

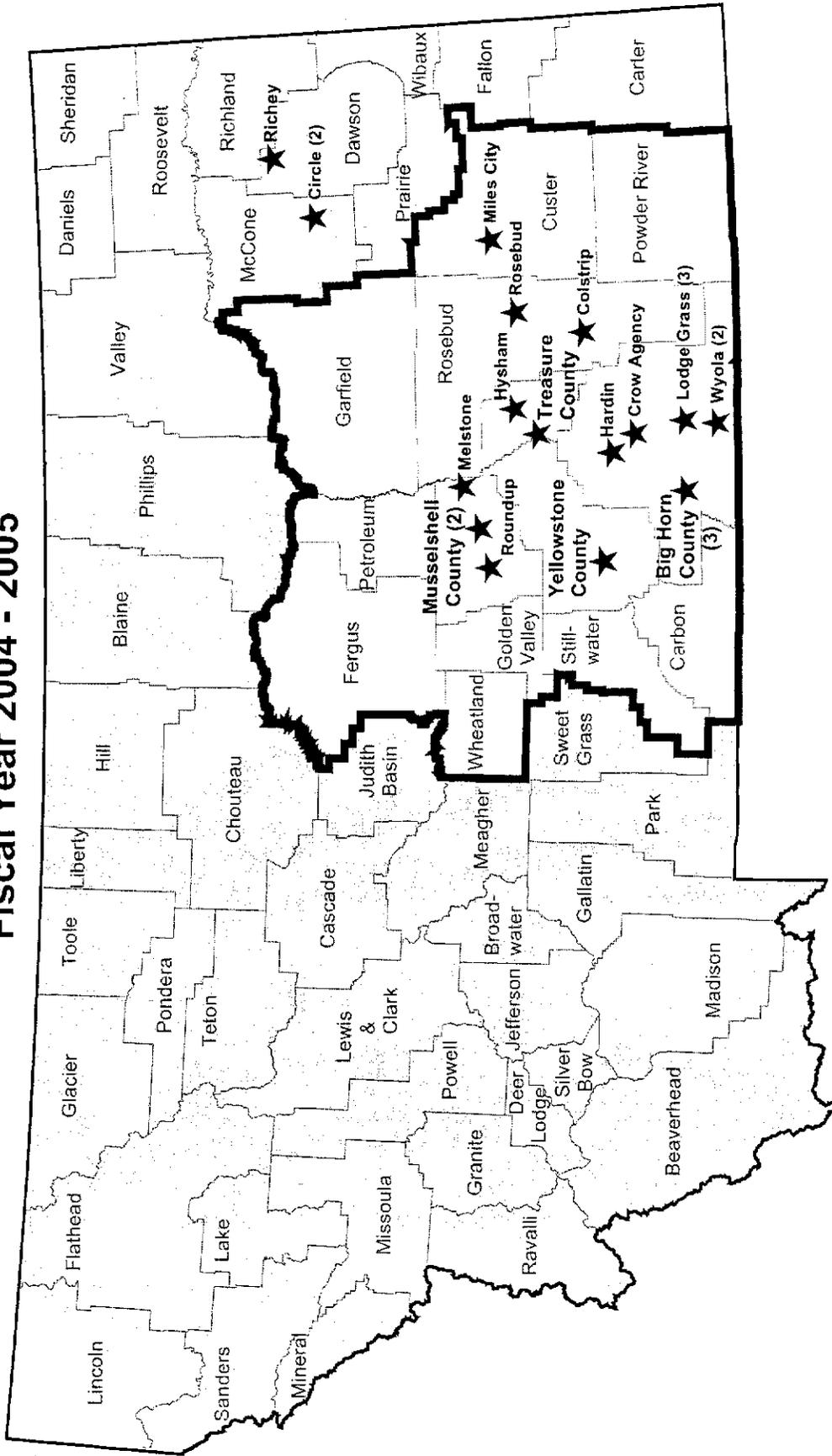
House Bill 482, sponsored by Rep. Monica Lindeen

(Testimony provided by Dave Cole, Administrator, Community Development Division, Montana Department of Commerce)

MONTANA COAL BOARD

- The Coal Board was created in 1975 with the adoption of the Coal Severance Tax and is attached to the Department of Commerce, Community Development Division, which provides staff and administrative support for the Board.
- The seven-member board is appointed by the Governor and meets quarterly.
- *Purpose* - Provides grants to help communities meet public facility or public service needs that are related to the development or decline of coal mines or coal-fired power generating plants.
- *Eligible Applicants* - Cities and towns, counties, consolidated governments, tribal governments, school districts, state agencies, and county or multi-county water, sewer, or solid waste districts or other governmental units.
- *Funding* – The 7.75% Coal Severance Tax Shared Account funds the program. In addition to funding the Coal Board, the Shared Account funds Conservation Districts, a portion of the Growth Through Agriculture program, and State Library Services through the State Library Commission.
  - During fiscal years 2004 and 2005, the Coal Board had \$1,500,000 available for impact grants.
  - 35 grant applications were submitted to the Coal Board.
  - 19 grants, totaling over \$1.4 million, were awarded
  - Projects ranged in amounts from \$6,000 to \$201,000. The median grant amount was \$65,000 and the average grant amount was \$77,947.
  - The 19 projects involve over \$13.5 million in other state, federal and local funds.
  - Only \$77,000 remains uncommitted of the \$1,500,000 appropriated for impact grants for the 2004-2005 biennium.

# MONTANA COAL BOARD GRANTS and the Designated Coal Impact Area Fiscal Year 2004 - 2005



- ★ Funded Projects
- ▭ Designated Coal Impact Area
- ▭ Outside of Impact Area



Created by:  
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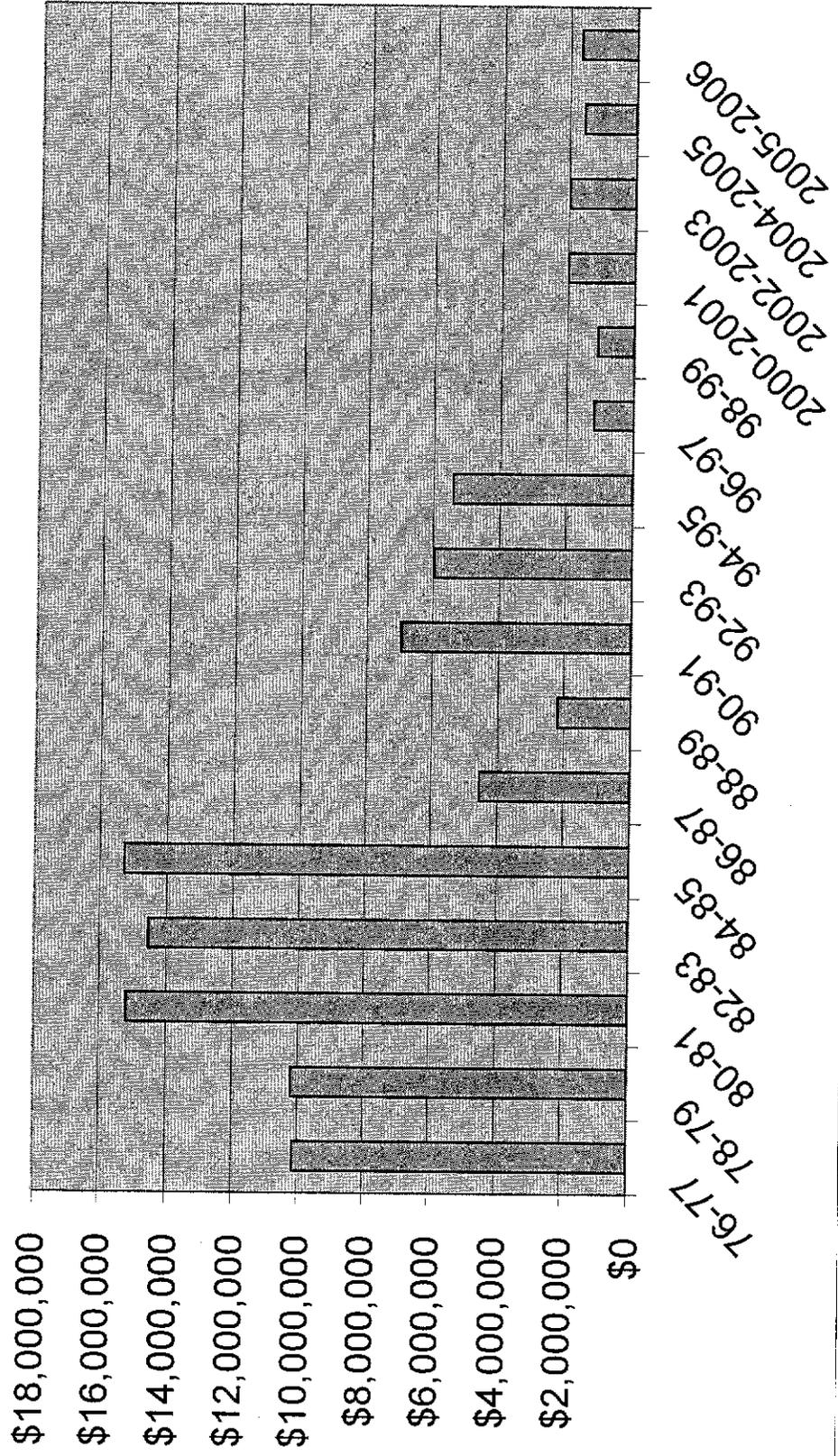
Source: Designated Coal Impact Area 2004, Dick Dodge Report, Coal Board Funding Data.

### Changes in Funding Levels for the Coal Board

- When the Coal Board was established in 1975, along with the coal severance tax, it received a direct percentage allocation of the coal severance tax. Originally as high as 17.5%, the percentage was gradually reduced over the years to 6.65% in FY 1990 where it remained until FY 1996.
- In 1996, the "Shared Account" was created which funds the Coal Board, Conservation Districts, the Growth Through Agriculture Program, and libraries through the State Library Commission. The Shared Account was originally set at 8.36% of the coal severance tax proceeds and continued at that level through fiscal 2002.
- During the August 2002 special session, in order to balance the budget, the Legislature decreased that to 6.01%, to increase the amount of coal severance tax collections going directly to the general fund, set the shared account at 7.75 % for fiscal 2004 and beyond.
- The 2003 legislative budget funded Coal Board grants from the coal severance tax shared state special revenue account at approximately 70 percent of the fiscal 2002 levels and designated the appropriation for local impact grants as biennial.
- Representative Lindeen's HB 482 would return the funding for the Shared Account to the original 8.36% allocation of the coal severance tax.
- With an increase in funding of \$137,283, the Coal Board would be able to fund approximately two more impact grants beyond the funding level proposed in the Executive budget.

Given the current high demand for Coal Board assistance and current level of coal-related development activity, we do think it would be desirable for the long-term if we could return the funding for the Shared Account to the 8.36% base level.

# Coal Board Funding by Biennium



### Basis for Awarding Grants

In reviewing applications, the Coal Board must consider four criteria set out in the law:

1. Need
2. Degree of Severity of Impact from Coal Development or Decline
3. Availability of Funds
4. Degree of Local Effort in Meeting the Need

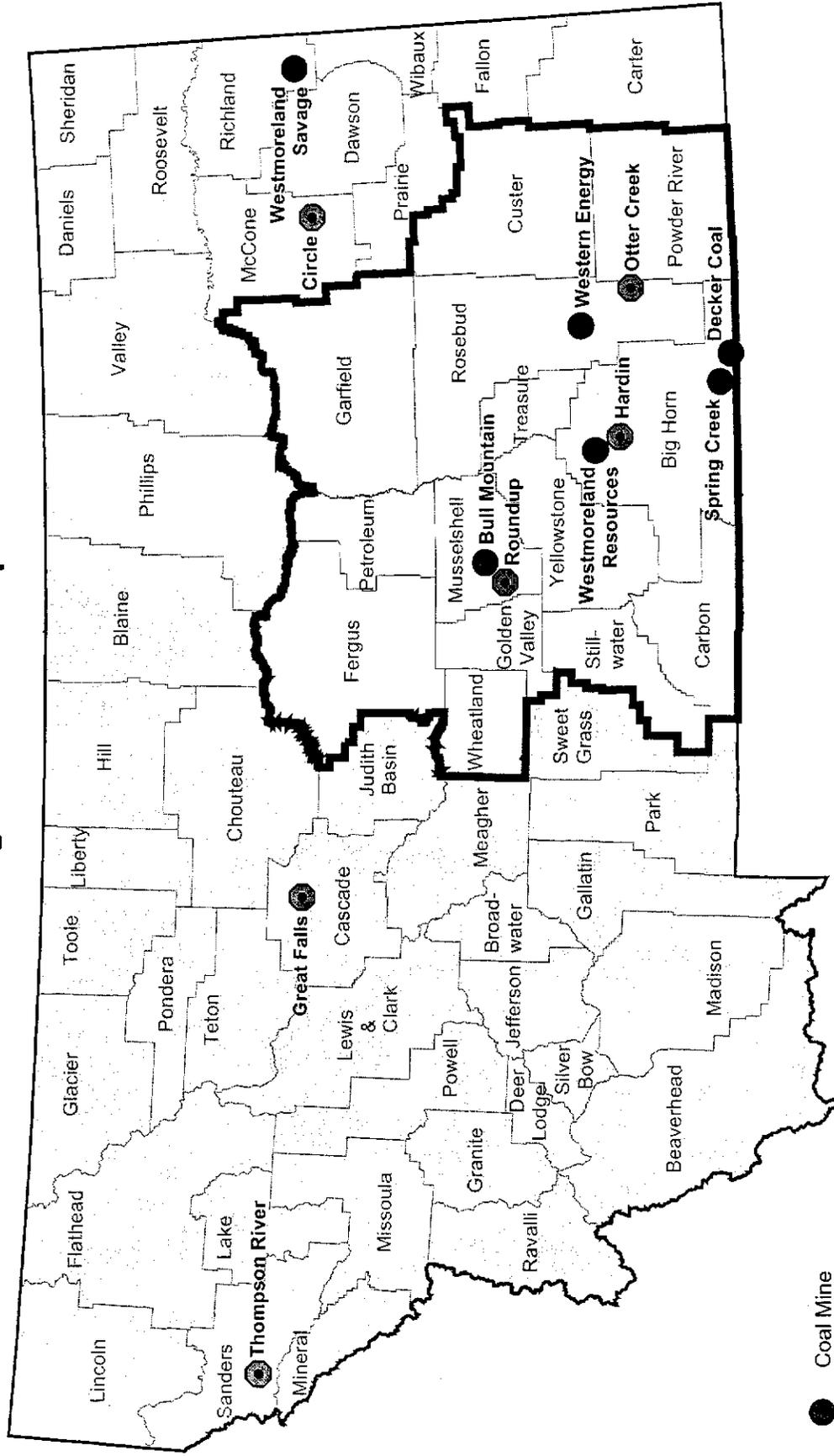
### Current Coal Board Funding Requests

The following project applications will be considered at the next Coal Board meeting in March, 2005:

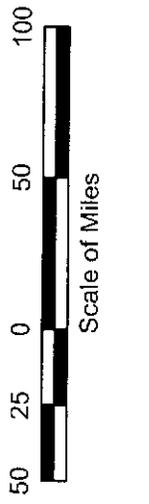
<u>Full Applications</u>	<u>Request</u>
Northern Cheyenne Tribe – Waterline Project	\$243,000
Lodge Grass Public Schools – Boiler System Upgrade	\$400,000
<u>Pre-Applications</u>	
Town of Circle – Upgrade Sewer Lagoon - Lift Stations	\$100,000
Lame Deer Public Schools – High School Expansion, Heating System Upgrade, Teacher Housing Replacement	\$2,748,095
Musselshell County – Ambulance Barn	\$250,000
Musselshell County – Fattig Creek Road Reconstruction	\$481,927
Lambert Area - Richland County Water & Sewer District – Water Project	<u>\$100,000</u>
TOTAL REQUESTS	\$4,323,022

- The projects that are approved by the Coal Board for Full Application status would receive first consideration for the funds appropriated for the 2006-2007 biennium.
- Because of the demand for the funds, the Board often awards less than the full amount requested.

# MAJOR COAL MINES/PROPOSED COAL-FIRED POWER PLANTS and the Designated Coal Impact Area



- Coal Mine
- Proposed Power Plant
- ▭ Designated Coal Impact Area
- ▭ Outside of Impact Area



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Source: 2004 Coal Council Brochure.

CoalMines.mxd December 2004

## INCREASED ACTIVITY IN MONTANA'S "COAL COUNTRY"

### Current and proposed Montana coal-related projects include:

- As of November 2004, construction was 40% complete on MDU Resources' **Rocky Mountain Power** 116-megawatt coal-fired generating plant at Hardin. MDU has signed an agreement to sell all the power to Powerex Corporation, a subsidiary of BC Hydro in Vancouver, B.C. DEQ has issued the plant an air quality permit that has been appealed.
- A coal-fired electric and wood co-generation plant, **Thompson River Co-Gen**, is under construction in Thompson Falls that would burn 550 rail car loads of coal from the Bull Mountain Mine near Roundup annually. The plant was granted an air quality permit by DEQ in November 2004. Construction of the plant was approximately 85% complete in November 2004.
- **Great Northern Power Development** of Denver and Kiewit Mining Group of Omaha have proposed a \$1 billion 500-megawatt coal-fired generating plant near Nelson Creek west of Circle, along with an adjacent coal mine, and related infrastructure. As of August 2004, Great Northern had spent \$2.5 million in preliminary work on the project. Great Northern has also spent \$2.2 million to reserve transmission capacity on the Colstrip to Hot Springs 500-KV line. The project would construct a 130-mile transmission line to connect to the Colstrip line. The project will be submitting its applications for state required permits in 2005. The project would go on line in 2009. Direct and in-direct employment is estimated at 1,200 jobs.
- **Bull Mountain Power** has proposed two 350-megawatt coal-fired generators using 2.7 million tons of coal per year from the Bull Mountain Mine at Roundup. DEQ has issued the plant an air quality permit that has been appealed.
- The **Southern Montana Electric Generation and Transmission Cooperative** has announced plans to build a \$515 million 250-megawatt coal-fired generating plant at Great Falls. The plant would serve the City of Great Falls and 100,000 members of five rural electric co-ops including Beartooth, Fergus, Mid-Yellowstone, Tongue River, and Yellowstone Valley. The plant is proposed to be in operation in 2010 and would provide 65-75 permanent jobs. In addition, the project would provide 400-500 jobs during construction with total wages estimated at \$75 million.
- Kennecott, Bechtel, and Wesco have proposed a 3,500 megawatt coal generation plant near the **Otter Creek Tracts 1, 2, and 3** coal deposits which have over 533 million tons of estimated super-compliant coal reserves
- **Montana has six existing coal mines (with total production for 2004):**
  - **Bull Mountain Mine near Roundup** (208,755 tons)
  - **Decker Coal Company at Decker** (8,241,274 tons),
  - **Spring Creek Mine in Big Horn County** (12,001,290 tons)
  - **Western Energy Company's Rosebud Mine at Colstrip** (12,413,482 tons)
  - **Westmoreland Resources' Absaloka Mine at Hardin** (6,588,633 tons)
  - **Westmoreland Resources' Mine at Savage** (380,042 tons).