✓	
Kyeelan E Teague	No. Mont. O&G Asso.	322	✓	
Patrick M. Montabun	MSR + GHPS Inc.	322	✓	
JOHN A. ALSTAD	COMMISSIONER-TOCIE	322	✓	
STEPHEN PALMBUSH	MSR EXPLORATION	322	✓	
Eather Kennedy	S & G Operations	322	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE _____

SENATE COMMITTEE ON _____

BILLS BEING HEARD TODAY: _____

Name	Representing	Bill No.	Check One	
			Support	Oppose
Jerry Kennedy	J + G Operating	322	✓	
Doug Abelin	NORTHERN MONT. P. L. & GAS	322	✓	
JERRY TAVEGIA	DEPT. OF COMMERCE	639	✓	
MICHAEL S. MIZEK	MT. STATE ASSO PLUMBERS & PIPE FITTERS	616	✓	
Jane He Fallon	MT Petroleum	322	✓	
Bill LEARY	MT. BANKERS ASSN	HB 670	✓	
Ken Williams	MPC/Entech	HB 688	✓	
Don Benton	Dept of Revenue	HB 616	✓	
Dennis O'Gara	NPRC	HB 688		✓
John Tubbs	DNRC	616		
Ken Heikes	Billings	639	✓	
Paul Gorsuch	Self	HB 670	✓	
Terry Frisch	Self	HB 670 NJ 19	✓	
Jerome T. Roendorf	MT Ret & SS	HB 670 HS 19	✓	
Leah Schuler	MDC	HB 616	✓	
Toni Stilson	Self	HB 616	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY