

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By VICE CHAIRMAN MARIAN HANSON, on March 1, 1995,
at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. John C. Bohlinger (R)
Rep. Jim Elliott (D)
Rep. Hal Harper (D)
Rep. Rick Jore (R)
Rep. Judy Murdock (R)
Rep. Thomas E. Nelson (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Roger Somerville (R)
Rep. Robert R. Story, Jr. (R)
Rep. Emily Swanson (D)
Rep. Jack Wells (R)
Rep. Kenneth Wennemar (D)

Members Excused: None.

Members Absent:

Rep. Daniel C. Fuchs (R)

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

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

Committee Business Summary:

Hearing: SB 152
HB 565
HB 561

Executive Action: HB 418 - Do Pass as Amended
HB 469 - Tabled
HB 470 - Tabled

{Tape: 1; Side: A.}

HEARING ON SB 152

Opening Statement by Sponsor:

SEN. TOM KEATING, Senate District 5, Billings, opened the hearing by stating that SB 152 would repeal the Resource Indemnity Trust (RIT) when the fund reaches \$100 million. **SEN. KEATING** distributed a handout explaining the allocation of the RIT proceeds and interest. EXHIBIT 1. He explained that the Resource Indemnity and Groundwater Assessment Tax (RIGWAT) and the Metalliferous Mine Tax (MMT) are taxes on the production of oil, gas, coal and hard-rock mining. Under the Constitution, a \$100 million trust was established from tax rates set by the Legislature. At the end of FY 95, the fund will be at \$92 million. It is expected that at the current rate of tax flow, the goal of \$100 million would be reached in 1999. **SEN. KEATING** said the tax was working well until the Department of Natural Resources, through the budgeting process, brought legislation for groundwater assessment and diverted 14% of the tax to the Groundwater Assessment program from RIGWAT proceeds. Two years later they brought legislation to take another 40% for the Renewable Resource Program (RRP) and Reclamation Development Program (RDP). **SEN. KEATING** said a considerable amount of money has been drained off for administrative costs by the DNRC and for the Renewable Resource Program which is not related to the extraction of minerals. SB 152 would sunset the tax on oil, gas and coal, and the hard-rock mining group has asked that the Committee consider amending the bill to sunset the MMT. He said 85% of the tax would still be paid into the general fund and to the counties. **SEN. KEATING** said there were several reasons for sunsetting the tax. First of all, when the fund reaches \$100 million, the requirements under the Constitution would be satisfied and the taxpayers would be entitled to relief. Secondly, the tax on oil, gas and coal, is on private property and not a natural resource that is a part of the public trust. Minerals are owned, in fee, and are private and the production of oil, gas and coal belongs to the fee owners, except for those obtained from state and federal land. There is a tax on the producer of minerals on public domain but there is no tax on the royalties. Montana citizens are being taxed on a diminishing asset. He asked the Committee to consider that the obligation has been fulfilled when the trust reaches \$100 million and it is time to give tax relief to the people who are entitled to it.

Proponents' Testimony:

Jim Mockler, Executive Director, Montana Coal Council, said that since the passage of the RIT tax in 1973, a number of things have happened in the coal industry such as the coal severance tax which has been placed in a permanent fund to indemnify the people of Montana for the use of their coal. There has also been federal legislation which taxes all coal produced in Montana at \$.35 per ton. Half of this money has come back to the state and

was used to reclaim old coal mines. Since that project was completed, almost all the money now used for reclamation of hard rock mines is coming from this fund, and not from the RIT tax. He said the coal industry has paid its fair share to indemnify the people of Montana for the loss of the two million tons of coal produced each year. He urged the Committee to pass SB 152.

Jerome Anderson, Attorney, Shell Western Exploration and Production, Inc., said Shell Oil has produced 33% of the oil and gas in Montana since the RIT was passed in 1972. He said they are responsible for \$27.5 million in the trust fund. He expressed concern over the diversion of funds from the original intention of the tax which was "to provide security against loss or damage to the environment from the extraction of non-renewable resources." Over the years the money has been used for many different projects and he pointed out that during the past biennium \$100,000 was used for enhancements to Metra Park in Yellowstone County. He said, to the best of his knowledge, he knew of no non-renewable resource extraction at the Park. He asked the Committee to support SB 152.

Gary Langley, Executive Director, Montana Mining Association, said the mining industry has never objected to paying taxes as long as they were not excessive and the money used for the purpose for which it was intended. He pointed out if the tax is repealed, counties in which mines are located will receive a larger percentage of the interest income. He urged the Committee to pass SB 152.

Dennis Iverson, Northern Montana/Wyoming Oil and Gas Associations, said the Association is concerned with the use of the tax. He said that if the money were being used for the intended purpose, it was doubtful this bill would be before the Committee and, if it was, he would not support it. Over the years, it has been forgotten that the purpose of the bill was reclamation and clean-up. He said there are over 250 Super Fund sites in Montana that are not big enough or important enough for the federal government to take care of. Only five or six are being taken care of each year using RIT funds. He said the state has two choices -- pass this bill to sunset the tax or restructure the use of the money to be used as intended.

Gail Abercrombie, Executive Director, Montana Petroleum Association, said there are now bonding requirements for oil and gas producers and the need to provide for mitigation of negative impacts is not as great. She asked for the Committee's support in capping the tax at \$100 million and allow the interest to be used for the purpose for which it was intended.

{Tape: 1; Side: B.}

Patrick Montalban, Vice President, Northern Montana Oil and Gas Association, said the 70 members of his Association support SB 152. He said it was believed when the tax was implemented in

1973 that it would be used to plug abandoned wells and reclaim mining sites. He said it is aggravating that a small producer must pay a reclamation tax that is being used to pave a parking lot at the fairgrounds in Billings and provide baseball diamonds in Butte. Mr. Montalban said that when the trust reaches \$100 million, the taxpayers deserve relief. **Mr. Montalban** thanked Sen. Keating for bringing the bill before the Committee.

Ken Williams, Montana Power Company and Entech, said he agreed with the preceding testimony and, in addition, said the intent of the Constitution must have been to cap the trust at \$100 million or that figure would not have been included. Coal is already covered by the coal trust which is now at \$500 million and growing, and by the reclamation bonds which are required to assure reclamation of existing mines. He urged the Committee to give favorable consideration to this bill.

Ray Tilman, Montana Resources, Butte, rose in support of SB 152. He said the hard-rock mining industry is also responsible for bonds to assure reclamation. He urged the Committee to consider the amendment to SB 152.

Stan Kalazack, Meridian Oil, stated that Meridian Oil has been a leader in horizontal drilling techniques now utilized in Eastern Montana which are less environmentally intrusive. These are the kinds of activities that should be promoted in connection with this issue. He said the time is now to cap the trust.

Russ Ritter, Montana Resources, testified that for all the reasons that had been presented during the hearing, he would support SB 152.

Jim Jensen, Executive Director, Montana Environmental Information Center, said he found himself in an unusual position in support of this legislation. He distributed a chart which illustrates why the tax has never served the purpose for which it was enacted. It should have provided money to reclaim abandoned mines and properly plug abandoned oil wells. There are 300 mines in the state, many of which are directly polluting important headwaters in mountain areas and also in other parts of the state. The actual amount of RIT interest used for reclamation purposes over the last ten years was \$29,213,769, or 35.54% of the total. EXHIBIT 2. The balance has been used for general fund offset. For this reason, he strongly encouraged the Committee to terminate the tax and see if it will cause the Legislature to "mend its ways" and use the interest revenue for reclamation as originally intended.

Opponents' Testimony:

Jack Stults, Helena City Commissioner, spoke in opposition to SB 152 because of the immediate need to address the original purpose of the trust. Helena is surrounded by mine sites developed at the time when no thought was given to reclamation. These

abandoned sites are threatening the City of Helena's water supply. The City must compete with the rest of the state for funds for reclamation. He said he is opposed to the bill and would hope that the revenue from the trust would be reverted to the use for which it was intended.

Vivian Drake, Supervisor, Lewis and Clark County Water Quality Protection District, stated her opposition to SB 152. She said there are three drainages, containing 84 identified abandoned mines, in the Helena area which impact Helena's water supply. Costs for cleanup are not declining and the funds from the RIT are critical to reclamation in the area. She asked the Committee to vote "no" on SB 152.

Janet Ellis, Montana Audubon Legislative Fund, said the Committee had heard testimony that there is a real need for this fund to be used for reclamation activities. If the Legislature believes that the a severance tax is for the purpose of indemnifying Montanans perhaps all the projects mentioned should be funded. A severance tax on a non-renewable resource should be high enough to cover all costs of reclamation. Future generations should be compensated for the loss of income-producing assets. She suggested that rather than getting rid of the tax, the Legislature should look into the projects that are being funded by the program and, if it disagrees, change it through the legislative process. She said the tax is reasonable and a lot of good projects are being funded. The Legislature should be involved in a long-range planning process and clarify where it wants the money to be spent.

Bill Verwolf, City Manager, City of Helena, stressed that the need exists to make this money available. The interest earnings on \$100 million today will buy only one-third of what it would twenty years ago and twenty years from now the same amount of money will purchase about one-third of the cost today. He agreed with the proponents that the RIT should be used for reclamation projects only.

Ted Lange, Northern Plains Resource Council, spoke in opposition to the bill for most of the reasons already presented. **Mr. Lange** informed the Committee that Sen. Beck had introduced SB 186 which would provide increased funding for reclamation of abandoned mine sites in Montana which would address the concerns of both the opponents and proponents of SB 152.

Questions From Committee Members and Responses:

REP. ELLIOTT said the Committee had heard much testimony that the money was not being used for the intended purpose. He asked Mr. Anderson to provide the citation that refers to capping of the trust. **Mr. Anderson** said it appears in Chapter 497, Laws of 1973, and proceeded to quote the entire section.

{Tape: 2; Side: A.}

REP. ELLIOTT asked if the mineral owners who are being taxed receive the benefit of the tax. **SEN. KEATING** said the tax is earmarked. **REP. ELLIOTT** asked if some of the money goes toward reclamation of old mines or wells. **SEN. KEATING** said about \$1 million in the reclamation account is earmarked for plugging of abandoned wells. **REP. ELLIOTT** asked the sponsor to explain what was meant by his comment on taxation of a diminishing asset. He said he thought the fact that these are non-renewable resources was the idea behind the RIT. **SEN. KEATING** said current oil, gas and mineral production is bonded to provide for reclamation and the coal industry is reclaiming land with their money. The interest income is set aside to take care of orphan mines, oil and gas wells, and orphan coal development. Those people took the wealth and squandered it and someone else has to "pick up the pieces." Current production is paying its own way out of current proceeds to reclaim current damage and they are also paying a tax for remediation for others. **REP. ELLIOTT** said that was the original intent of the act. **SEN. KEATING** responded that the Constitution states that all lands disturbed by the taking of natural resources must be reclaimed and the Legislature is to provide requirements and standards for the reclamation. The Legislature, in drafting its language, is not in compliance with the Constitution. **REP. ELLIOTT** pointed out that the Constitution says "when the trust reaches \$100 million...thereafter all net earnings and all receipts shall be appropriated by the Legislature and expended provided that the balance in the account may never be less than \$100 million." **REP. ELLIOTT** said it does not say that the trust should be capped and the tax taken off when the trust reaches \$100 million.

REP. RANEY said there was not as much complaint about the tax as there was about the expenditure of the tax. He asked why the industry or the environmental people had not gone to the Appropriations Committee and asked that the tax revenue be expended for reclamation. The money belongs to the extractive industry and they have allowed two-thirds of it to be "ripped off" for other purposes. **SEN. KEATING** said he didn't know why they hadn't. To his knowledge, there had been no attempt to try to influence the Legislature on how to spend the money. He said the industry had asked for relief from time to time in order to stay in business.

REP. RANEY asked Mr. Iverson if he was aware of any attempt by the industry to protest the expenditure of the tax. **Mr. Iverson** stated that in his six years on the Appropriations Committee, he could recall numerous times that Committee had asked the same question. In the sessions of 1983 and 1985 there was a lot of discussion along these lines, but nothing ever materialized and he was not sure why it had not. **Jerome Anderson** responded to the same question by stating that for the past ten years he had complained about the diversion of these funds to both the Appropriations Committee and various Legislators. In 1985 it was pointed out to that Committee by the industry that this money was

being used for purposes other than for what it was originally intended.

REP. SWANSON said there were several issues in the bill and the one that had not been discussed was what would happen to the buying power of the trust if the tax is repealed. **SEN. KEATING** replied that the taxpayers who are taking care of their own reclamation should not be further obligated. He suggested that the Legislature place a portion of the interest back into the trust to offset inflation. He pointed out that the fund, once it is static, would begin to lose its value, but the dollars that are the proceeds from the sale of production are also losing value at the same rate. The fund would be in the hands of the Legislature and it would be its responsibility to take steps to maintain some purchasing level. **REP. SWANSON** asked the sponsor to explain the inconsistency between the Constitution and the way the law is written, because if it is inconsistent, it should have been declared unconstitutional. **SEN. KEATING** said he believed the language in the statute was inconsistent because the language in the Constitution is explicit. The language of the law implies that they belong to the people of Montana. This is not true because we have a free enterprise system established on the right of private ownership. Minerals in the ground are not in the public trust and do not belong to the people of Montana, they belong to the individuals who operate and develop and own and sell the property.

REP. BOHLINGER asked if the trust is capped at \$100 million and investments are able to generate earnings between 10 - 12%, would there be any assurance in the bill that the money would be used for reclamation. **SEN. KEATING** replied that there was not. The bill is a simple sunset repealer only. The statutes are full of statutory appropriations of interest income and now provides for a diversion of the tax itself away from the trust for purposes other than fulfilling the trust. Some goes to water projects, some to reclamation and some to groundwater assessment. The diversions prolong the growth of the trust. **REP. BOHLINGER** asked if it would be appropriate for the Legislature to consider legislation that would require that the interest be spent in reclamation to fulfill the constitutional requirement. **SEN. KEATING** said he had advocated that action in the past to no avail; however, he would not consider expanding the scope of the present bill.

{Tape: 2; Side: B.}

REP. REAM said there seemed to be a unanimous opinion that the money was improperly spent. He asked for an explanation of the kinds of reclamation that have taken place. **Mr. Jensen** read from a list of non-reclamation projects funded by money from the RIT totalling over \$13 million. **Mr. Jensen** concurred with Mr. Anderson and advised that over the past ten years he had also testified before the Appropriations Committee in opposition to the diversion of funds from the RIT. He said the Montana

Environmental Information Center and the industry would gladly work with the Committee and support any legislation which would require that the funds be used for reclamation.

REP. REAM asked for a complete run-down on RIT expenditures prior to the time the Committee takes Executive Action on the bill. **John Tubbs, DNRC**, provided the information. EXHIBIT 3.

REP. ELLIOTT said he understood that administrative costs of the DNRC were funded from RIT funds. He asked where the funding had come from before. **SEN. KEATING** said it was from the general fund. RIT funds were used when there was a shortfall in the general fund. In the current biennium, DNRC is funded with 50% RIT and the executive budget for 1997 includes 30% RIT money. The Governor has made a conscientious effort to try to reduce the amount of RIT funding going into the DNRC budget.

REP. ARNOTT asked what the removal of the tax would do for the industry. **REP. KEATING** said the tax on gross proceeds on oil is 15% and 18% on gas. One-half of one percent does not seem like much, but when a barrel of oil brings in only \$12 and other costs are high, the margin is quite small. To a lot of marginal operators, it is the difference between a producing well and a non-producing well. There is no incentive to look for new reserves in Montana, because the margin of profit is gone due to taxation and high production costs. It will give the appearance that Montana is more hospitable and could stimulate exploration.

REP. NELSON asked how long it would take to reclaim all abandoned sites in Montana if all the RIT was committed to that purpose. **Mr. Jensen** said it would take about \$3 billion to accomplish all reclamation in Montana. Without some federal assistance, Montana cannot do it all by itself.

Closing by Sponsor:

SEN. KEATING said he appreciated the thoroughness of the Committee. He reminded the Committee that the bill is merely a repealer of the .5% tax on the gross proceeds on the extraction of gas, oil and coal and .3% tax on metalliferous mines proceeds. The tax, at some future date, will have fulfilled the constitutional requirement and the tax should be removed. All the extraction industries are providing reclamation bonds for remediation of damages from current extraction. The interest income, not the tax itself, is for the remediation of things that were done historically for which there was no reclamation fund. He agreed that in the past some uses of the funds were inappropriate. There are many abandoned sites that are polluting groundwater and funds from the trust should be used for these emergencies first and the balance should be used for mediation over time. With the wise use of the interest income on the \$100 million, over a period of time, the damage will be repaired. He suggested that the Committee might want to look at how the money is used but, in the meantime, he asked the Committee to focus on

the bill which provides relief from a tax that is being diverted to someone else's use. He asked that the Committee give a do pass recommendation to SB 152 with the metal mines amendment and a technical amendment suggested by the Department of Revenue.

HEARING ON HB 561

Opening Statement by Sponsor:

REP. DON LARSON, House District 58, Seeley Lake, said HB 561 would increase the motorcycle user fee from \$2.50 to \$5 for the purpose of education.

Proponents' Testimony:

Jill Smith-McGuire, ABATE of Montana, distributed her written testimony in support of HB 561 which would allow an increase in the motorcycle user fee to be used for education, training and public awareness. She urged the Committee to vote do pass on the bill. EXHIBIT 4.

Dal Smilie, Vice Chairman of the American Motorcycle Association and Chairman of the Montana Motorcycle Safety Advisory Committee, said 44 states have a rider-funded safety program and the Advisory Committee came to the Legislature and offered to fund its own program. They suggested a \$5 fee and it was reduced to \$2.50 and they are now aware that this was not enough money. All trainers are private individuals who have been certified by the national program. He urged the Committee to support the program by passing HB 561.

{Tape: 3; Side: A.}

Carl Gilbertson, Missoula, testified in support of HB 561. His written comments are attached as EXHIBIT 5.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. BOHLINGER asked if participants in the course paid a class fee. **REP. LARSON** said he did not know. **Jim Bernet, OPI Motorcycle Training Coordinator,** said the cost varies from site to site. Two courses, novice and experienced, are offered under the program. The charge for the novice course is approximately \$50. **REP. BOHLINGER** asked if motorcycle owners would object to the additional fee. **Mr. Bernet** said they support the bill.

REP. WELLS asked how many instructors are involved. **Mr. Bernet** said there are 13 local contractors at 15 training sites who schedule the classes. There are 27 certified instructors who are

paid by the contractors. The novice course is 20 hours and the experienced rider course is an 8-hour class.

REP. ARNOTT asked if Motorcycle Training Coordinator's salary was paid from the class fee. **Mr. Bernet** said he is a state employee and is paid from the \$2.50 registration fee. **REP. ARNOTT** asked where the bikes come from that are used in the program. **Mr. Bernet** said the program has purchases six, American Honda has loaned them 26 bikes, and 60 are borrowed from motorcycle dealers.

REP. STORY asked how many people participate in the program. **Mr. Bernet** replied that 410 individuals were trained in 1993 and 387 in 1994.

REP. SOMERVILLE asked what sort of communication had taken place with the motorcycle owners regarding this legislation. **Ms. Smith-McGuire** said the bill had been discussed in the past eight board meetings of ABATE and had been communicated to the 1,100 ABATE members through the organization's newsletter and legislative update.

Closing by Sponsor:

REP. LARSON said HB 561 is a safety issue and is supported by the user group. Transportation planning now includes making allowances for small motorcycles because it is a great way to cut down on congestion. He pointed out that two years ago a group dealing with brain damaged individuals had come to the Legislature asking for \$10 million to support motorcycle-injured patients. This motorcycle training program would help to alleviate those injuries. Saving one life can save the State of Montana thousands of dollars. He encouraged the Committee to support the bill.

HEARING ON HB 565

Opening Statement by Sponsor:

REP. ALVIN ELLIS, House District 23, Red Lodge, said the intent of HB 565 would be to provide the opportunity for livestock owners to use the average inventory method rather than the February 1 method to assess their livestock. There are several reasons for doing this. One of the reasons, using himself as an example, would be that although his home ranch is in Carbon County, his cattle are in Yellowstone County on February 1 and, therefore, that is where he must pay taxes. The bill would affect not only the ad valorem taxes but the per capita taxes that are charged against cattle as well. Some of the Members of the Board of Livestock are concerned about that portion of the bill and an amendment will be proposed. **REP. ELLIS** said he would also suggest an amendment to strike all of Section 4 of the bill because it would cause problems for the assessors in computing

taxes "after the fact" and once an operator chooses an option, it would be to his advantage to stick with it. He said the concept in the bill is fair and he asked the Committee to consider the amendment.

Proponents' Testimony:

Tom Lane, Board of Livestock, said the Board would support the bill if the per capita average inventory were taken out.

Brian Severin, Chairman of the Taxation Committee, Montana Stockgrowers Association, said the Association has had a resolution on record for the past three years stating that they would prefer going back to the average inventory on the ad valorem tax. They support the bill for the reasons outlined by Rep. Ellis. Because of the Department of Livestock's concern, the Association would support amending out the average inventory on the per capita tax by leaving it at February 1.

Lorna Frank, Montana Farm Bureau, said the voting delegates at their last convention passed a resolution which would allow for the average inventory of the animals. She said they would also support the amendment.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. REAM asked if it was correct that ranchers wanted to keep the per capita levy the way it is now. **John Bloomquist** said an agreement had been reached between the Board of Livestock and the Montana Stockgrowers to leave the levy the way it is. **Mr. Bloomquist** said he would also support Rep. Ellis's amendment. **REP. ELLIS** also agreed to the amendment which will be drafted prior to executive action.

{Tape: 3; Side: B.}

REP. SOMERVILLE asked if a rancher had cattle in two counties and chose to use the average inventory method, could he pay all the taxes in his home county. **REP. ELLIS** replied that he could not because he would have to file a report in both counties and pay taxes to each county on a pro rata basis.

REP. ROSE asked how this would affect cattle in feedlots. **REP. ELLIS** said it would not affect them. The way the bill was proposed it would have affected them and it would be more fair if it did; however, he will address this issue at another time.

REP. HANSON asked what the bill would do to the income the Board of Livestock receives from the per capita tax. Without objection, **Mr. Mortenson, Executive Director, Board of Livestock**,

said that with the amendments there will be no effect because the per capita levy will not be changed.

Without objection, **CHAIRMAN HIBBARD** asked the Department of Livestock to provide a copy of the form used to report the date-certain livestock inventory, including the per capita tax, and a copy of the old form used prior to 1988 which had the average method of valuation on the form. **Mr. Skufka, Administrator of Central Services, Department of Livestock**, said he would provide the information.

Closing by Sponsor:

In closing, **REP. ELLIS** said HB 565 would make taxation more fair and addresses problems that counties are facing. He asked for the Committee's favorable action on the bill.

EXECUTIVE ACTION ON HB 418

Information requested by the Committee from the Board of Oil and Gas Conservation at the hearing on HB 418 was distributed. EXHIBIT 6.

Motion:

REP. REAM MOVED THAT HB 418 DO PASS.

Discussion:

Mr. Helman advised that it would be necessary to add a coordination clause to coordinate HB 418 with SB 412, which generally revises the taxation of oil and gas. EXHIBIT 7.

Motion/Vote:

REP. REAM MOVED DO PASS ON THE COORDINATION AMENDMENT. The motion passed unanimously. REP. REAM THEN MOVED THAT HB 418 AS AMENDED DO PASS.

Discussion:

REP. BOHLINGER spoke in favor of the motion because it is apparent that the operators are imposing a tax on themselves to meet current operating costs.

REP. ORR said he was opposed to the bill because he had received many comments from small operators who were opposed to the bill because production is down. If this is the case, the Board should adjust to the situation and cut back rather than ask for an increase in taxes.

REP. MURDOCK opposed the bill for the same reasons.

REP. ROSE said he wondered if the stripper bill would have any affect on this bill. Without objection, **Tom Richmond, Board of Oil and Gas Conservation**, said his understanding of the stripper bill is that it would exempt the first three barrels of oil from the state severance tax. They have asked for an increase from .2% to .3% and the stripper bill would take care of the problem.

REP. ELLIOTT said he understood the Board had already reduced staff and operating costs by 20%. **Mr. Richmond** said that was true. They have reduced the number of FTEs from 24.5 to 18.

Vote:

On a roll call vote, the do pass as amended motion passed, 13 - 6.

EXECUTIVE ACTION ON HB 469

Motion:

REP. BOHLINGER MOVED THAT HB 469 DO PASS.

Discussion:

REP. BOHLINGER asked if an amendment had been prepared to remove the workers' compensation issue from the bill. **Mr. Heiman** said there had not.

Motion/Vote:

REP. BOHLINGER MOVED A CONCEPTUAL AMENDMENT TO REMOVE WORKERS' COMPENSATION FROM THE BILL.

Discussion:

REP. REAM said he had a number of problems with the bill. It should cover full-time students only and he also was concerned that the bill provides for an income tax credit rather than a deduction. The bill is written to apply to corporations so it would not be of any help to small businesses. He said the concept is good but it needs a lot of work.

CHAIRMAN HIBBARD reminded the Committee that the conceptual amendment, not the body of the bill, was open for discussion.

REP. STORY said the bill would be unworkable without the Bohlinger amendment. If the school was paying the workers' compensation insurance, there would be no protection for the employer if a student was injured on the premises.

Vote:

The motion to amend carried, 17 - 2.

Motion:

REP. REAM MOVED TO AMEND THE BILL TO PROVIDE A TAX DEDUCTION, RATHER THAN A CREDIT, IN ORDER TO MAKE IT AVAILABLE TO ALL EMPLOYERS.

Discussion:

CHAIRMAN HIBBARD said it looked like the bill would require a number of amendments if it were to be carried forward. He asked for a show of hands to see if it would be worthwhile to proceed with the bill.

REP. ELLIOTT said it was the responsibility of the sponsor to present a workable bill.

REP. ARNOTT said she would support the concept of the bill but it would need too much "fine tuning" to proceed.

REP. RYAN said he would support the concept of the bill and offered to work with a sub-committee to see what could be done.

{Tape: 4; Side: A.}

A show of hands determined that the Committee was not interested in pursuing the bill, 6 - 13.

Substitute Motion/Vote:

REP HANSON MOVED TO TABLE HB 469. The motion carried unanimously.

EXECUTIVE ACTION ON HB 470

Motion:

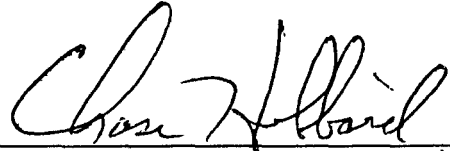
REP. STORY MOVED THAT HB 470 DO NOT PASS.

Substitute Motion/Vote:

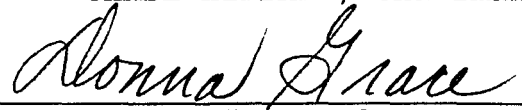
REP. ROSE MOVED TO TABLE HB 470. The motion carried unanimously.

ADJOURNMENT

Adjournment: 11:35 A.M.



CHASE HIBBARD, Chairman



Donna Grace, Secretary

CH/dg

HOUSE OF REPRESENTATIVES

Taxation

ROLL CALL

DATE 3/1/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman			
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs			
Rep. Hal Harper			
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		

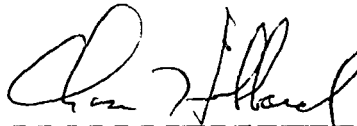


HOUSE STANDING COMMITTEE REPORT

March 1, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that **House Bill 418** (first reading copy -- white) do pass as amended.

Signed: 
Chase Hibbard, Chair

And, that such amendments read:

1. Page 2, line 2.

Insert: "NEW SECTION. Section 2. Coordination instruction. If Senate Bill No. 412 is passed and approved, then Senate Bill No. 412 is further amended as follows:

(1) The section imposing tax rates, [section 4] of Senate Bill No. 412, must be amended by adding 0.1% to all tax rates for oil and natural gas, for both the working interest and nonworking interest. The 0.1% increase is in addition to all other changes to those rates resulting from bills other than [this act].

(2) The department of revenue shall, by rule, change the formula under [section 18] of Senate Bill No. 412 for distribution of taxes collected under [section 4] of Senate Bill No. 412. In recalculating distribution rates for the revenue raised by Senate Bill No. 412, the department of revenue shall determine the revised rate according to a formula that distributes an amount equal to that raised by the 0.1% increase provided for in subsection (1) for expenses of the board of oil and gas conservation as provided in 82-11-135."

Renumber: subsequent section

-END-

Committee Vote:
Yes 13, No 6.

481331SC.Hbk

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 3/1/95 BILL NO. 418 NUMBER _____

MOTION: Do Pass as Amended

NAME	YES	NO
Vice Chairman Marian Hanson	✓	
Vice Hairman Bob Ream	✓	
Rep. Peggy Arnott	✓	
Rep. John Bohlinger	✓	
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs		—
Rep. Hal Harper	✓	
Rep. Rick Jore		✓
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson	✓	
Rep. Scott Orr		✓
Rep. Bob Raney	✓	
Rep. Sam Rose	✓	
Rep. Bill Ryan		✓
Rep. Roger Somerville		✓
Rep. Robert Story		✓
Rep. Emily Swanson	✓	
Rep. Jack Wells	✓	
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard	✓	

13

6

3/1 TAXATION

I LEAVE MY PROXY WITH VICE
CHAIR HANLSON ON THE
FOLLOWING BILLS:

HB 418 NO

HB 469 NO

HB 470 NO

Sjdn

3/1 TAXATION

I LEAVE MY PROXY WITH VICE
CHAIR HANLSON ON THE
FOLLOWING BILLS:

HB 418 NO

HB 469 NO

HB 470 NO

Sjdn

I leave the following proxies on

1 March 1995 :

HB-418 - ~~NO~~ YES
HB 469 - NO
HB 470 - NO

I support tabling any or all of these bills
Rep. Jack M. We

I leave the following proxies on

1 March 1995 :

HB-418 - ~~No~~ YES

HB 469 - No

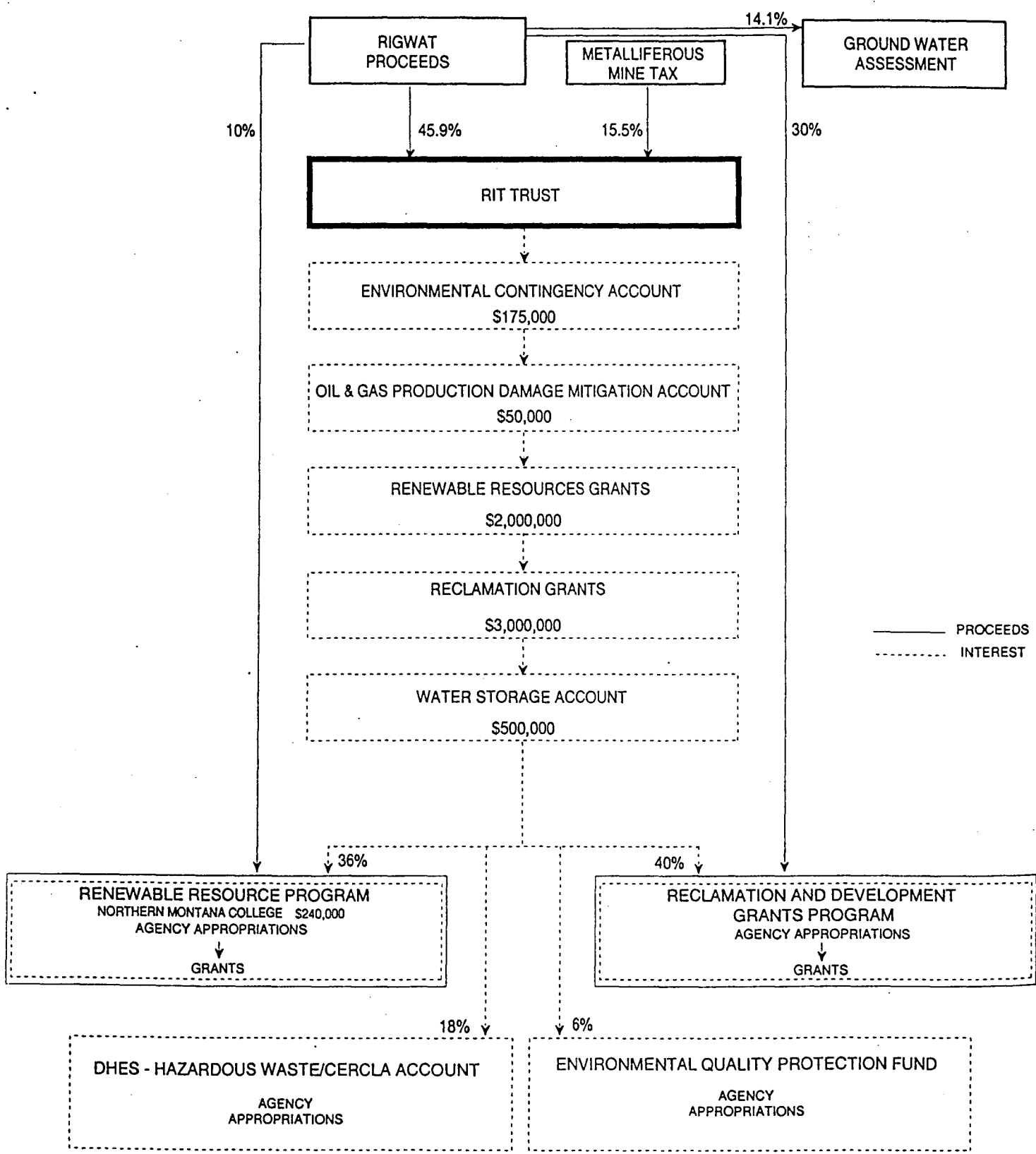
HB 470 - No

I support tabling any or all of these bills

Rep. Jack M. Mc

ALLOCATION OF RIT PROCEEDS AND INTEREST

1997 Biennium





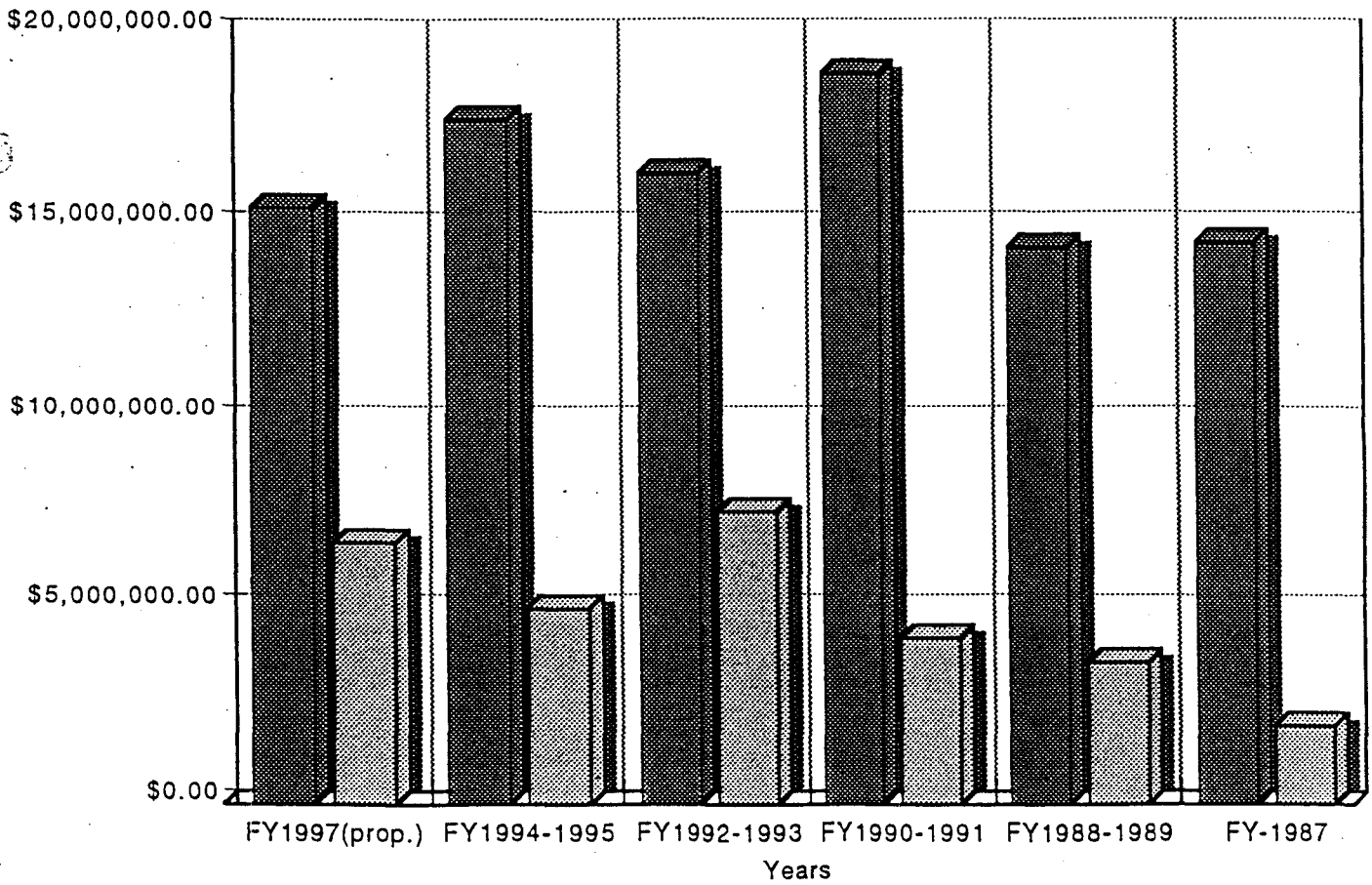
Montana Environmental Information Center

EXHIBIT 2
 DATE 3/1/95
 SB 152

A Decade of RITT Actual Reclamation Spending

Year(s)	Total Biennium Allocations of RITT	Actual Reclamation Expenditures	% of Total
FY1997(prop.)	\$15,452,078.00	\$6,753,967.00	43.71%
FY1994-1995	\$17,799,092.00	\$4,987,985.00	28.02%
FY1992-1993	\$16,390,229.00	\$7,584,962.00	46.28%
FY1990-1991	\$18,960,866.00	\$4,261,138.00	22.47%
FY1988-1989	\$14,475,984.00	\$3,577,832.08	24.72%
FY-1987	\$14,566,176.00	\$2,047,885.56	14.06%
Total to Date	\$82,192,347.00	\$29,213,769.64	35.54%

A Decade of RITT Expenditures



Total Biennium Allocations of RITT Interest Earnings
 Actual Reclamation Expenditures

RIGWAT PROCEEDS, RIT TRUST INTEREST EARNINGS, AND EXPENDITURES
 1997 Biennium

RIGWAT PROCEEDS PROJECTIONS	RIGWAT Proceeds	Metal Mine Tax Proceeds 15.5%	Deposits To RIT Trust	Trust Balance
FY 95	\$2,979,674	\$797,469	\$2,463,107	\$91,776,719
FY 96	3,041,004	872,800	2,268,621	94,045,340
FY 97	3,030,203	823,029	2,213,892	96,259,232

RIT TRUST INTEREST EARNINGS PROJECTIONS	FY96	FY97	TOTAL
	7,701,221	7,750,857	15,452,078

TOTAL 1995 BIENNIUM ALLOCATION OF RIT INTEREST EARNINGS	\$15,452,078
Environmental Contingency Account	\$175,000
Oil & Gas Production Damage Mitigation Account	50,000
Renewable Resource Grant & Loan Program	2,000,000
Reclamation & Development Grants	3,000,000
Water Storage Account	500,000
TOTAL BIENNIUM APPROPRIATIONS	5,725,000
AMOUNT AVAILABLE FOR FURTHER DISTRIBUTION	9,727,078

Distribution of Remaining Interest Earnings

Account	Renewable Resource	Reclamation & Development	Hazardous Waste/ CERCLA	Environmental Quality Protection	TOTAL
Percent Distribution of RITT Interest	36%	40%	18%	6%	100%

Beginning Balance	\$673,742	\$0	\$968,414	\$1,300,000	\$2,942,156
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Revenues					
RIT Interest	\$3,501,748	\$3,890,831	\$1,750,874	\$583,625	\$9,727,078
RIGWAT Proceeds	607,121	1,821,362			\$2,428,483
Debt Service Sweep (04011 and 04008)	919,444				919,444
RRD Loan Repayments	238,900				238,900
Interest (STIP)			80,000		80,000
Cost Recoveries				688,816	688,816
Administrative Fees	10,000				10,000
State Owned Project Revenue	919,290				919,290
Total Funds Available	\$6,870,245	\$5,712,193	\$2,799,288	\$2,572,441	\$17,954,167

Appropriation						
Montana State University, Havre	240,000					240,000 SA
DNRC Centralized Services Division	875,245	154,001				1,029,246 A
DNRC Conservation and Resource Development	1,288,981	1,203,004				2,491,985 A
DNRC Water Resources Division	1,737,137	1,997,129				3,734,266 A
Reserved Water Rights Compact Commission	131,638	534,199				665,837 A
DNRC State Water Projects	2,190,000					2,190,000 A
DSL Reclamation Division		2,081,837				2,081,837 A
DSL Central Management		78,085				78,085 A
DHES Environmental Division			2,794,711	1,976,174		4,770,885 A
DHES Radon		50,000				50,000 A
Governor's Office -- Flathead Basin Commission	80,082					80,082 A
Water Court	1,038,389					1,038,389 A
NRIS - State Library	322,007	285,036				607,043 A
Environmental Quality Council		28,083				28,083 A
Pay Plan						0
Total Appropriations	\$7,903,479	\$6,411,374	\$2,794,711	\$1,976,174	\$19,085,738	

Projected Biennium Ending Balance	(\$1,033,234)	(\$699,181)	\$4,577	\$596,267	
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Potential Allocation of Metal Mines Tax	\$169,583	\$508,749			
MSU/Northern - annual appropriation	(240,000)				
Lost interest revenue	(16,006)	(17,784)	(8,003)	(2,668)	(\$44,460)
Projected Balance with Allocation of Metal Mine Tax	(\$1,119,657)	(\$208,217)	(\$3,426)	\$593,599	

Ending fund balance RRGL + RDG (1,732,415)
 Ending fund balance with metal mine tax RRGL + RDG (1,327,873)
 A - Appropriations reflect subcommittee action
 SA - Statutory Appropriation

Table 2 (Continued)
Renewable Resource Grant and Loan Program
1997 Biennium Funding Recommendations

	Project Sponsor (Project Title)	Grant Request	Grant Recommended	Loan Recommended	Cumulative Grant Recommended
21	Libby Area Conservancy District (Libby-Granite-Cherry Creek Flood Control Plan)	35,000	35,000		1,471,400
22	Montana Historical Society (PLACES Master Plan For Rec. Enhance. in German Gulch)	100,000	0		1,471,400
23	Department of Fish, Wildlife and Parks (Assessment of Aquatic Resources in the Blackfoot Basin)	100,000	100,000		1,571,400
24	Hidden Lake Water District (Hidden Lake Irrigation Water System)	34,898	0	0	1,571,400
25	Kalispell, City of (North Side Water Well Project)	50,000	0		1,571,400
26	Yellowstone County (Metra Park Enhancement)	100,000	0	0	1,571,400
27T	Hysham, Town of (Sewer System Improvements)	100,000	50,000	200,000	1,621,400
28T	Fairview, Town of (Water System Improvements)	100,000	100,000	0	1,721,400
29	Madison Conservation District (Willow Creek Water Resource Management System)	56,886	25,000		1,746,400
30	Manhattan, Town of (Manhattan Water System)	100,000	50,000	50,000	1,796,400
31	Granite Conservation District (Upper Clark Fork River Basin Water Management Plan)	86,120	64,740		1,861,200
32	Jackson Water and Sewer District (Geothermal Development Feasibility Study)	100,000	25,000	0	1,886,200
33	- Sun River Water Users Association (Sun River Water System)	100,000	50,000	250,000	1,936,200
34	Lincoln Lewis and Clark Sewer District (Lincoln Wastewater System Study and Upgrade)	100,000	15,000		1,951,200
	Butte-Silver Bow Local Government (Montana Recreation Hotline)	99,833	0		1,951,200
	Dawson County (Bell Street Bridge)	100,000	0		1,951,200
	Fort Shaw Irrigation District (“A” System Diversion)	50,000	0		1,951,200
	Fort Shaw Irrigation District (Rehabilitation and Betterment Study)	50,000	0		1,951,200
	Totals	<u>\$3,190,866</u>	<u>\$1,951,204</u>	<u>\$869,931</u>	<u>\$1,951,204</u>

Grant Funds Remaining: \$48,796

Coal Severance Tax Loans

T	Hill County Water District (Water Treatment System)			400,000	
T	Whitehall, Town of (Water System Improvements)			400,000	
	Total Loans Recommended			<u>\$1,669,931</u>	

T = TSEP Applicant

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13

2/95

House Bill 7
Post Executive Action - Long Range Planning
 Reclamation and Development Grant Program
 1997 Biennium Funding Recommendations

Rank	Project Sponsor (Project Title)	Amount Recommended	Cumulative Total Recommended
01	Department of Natural Resources and Conservation (Abandoned Mine Reclamation Project)	\$300,000	\$300,000
02	Montana Board of Oil and Gas Conservation (Devil's Basin: Plug, Abandonment, and Restoration)	300,000	600,000
03	Montana Board of Oil and Gas Conservation (South Cut Bank Field-A: Plug, Abandonment, and Rest.)	300,000	900,000
04	Montana Board of Oil and Gas Conservation (South Cut Bank Field-B: Plug, Abandonment and, Rest.)	300,000	1,200,000
05	Department of State Lands (Oil Well Abandonment)	183,260	1,383,260
06	Lewis & Clark County / City of Helena (Tenmile Mine Site Reclamation Project)	75,000	1,458,260
07	Montana State University (Clean Tailings Reclamation)	100,000	1,558,260
08	Cascade County Conservation District (Muddy Creek Water Quality Improvement)	300,000	1,858,260
09	Department of Health and Environmental Sciences (Nonpoint Pollution Control)	300,000	2,158,260
10	Butte-Silver Bow Local Government (Upper Clark Fork Basin: Superfund Tech. Assist.)	93,622	2,251,882
11	Department of Health and Environmental Sciences (Superfund GIS)	95,200	2,347,082
12	Glacier County Conservation District (Comprehensive Evaluation of Groundwater, Red River)	150,000	2,497,082
13	Toole County (North Toole County Reclamation Project)	295,246	2,792,328
14	Department of State Lands (Scobey Reclamation Site)	11,000	2,803,328
15	Carbon County (Dry Hydrant Demonstration)	0	2,803,328
16	Petroleum County Conservation District (Petroleum County Artesian Basin Groundwater Project)	300,000	3,103,328
	Totals	<u>\$3,103,328</u>	<u>\$3,103,328</u>

ABATE OF MONTANA



EXHIBIT 4
DATE 3/1/95
HB 561

• AMERICAN BIKERS AIMING TOWARD EDUCATION •

TO: HOUSE TAXATION COMMITTEE
FROM: JILL Z. SMITH-McGUIRE
A.B.A.T.E. OF MONTANA LOBBYIST
DATE: 3/1/95
RE: HB-561

Mr Chairman, members of the Committee, Good Morning. For the Record my name is Jill Z. Smith-McGuire. I am a volunteer Lobbyist for ABATE of Montana. ABATE is American Bikers Aiming Toward Education, and what we are is a Non-profit Organization Dedicated to the Promotion of Motorcycle Safety. We currently have approximately 1100 members statewide. I speak for those members today.

In 1989 we came before the Legislature and asked Lawmakers to allow us to establish a Motorcycle Safety Program in Montana, funded by a fee assessed onto the registration of every motorcycle. This program is called the Montana Motorcycle Safety and Education Program (MMSEP). The program has nearly quadrupled the number of students taught that first year, and has twice been recognized nationally by The Motorcycle Safety Foundation for its outstanding performance since its inception.

The original language of that bill in 1989 called for the assessed fee to be \$ 5.00 onto each registration, and was amended down to \$ 2.50 in committee because The Department of Motor Vehicles estimated there to be 40,000 registered motorcycles in the State. This amount was overestimated by twice the amount, as there are only 20,000 registered motorcycles in Montana. Consequently, MMSEP was underfunded from the start. We have struggled along and, after repeated failed attempts to secure additional funding in the form of 402 (safety) funds from the Department of Justice, have decided that it is time once again to do for ourselves. We are not asking for General Fund money, we are only asking you to allow us to increase the user fee on ourselves, so that the MMSEP will continue and grow.

LET THOSE WHO RIDE DECIDE

TESTIMONY IN SUPPORT OF HB 561

by: Dal Smilie, Chairman

Montana Motorcycle Safety Advisory Committee

The motorcycle community (ABATE and the American Motorcyclist Association) came to the legislature in 1989 and volunteered \$5.00 per motorcycle registration for the funding of a motorcycle safety education program. OPI relied on faulty figures from Justice's DMV and reduced the funding to \$2.50 per registration.

This program does not use general funds or any funds not collected from users.

Initial shortfalls were met by grants from federal sources (Section 402 A) from Justice's Highway Traffic Safety Division. After two years the administrator of that program refused further grants for the program even though motorcycle safety is one of five priority uses for the funds under federal law.

The Motorcycle Industry Council's 1994 Statistical Annual estimated that there were 19,151 street motorcycles in Montana in 1993. The proposed \$2.50 increase should raise about \$47,500 per year starting with 1996. The amount necessary to return the program to return to its FY 93 level is \$127,000 (\$116,000 plus 10% inflation). The additional \$20,000 will be used for geographical program expansion, the purchase of training bikes and the provision of instructor training. Much will still be done with volunteers and loaned equipment. There is no fat in this increase.

The safety program has expanded to thirteen training sites. Training is conducted by private sponsors and private citizens who have been certified by the Motorcycle Safety Foundation. Reimbursement has remained at the same level for three years.

The safety program should expand to potential sites in Dillon, Miles City, Polson, Libby, Glendive and Glasgow. It cannot serve residents in those areas with its current budget.

Justice's DMV currently waives the driving test for the motorcycle endorsement if a rider has passed this safety course. That is a saving to the state similar to that proposed by HB 248 for other categories of highway users. More sites funded by users will save general fund money.

The failure to allow motorcyclists to keep this program healthy would result in the loss of life. Motorcyclists want to be responsible, they want to pay their way. Please pass this user supported bill.

EXHIBIT 5
DATE 3/1/95
HB 561

Testimony in Favor of HB 561

The Rider Training Program is probably the most important and logical step the state of Montana has ever taken with regard to safety in the area of Motorcycle Riding. Motorcycles today are powerful and responsive, and riding them can be disastrous in untrained hands. Yet anyone able to secure a common auto driver's license in Montana can obtain a motorcycle operator's endorsement with only a very little display of their knowledge and skill on a bike.

Not too many people would go out and purchase a hang glider and try to fly without training, or buy scuba diving equipment and try that without instruction. Without the MMSEP, motorcycle riders have nowhere to obtain proper instruction in Montana.

I took the Rider Course in 1994 and I can say that even after some 20 years of riding experience, I learned and re-learned many correct, safe, and potentially lifesaving riding skills. The test to successfully pass the course is a lot tougher than the test to obtain a motorcycle endorsement on your driver's license. The instructors are very skilled and highly trained and are to be commended for their commitment to teaching & safe riding practices. They certainly are not adequately compensated for their time.

We, the riders in Montana are more than willing to pay an additional \$2.50 per year to see that the Rider Training Course continues and is available to anyone who needs it. We are not asking for the general public to pay for our training. This is a pay our own way situation.

We are the same group of concerned riders who asked for this program in 1989. We have watched it outgrow the available funding. We desire to see it continue to be the success that it has become.

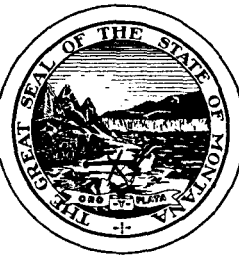
I urge passage of HB 561.

Carl Gilbertson

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

BOARD OF OIL AND GAS CONSERVATION

EXHIBIT 6
DATE 3/1/95
HB 418



MARC RACICOT, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

February 24, 1995

Representative Chase Hibbard, Chairman
House Taxation Committee
Capitol Station
Helena, Montana 59620

Dear Representative Hibbard:

Re: House Bill 418, License and Privilege Tax

Enclosed please find several items that the committee wished to review prior to taking executive action on the subject bill. I have included the following:

- 1) Copies of the Executive Budget for the Board of Oil and Gas Conservation for the 1994/95 biennium and the proposed 1996/97 budget.
- 2) A list which we have prepared to show the top 100 oil producers and the top 100 gas producers based upon total 1993 reported production. Oil volume is in barrels and gas volume in thousands of cubic feet.
- 3) A graph of the top 10 oil and top 10 gas producers that shows the percentage of total state production that each company produces.

If you would like any additional information, please feel free to contact me. I plan to be present for executive action and will be happy to address any further questions that you or the committee may have at that time.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Richmond".

Thomas P. Richmond
Administrator

encls.

DIVISION OFFICE
1520 EAST SIXTH AVENUE
P.O. BOX 202301
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102-4693
(406) 656-0040

NORTHERN FIELD OFFICE
165 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474-0690
(406) 434-2422

FY 94/95

5706-22 OIL & GAS REGULATION

	FY1992 Actual	FY1993 Appropriated	Fiscal Year 1994		Fiscal Year 1995	
			Current Level	Mod's/Policy	Current Level	Mod's/Policy
			Total	Total		Total
Full Time Equivalent Employees	26.00	26.00	26.00	26.00	.00	26.00
Personal Services	634,788.83	801,292	810,146	810,146	0	811,647
Operating Expenses	207,269.21	1,596,561	361,403	361,403	0	355,060
Equipment	60,901.12	68,077	60,461	60,461	0	64,922
Debt Service	1,142.91	980	1,143	1,143	0	1,143
Total Agency Costs	\$904,102.07	\$2,466,910	\$1,233,153	\$1,233,153	\$0	\$1,232,772
State Special Revenue Fund	904,102.07	2,186,361	1,233,153	1,233,153	0	1,232,772
Federal Special Revenue Fund	0.00	280,549	0	0	0	0
Total Funding Costs	\$904,102.07	\$2,466,910	\$1,233,153	\$1,233,153	\$0	\$1,232,772

CURRENT LEVEL SERVICES: Significant changes from FY92 actual expenditures to the 1995 biennium recommendations include increased personal services of approximately \$55,000 each year and operating expenditures of \$27,200 in FY94 and \$20,000 in FY95. This reflects increased responsibilities that the division has acquired under the Montana Environmental Policy Act and recently adopted administrative rules to implement them.

The Underground Injection Control (UIC) program budget is \$300,405 in FY94 and \$302,167 in FY95 for which there were no base year expenditures (a formal application for primacy of this

federally delegated program was filed in October 1992 and is pending EPA approval).

Recommended equipment includes two vehicles in the UIC Program budget, three replacement vehicles for field inspectors, two combustible gas indicators for field inspectors, replacement of the obsolete telephone system in the Billings office, two replacement microfiche reader printers and computer equipment including a local area network server to connect several PCs and peripherals in the Billings office.

Company	Total Oil
SHELL WESTERN E & P	5586988
AMOCO PRODUCTION CO	654625
CHOCTAW II OIL & GAS	547583
MERIDIAN OIL, INC.	535111
ANR PRODUCTION COMPA	488621
CENEX, INC.	470260
AMERICAN EXPLORATION	417915
P & P PRODUCING, INC	376955
UNION OIL COMPANY OF	314771
MURPHY OIL USA, INC.	297952
TRUE OIL CO	297715
TEXACO EXPLORATION A	290693
CONTINENTAL RESOURCE	287767
PANTERRA PETROLEUM	287587
J N EXPLORATION & PR	276387
EXXON CORPORATION	251227
COWRY ENTERPRISES, L	224877
HOME-STAKE ROYALTY C	206434
BEARTOOTH OIL & GAS	197436
LUFF EXPLORATION COM	195610
BACON, J. R., DRILLI	183427
TIPPERARY OIL & GAS	172183
BERCO RESOURCES, INC	171694
HALLWOOD PETROLEUM, I	169872
EQUITABLE RESOURCES	150830
BRECK OPERATING CORP	147204
BERENERGY CORPORATIO	132760
BALLARD & ASSOCIATES	126770
SLAWSON EXPLORATION	125918
CONOCO INC	123859
FORCENERGY GAS EXPLO	116403
ORYX ENERGY COMPANY	114684
GYPSY HIGHVIEW GATHE	108305
BWAB INCORPORATED	103717
ARMSTRONG OPERATING,	93458
MERIDIAN OIL PRODUCT	84563
EAGLE OIL & GAS CO.	78615
APACHE CORP	76469
REUNION ENERGY COMPA	69608
COLUMBUS ENERGY CORP	67789
HADSON ENERGY RESOUR	66715
CROFT PETROLEUM COMP	66155
SANTA FE ENERGY OPER	66022
VINTAGE PETROLEUM, I	64702
WILLISTON INDUSTRIAL	64343
PROSPECTIVE INVESTME	62407
OIL QUEST RESOURCES,	61680
PHOENIX PRODUCTION C	61612
HEADINGTON OIL COMPA	57633
SAMSON RESOURCES COM	56919
ANADARKO PETROLEUM C	55123
SUMMIT RESOURCES, IN	54324
CAVALIER PETROLEUM	50082
SAMEDAN OIL CORPORAT	49184
ASPEN EXPLORATION CO	48930
GENERAL ATLANTIC RES	48318
GRAND RESOURCES, LTD	48158
NATURAL GAS PROCESSI	47962
FULTON PRODUCING CO.	47179
TOMAHAWK OIL COMPANY	46090

Company	Total Gas
UMC PETROLEUM CORPOR	14660430
SAMEDAN OIL CORPORAT	6793182
MONTANA POWER COMPAN	6537735
WILLISTON BASIN INTE	4227116
BROWN, J. BURNS OPER	3706745
XENO INC	1812804
SPECTRUM ENERGY, INC	1075678
NORTHLAND ROYALTY OP	938832
EQUITABLE RESOURCES	729716
FULTON FUEL COMPANY	673183
BRANCH, JERRY L.	625678
GENEX, INC.	539914
FULTON PRODUCING CO.	493549
SOMONT OIL COMPANY,	379708
WESTERN NATURAL GAS	303846
SANDS OIL COMPANY	295009
NATURAL GAS PROCESSI	276733
FALCON OIL & GAS COM	272929
SUNBURST EXPLORATION	270222
BASIN OPERATING COMP	263537
SANTA FE ENERGY OPER	249209
FLYING J EXPLORATION	178597
MCCARTHY, LAWRENCE J	177904
SECTOR RESOURCES (II	177068
KEESUN CORPORATION	173741
CROFT PETROLEUM COMP	155813
PANTERRA PETROLEUM	135263
MERIDIAN OIL, INC.	125162
LUFF EXPLORATION COM	122403
COOLIDGE, G. B., INC	119591
PHOENIX PRODUCTION C	109771
RANCK OIL COMPANY, I	99472
WESTERN FULCO COOLID	94952
TRUE OIL CO	93692
SOLOMON EXPLORATION	87033
ROSSMILLER, DUARD	85537
STEPHENS & JOHNSON O	83710
TOPAZ OIL & GAS INC	82901
CAMPANELLA, GEORGE L	81293
APPLING, J. B.	79792
NORFOLK ENERGY INC.	74991
SOUTHLAND ROYALTY CO	72815
CAVALIER PETROLEUM	72471
PETROLEUM, INC.	67482
MOUNTAIN PACIFIC GEN	66911
CUT BANK GAS COMPANY	65313
UNION OIL COMPANY OF	63046
WALLS, A. G. AKA WAL	61376
G/S PRODUCING, INC.	58706
SOLOMON & MCGARVEY	55531
SELF, E. M.	55314
S & W PETROLEUM CONS	52577
GREAT NORTHERN DRILL	44111
WHELESS INDUSTRIES,	42876
AYERS, MILAN R.	42082
HARDROCK OIL COMPANY	41283
VESTA, INC.	37847
BRECK OPERATING CORP	36741
LEASE TECHNICIANS, J	33307
BOWERS OIL & GAS, IN	33031

FY 96/97

~~Funding~~
 With the passage of HB608 in the 1993 Legislative Session, \$844,948 of general fund was replaced with resource indemnity tax trust (RITT) proceeds to support agency operations. Projections for the 1997 biennium indicate that RITT interest earnings available for administrative operations will decline. Therefore, \$524,658 of general fund has been added to this program to cover the shortfall. Funding for the program in FY96 is 58% general fund, 36% state special revenue, and 6% federal; in FY97 the funding is 60% general fund, 36% state special revenue, and 4% federal.

06-22 OIL & GAS REGULATION

	FY94 Base	Fiscal Year 1996			Fiscal Year 1997		
		Base Adjust	New Proposals	TOTAL	Base Adjust	New Proposals	TOTAL
Full Time Equivalent Employees	24.50	.00	-5.50	19.00	.00	-5.50	19.00
Personal Services	609,756	211,458	-139,958	681,256	214,772	-140,603	683,925
Operating Expenses	182,727	226,287	0	409,014	227,337	0	410,064
Equipment	2,628	20,693	0	23,321	22,439	0	25,067
Debt Service	857	-203	0	654	-203	0	654
Total Agency Costs	795,968	\$458,235	\$-139,958	\$1,114,245	\$464,345	\$-140,603	\$1,119,710
State Special Revenue Fund	795,968	458,235	-139,958	1,114,245	464,345	-140,603	1,119,710
Total Funding Costs	795,968	\$458,235	\$-139,958	\$1,114,245	\$464,345	\$-140,603	\$1,119,710

Present Law Mandates

The powers and duties of the Board of Oil and Gas Conservation are mandated in 82-11-111, MCA.

Present Law Base

Personal Services - Base adjustments are due to the annualization of the pay plan, adjustments for longevity and employee benefits, the upgrades of 4.00 FTE, and the downgrade of 1.00 position.

Operating Expenses - The annual operating budget request of \$225,000 for the Underground Injection Program is the major base adjustment. The funds will be used for consultant and other operating services. The program is intended to be entirely self-funded through an annual injection well operating fee.

Equipment - The replacement equipment request amounts to \$23,321 in FY96 and \$25,067 in FY97 for two vehicles, one in each year; computer equipment and software; and hydrogen sulfide safety monitors.

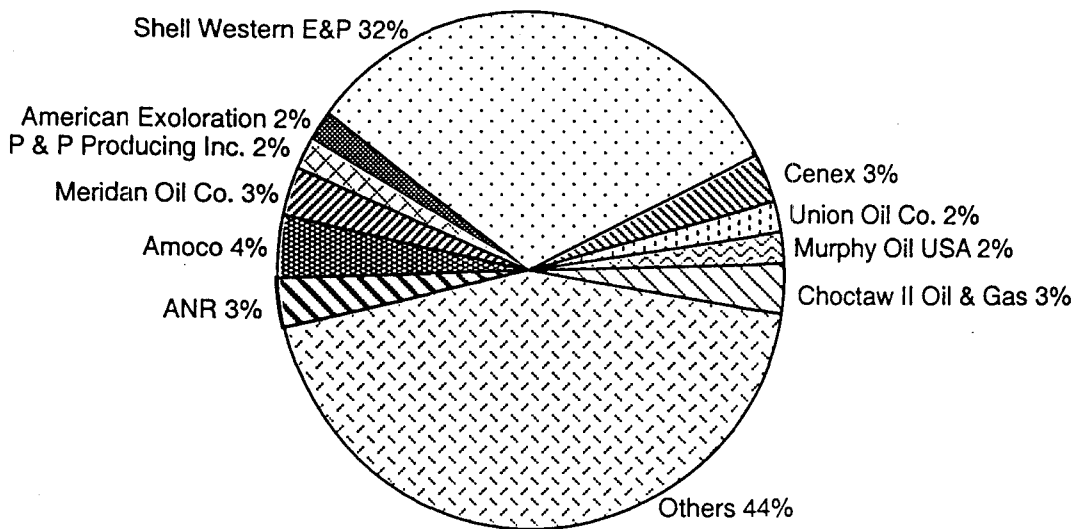
Debt Service - Share of principle payment on department computer decreases in the 1997 biennium.

Statutory Appropriation - The damage mitigation account, as established by 82-11-161, MCA, provides a statutory appropriation to plug and restore oil and gas drilling or producing sites under certain conditions if the responsible person cannot be identified or located or fails or refuses to do so. About \$200,000 for the biennium is anticipated to be available.

Requested Language - The following language authority is recommended for the general appropriations act: "The Board of Oil and Gas Conservation is appropriated \$110,000 of federal special revenue each year of the 1997 biennium, contingent upon receiving federal funds from the Environmental Protection Agency for the Underground Injection Control Program."

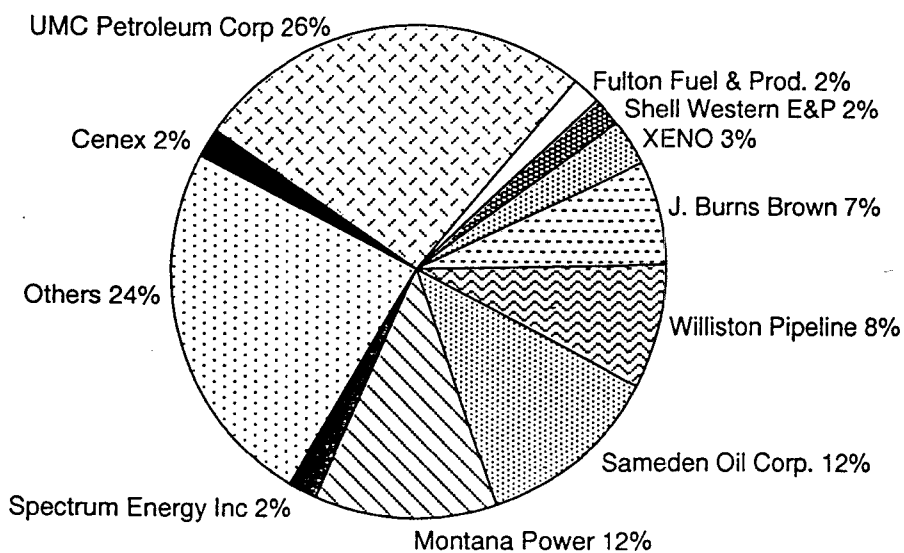
(OVER)

Top Producing Oil Companies - 1993
17,395,561 Barrels



235 Active Oil Producers

Top Producing Gas Companies - 1993
55,764,675 Mcf



174 Active Gas Producers

EXHIBIT 7
DATE 3/1/95
HB 418

Amendments to House Bill No. 418
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
February 28, 1995

1. Page 2, line 2.

Insert: "NEW SECTION. **Section 2. Coordination instruction.** If Senate Bill No. 412 is passed and approved, then Senate Bill No. 412 is further amended as follows:

(1) The section imposing tax rates, [section 4] of Senate Bill No. 412, must be amended by adding 0.1% to all tax rates for oil and natural gas, for both the working interest and nonworking interest. The 0.1% increase is in addition to all other changes to those rates resulting from bills other than [this act].

(2) The department of revenue shall, by rule, change the formula under [section 18] of Senate Bill No. 412 for distribution of taxes collected under [section 4] of Senate Bill No. 412. In recalculating distribution rates for the revenue raised by Senate Bill No. 412, the department of revenue shall determine the revised rate according to a formula that distributes an amount equal to that raised by the 0.1% increase provided for in subsection (1) for expenses of the board of oil and gas conservation as provided in 82-11-135."

Renumber: subsequent section

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Jaxation COMMITTEE BILL NO. SB 152
DATE 3/1/95 SPONSOR(S) Sen. Keating

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STAR KOLECZYK

PLEASE PRINT

MERIDIAN OIL

PLEASE PRINT

X

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Vivian Drake	Lewis Clark Co WQPD		X
Jim Mockler	MT. Coal Council	✓	
Cathleen Rusler			
STROME ANDERSON	SHELL WESTERN B+P INC	✓	
GAIL ABERCROMBIE	MT Petroleum Assn	✓	
Patricia M. Montalban	MSR + NMOCA	✓	
Ken Williams	MPC/Entech	✓	
Bill Verwolf	City of Helena		✓
Jim Jensen	MEIC	✓	
JACK STULTS	HELENA CITY COMMISSION		✓
Ted Lange	NPRC		✓
Russ Ritter	MT. Resources	✓	
Dennis Bauer	MONTAX	✓	
Chris Inhoff	League of Women Voters of MT		✓

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

Gloria Paladichuk

Richland Development

✓

Mary Campbell

MT MINING ASSN.

✓

111. 2. 1.

ENERGY FINANCING

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Location

COMMITTEE

BILL NO.

HB 565

DATE

3/1/95

SPONSOR(S)

Rep. Ellis

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Janet Ellis	MT Audubon	X	X
BRIAN SEVERIN ^{BELT, MT}	MT STOCKGROWERS	X	
Lorna Frank	MT. Farm Bureau	X	
Tom Lane ^{Livingston, MT}	support with amendment.		
Mary Haglund	MT Farm Bureau		
David A. Davidson	Self	X	
Joyce Baker	MT Farm Bureau	X	
Ray Baker		X	
Jules Marchesseault	MT. Farm Bureau	X	

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HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Vacation
DATE 3/1/95 COMMITTEE _____ BILL NO. HB 561
SPONSOR(S) Rep. Larson
PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
DAL Smilie Helena	MMSAC AMA	✓	
CARL GILBERTSON MISSOULA	MYSELF	✓	
Jill Z Smith McGuire	ABATE of Montana	✓	

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