

Explanation of “Montana and Tribal Governments’ Coal Revenue Replacement Act, and The Fossil Fuel Workers’ Economic Security Act (HB 646)”

This general revision of energy, taxation, and labor laws helps address the job and income loss dilemma facing different sectors of Montana’s economy and mitigates loss of coal revenue.

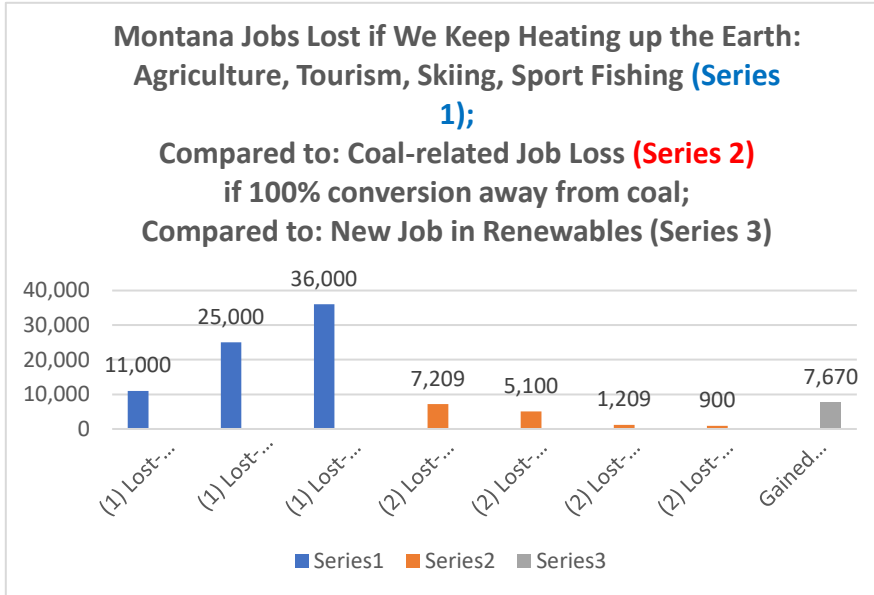
1. HB 646 replaces lost coal revenue by continuing to finance schools, conservation projects, and \$1.6 million/yr. to the general fund, so other taxes will not have to be increased. (§§ 1-7) It:

- **replaces** coal revenue as it is lost by gradually raising the rate of an existing, 1934 tax on all electricity produced in Montana to a top, fair, equally applied substitute tax rate of \$0.005125/kWh (~1/2 ¢/kWh); (§ 21(2)(b), p. 27)
- **requires** this substitute tax not exceed 85% of savings accruing because of the evolving transition to green electrons; (§ 21), p. 26, § 15-51-101(2)(c)(i)(B), MCA;
- **ensures** consumers pocket more from energy transition savings than kWh tax increases;
- **assesses** an average consumer (using 750 kWh/month, \$46.13/year in 2034, gradually up from \$3.29/year in 2021—all offset by lower renewable electricity costs;
- **raises** coal revenue loss replacement taxes of \$139,877,291/year after 2034; (3^d Whereas ¶)
- **allocates** the following percentages of the replacement tax: (§ 23 & 5th Whereas ¶)
 - ✓ 42.9% to restore Montana’s estimated annual coal severance tax revenue (\$60,028,000 in 2019);
 - ✓ 16.3% to replenish Montana’s estimated annual tribal coal rent & royalty revenue (\$22,859,187 in 2019);
 - ✓ 16.3% to supplant all the estimated annual federal excise tax on Montana non-tribal coal (\$22,804,993 in 2019);
 - ✓ 14.5% to restore Montana’s estimated annual gross proceeds coal revenue (\$20,265,434 in 2019) for 5 counties, Big Horn, Musselshell, Richland, Rosebud and Yellowstone;
 - ✓ 8.2% to replenish Montana’s estimated annual non-tribal coal rent & royalty revenue (\$11,408,469 in 2019); and
 - ✓ 1.8% to supplant the coal portion of Montana’s estimated annual Resource Indemnity Trust revenue (\$2,486,569 in 2019);
- **exempts** producers with less than 251 kW of capacity from filing a kWh tax return; (§21(1)(a))
- **requires** utilities to collect tax from net metered producers with less than 251 kW of capacity and pay it on behalf of producers; (§ 21), p. 25, § 15-51-101(1)(b)(ii)(B), MCA;

2. HB 646 Helps Montana by Funding Fossil Fuel Worker Retraining, Pension Security, Apprenticeships, and Coal-Impacted Communities Assistance. (§§ 8-14) It:

- **creates** a safety-net for up to 1,900 Montanans in mining, power plant, and railroad (base coal industry) jobs and roughly 5,100 jobs in coal-dependent communities (§ 12(12));
- **provides** 2 years of apprenticeship (§ 11) and retraining with full unemployment benefits, plus 20% additional unemployment during retraining for coal industry workers and workers from communities and tribal areas displaced by the transition to clean energy; (§ 12(4)(b) & (d))
- **offers** up to \$200 a month to maintain up to one-third of the mortgage payments on a workers’ primary Montana residence during retraining and re-employment; (§ 12(4)(c))
- **supplements** pension payments promised to workers by defunct coal mines or fossil fuel generating plants; (§ 12(8))
- **delivers** counseling, jobs services, and health care for displaced fossil-fuel and coal-impacted workers, and their families during the transition to renewable energy; (§ 12(2), p. 11)
- **raises** the rate of an existing, 1934 tax on all electricity produced in Montana by a fair, equally applied, \$0.0025/kWh (>1/3 ¢/kWh) (See § 21 (§ 15-51-101(2)(c), MCA), p. 29);
 - ✓ assesses an average consumer (using 750 kWh/month), \$1.88/month or \$22.50/year—all offset by lower renewable electricity costs; (2nd Whereas ¶)
 - ✓ raises ~\$955,185,000 to help workers and communities reposition; (2nd Whereas ¶)
 - ✓ sunsets this tax rate in 2034 unless more is needed to support benefits; (§ 21(2)(c)(i))

3. HB 646 is necessary to sustain workers from all sectors of Montana's economy. Coal has been important for our economy. Thus, it is understandable leaders would want to perpetuate its use.



However, continued overuse of coal has created a dilemma. Namely, over use of coal jeopardizes other livelihoods because it creates the CO₂-driving climate warming that continues to dry out our region.

Farmers Union economists forecast that if we continue to warm Montana our farm, ranch, tourism, sport fishing and ski industries combined will lose 36,000 jobs by mid-century.

Those lost jobs will far exceed the 7,209-fossil-fuel-related jobs that some wish to perpetuate by clinging to the

coal-fired electric generation that is making CO₂-caused aridification worse. Leaders cannot solve this dilemma by protecting only jobs in the fossil fuel industry. All sectors must be considered.

As the economy transitions toward cleaner power needed to enhance farm, ranch, or tourism jobs, electricity will cost less. HB 646 makes some of that savings simultaneously available to provide a safety net for fossil fuel workers and coal-impacted communities, and to replace lost coal revenue. Because this saving covers benefits and replenishes revenue loss, consumers will not see the increase.

A safety net is feasible! The world is moving rapidly away from expensive coal-fired electricity. The average (mean) 2020 levelized wholesale cost of unsubsidized, clean, onshore utility scale wind generated electricity is \$0.04/kWh, as compared to \$0.112/kWh for the comparable average cost of electrons from new coal plants. See [Lazard's Levelized Cost of Energy Analysis—Version 14.0](#)

The low-end cost from the Lazard chart is \$26/MWh (i.e., \$0.026/kWh) for wind and \$0.029/kWh for utility-scale solar, compared to \$0.065/kWh for electricity from new coal plants and \$0.034/kWh for fully depreciated existing coal-fired generation.

As the Lazard chart demonstrates, there are no fuel and pollution-control costs in renewable electricity. So, your light bill should be reduced by \$0.009 to \$0.02/kWh during this clean energy transition, while still ensuring you pay your fair share of costs associated with renewable service.

Thus, average (750 kWh/mo.) users should save \$7 to \$15 a month, depending on whether renewable electricity is \$0.009 to \$0.02/kWh cheaper than electricity burdened by fuel and pollution control costs. Since the replacement and benefit taxes in HB 646 reclaim less than 85% of that savings, revenue can be maintained, and benefits can all be paid for by reducing energy costs. Consumers will also see reduced electricity costs as the transition to a new energy economy occurs.

Resisting the transition is not prudent. The World Bank anticipates unchecked global warming will create millions of climate migrants and worldwide economic havoc as sea levels rise, storms become more violent, and deserts expand. So, it is fair for us to pay \$1.88/month from energy-bill-savings to aid workers who must shift jobs to minimize the number of climate migrants.

There also is no reason the fair, minimally increased tax on all electrons produced should be objected to by any electricity generator. HB 646 limits taxes on production of a 1.5 MW wind turbine with a 45% capacity factor producing 15,840 kWh/day to \$46.43/day in 2021 taxes to \$123.53 a day in 2034 taxes. In 2035, it becomes \$83.03/day -- not much to ask to replace a coal tax on 3% to 15% of the contract sales price of a ton of coal and help workers who lost their jobs and communities trying to figure out how to fund their schools because more wind turbines are causing coal revenue to decline.

Find out more at www.mtcares.org or the I-187 Facebook group.

Renewable Energy

Conventional

