



## REVENUE INTERIM COMMITTEE

### 67th Montana Legislature

#### SENATE MEMBERS

Jill Cohenour  
Greg Hertz  
Brian Hoven  
Mike Lang  
Edith (Edie) McClafferty  
Shannon O'Brien

#### HOUSE MEMBERS

Becky Beard  
Alice Buckley  
Connie Keogh  
Mark Thane  
Jeremy Trebas  
Tom Welch

#### COMMITTEE STAFF

Jaret Coles - Attorney  
Megan Moore - Research Analyst  
Daniel Collins - Secretary

# MINUTES LOG

September 23, 2021  
State Capitol Room 102 and Zoom  
Helena, Montana

Please note: This document is a Minutes Log and provides annotation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video recording of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of the meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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#### **MEMBERS PRESENT:**

Sen. Jill Cohenour, Chair (D)  
Rep. Becky Beard, Vice Chair (R)  
Sen. Greg Hertz (R)  
Sen. Brian Hoven (R)  
Rep. Connie Keogh (D)  
Sen. Mike Lang (R)  
Sen. Shannon O'Brien (D)  
Rep. Mark Thane (D)  
Rep. Jeremy Trebas (R)  
Rep. Tom Welch (R)

#### **MEMBERS EXCUSED:**

Rep. Alice Buckley (D)  
Sen. Edith (Edie) McClafferty (D)

#### **STAFF PRESENT:**

Jaret Coles, Attorney  
Megan Moore, Research Analyst  
Daniel Collins, Secretary

## **AGENDA** [\(Attachment 1\)](#)

## **VISITORS' LIST** [\(Attachment 2\)](#)

### **COMMITTEE ACTION**

#### **CALL TO ORDER/ROLL CALL**

- 10:03:24 Sen. Jill Cohenour called the meeting to order at 10:03 AM. The committee secretary took roll.
- 10:04:44 Sen. Cohenour introduced new staff secretary Daniel Collins.

### **HJ 36: RESIDENTIAL PROPERTY TAXES**

#### **Property Tax Overview**

- 10:05:43 Ms. Moore provided an overview. ([Exhibit 1](#))
- 10:13:34 Rep. Thane asked about outstanding bond issues.
- 10:22:00 Sen. Hoven asked about the number of people applying.
- 10:23:21 Sen. Hertz asked about requirements to apply.

#### **Questions/comments from the committee**

- 10:27:28 Sen. Hoven asked about the process for corporations.
- 10:28:59 Kory Hofland, Department of Revenue, answered Sen. Hoven's question.

#### **Residential and Other Property Valuation Methods**

- 10:30:10 Kory Hofland, Administrator, Property Assessment Division, Department of Revenue (DOR). ([Exhibit 2](#))
- 10:43:29 Robin Rude, DOR. (See Exhibit 2)
- 10:48:59 Rep. Beard asked about unique variables of a property.
- 10:49:54 Ms. Rude answered the question and continued her presentation. (See Exhibit 2)
- 10:59:49 Sen. Hoven asked about the order in which properties are valued.
- 11:01:55 Sen. Hoven asked how often homes are physically inspected.
- 11:03:53 Sen. Cohenour asked how increased construction affected appraisals.
- 11:06:09 Rep. Thane asked about the new appraisal system as compared to the old appraisal system.
- 11:09:39 Sen. Cohenour asked about local voted levies.
- 11:11:27 Rep. Trebas asked about the formula for the cost approach.
- 11:11:53 Rep. Trebas asked about the IAAO ratio. (See Exhibit 2)
- 11:12:30 Sen. Lang asked about the time frame used for productivity value.
- 11:13:11 Sen. Hoven asked about vacant properties.
- 11:15:08 Mr. Hofland answered Sen. Hoven's question and closed his presentation. (See Exhibit 2)
- 11:21:26 Sen. Hoven asked about building permits.

#### **Quality of Reappraisal Report – Eric Dale, Department of Revenue**

- 11:25:09 Eric Dale provided his presentation on the Quality of Reappraisal report. ([Exhibit 3](#))
- 11:43:42 Rep. Thane asked about excluded total and used observations.
- 11:45:15 Sen. Hoven asked about the quantity of total observations.
- 11:45:59 Sen. Cohenour added to the answer.
- 11:46:40 Sen. Hoven asked about the validity of the sample size.

- 11:47:45 Sen. O'Brien asked about statistical equivalences and an external evaluation process.
- 11:50:22 Sen. Cohenour asked how IAAO standards are created and their usage.

### **Property Tax Authority and Limits**

- 11:55:09 Ms. Moore introduced property tax authority and limits. ([Exhibit 4](#)) ([Exhibit 5](#))  
(See Exhibit 1)

### **Legal Issues Associated with Property Tax**

- 12:06:10 Jaret Coles, Staff Attorney presented about legal issues associated with the property tax. ([Exhibit 6](#))
- 12:24:26 Sen. Hertz asked if there would be a constitutional issue with a supermajority vote on taxpayer levies.
- 12:25:59 Sen. Hertz asked if residential property could be classified differently.

### **Next Steps: Local Profiles Methodology, Possible Work Products**

- 12:27:37 Ms. Moore asked for the committee's thoughts about the work plan and possible work products.

### **Public comment**

- 12:28:54 Eric Bryson, Montana Association of Counties
- 12:30:25 Bob Story, Montana Taxpayers Association

### **LUNCH**

### **HJ 6: COAL SEVERANCE TAX TRUST FUND**

#### **Overview and Selected History of Coal Severance Tax and Trust Fund – Megan Moore**

- 13:30:53 Ms. Moore provided an overview and selected history of the coal severance tax and trust fund. ([Exhibit 7](#))

### **Coal Severance Tax Trust Fund Distributions**

- 13:37:26 Sam Schaefer, Fiscal Analyst, Legislative Fiscal Divisions (LFD), presented on coal severance tax trust fund distributions. ([Exhibit 8](#))
- 13:52:44 Rep. Thane asked about the coal trust fund and the work plan.
- 13:53:25 Sen. O'Brien asked about historic revenue from the coal severance tax.
- 13:54:48 Sen. Hoven asked about the school facilities funds.

### **Panel Discussion: Coal Industry Extraction Forecast**

- 13:56:11 David Schwend, General Manager, Spring Creek Mine of Navajo Transitional Energy Company (NTEC). ([Exhibit 9](#))
- 14:12:01 Kenneth Wooley, General Manager, Rosebud Mine of Westmoreland. ([Exhibit 10](#)) ([Exhibit 11](#))
- 14:15:49 Sen. Lang asked about the difference between coal being produced locally as compared produced overseas.
- 14:17:36 Jesse Noel, Westmoreland Mining Director Environmental and Regulatory Affairs, U.S. Operations.

### **Questions/comments from the committee**

- 14:28:44 Sen. Hoven asked Mr. Noel about export figures.
- 14:29:19 Sen. O'Brien asked about the number of employees.

14:30:15 Sen. Lang asked about tax rates.  
14:32:27 Sen. Lang commented on the environmental impact of increasing coal production.  
14:33:57 Sen. Hoven asked about Rosebud exports compared to Spring Creek exports.  
14:34:53 Sen. Hoven asked about freight contracts.  
14:37:04 Sen. Hoven asked about the port in Washington.

**Panel Discussion: Coal Tax Revenue Forecasts**

14:38:23 Mr. Schaefer, LFD. ([Exhibit 12](#))  
14:45:03 Sen. Hoven asked about the stability of the price of coal  
14:52:51 Chris Watson, Office of Budget and Program Planning. ([Exhibit 13](#))  
15:09:39 Sen. Cohenour asked how the tax trust fund rates are set.  
15:14:45 Rep. Beard asked about the rate listed on the handout. (See Exhibit 12)  
15:17:11 Patrick Barkey, Director, Bureau of Business and Economic Research. ([Exhibit 14](#))

**Questions/comments from the committee**

15:35:00 Sen. Lang asked about the natural gas forecast.  
15:36:51 Rep. Thane asked about Montana coal projections assuming the closure of Colstrip units.  
15:38:38 Sen. Hoven asked about the consequences of the decline of the use of coal for energy.  
15:41:46 Sen. Cohenour asked about the power grid being updated for the future.

**Public comment on this agenda item**

15:44:45 Darryl James, Westmoreland Mining  
15:48:30 Senator Duane Ankney, Senate District 20  
15:52:36 Molly Schwend, Montana Coal Council  
  
15:54:12 BREAK

**REVENUE ESTIMATING & MONITORING**

**FYE 2021 General Fund Revenue Report**

16:09:13 Mr. Schaefer, LFD. ([Exhibit 15](#))

**Questions/comments from the committee**

16:33:57 Sen. Cohenour asked when November data will be available.  
16:36:21 Sen. Hoven concurred with Mr. Schaefer's estimations.  
16:38:32 Sen. O'Brien asked about the prospect of a decrease on page 14.  
(See exhibit 15)  
16:39:45 Sen. Cohenour asked about additional broadband taxes.

**Public comment on this agenda item**

None.

**ADJOURNMENT**

Adjournment: 16:42:05