

Testimony of Dakota Resource Council
House Bill 1412
March 17th, 2021

Chairman Kreun & members of the committee, my name is Scott Skokos and I am testifying on behalf of Dakota Resource Council and our members. Thank you for allowing me to testify in opposition of HB 1412.

Dakota Resource Council (DRC) is a non-partisan grassroots group of landowners, ranchers, farmers, and other citizens. A key part of our mission is to promote the sustainable use of North Dakota's natural resources. We are concerned about the implications of the proposed tax cut in HB 1412.

On page 1, line 10-12 HB 1412 states "a coal conversion facility is exempt from sixty percent of the tax imposed under section 57 - 60 – 02" and on lines 14-15 it states "An electrical generating plant is exempt from the generation tax imposed under subsection 3 of section 57 - 60 – 02."

This bill provides tax cuts to save the coal industry, yet there is no actual policy in this bill that will save coal jobs or coal communities. We understand that if the coal industry goes away, as it is projected to, there will be significant hardship for thousands of people, and rural communities, in the heart of ND. We understand why many in the legislature are under pressure to save coal. Coal communities have been a vital part of ND for decades providing high-wage jobs and benefits, often without a degree. ND made a really efficient system to make their lignite coal economical through "mine-mouth" plants and has become an energy exporter. We recognize the pride that comes from that history. However, historically many industries reach a point where they are faced with market forces and economics, some notable examples include the timber industry, steel industry, and auto industry. Productivity gains, technological advancements, and progress have cost good jobs across history. Progress in technology often leads to fewer workers needed, which is the case with natural gas plants which require less workers to operate than coal plants. This does not make it any easier on workers, families, or the state which profits off coal, we understand that. We could have a whole argument about those market forces and why some believe the market gives unfair advantage to energy sources other than coal. We could debate for days, throwing facts back and forth, and get nowhere meaningful. The fact of the matter is that even if this bill passes, and other bills this session, it will not save the coal industry in the long-term. People working in the coal industry, and the communities reliant on coal, will eventually be faced with the transition. We can either prepare for the transition now or bury our heads in the sand.

DRC cares about people working in the coal industry and what will happen to coal communities as plants and mines close. We care about what will happen with reclamation. However, there is no transparency in HB 1412 as to where the money saved from the tax cut will go. There is nothing in this bill to prevent the money saved from the tax cuts from lining coal executive's pockets prior to closure or bankruptcy. CEO bonuses before closures are common and have happened countless times around the country. If the purpose of this bill is to help coal communities and people working in the coal industry over the long-term, would it not be wise to ear-mark these taxes and invest in economic diversification, community development, retraining, and transition planning for coal communities? What assets do these communities have other than

coal that could be built upon? This is what community development, economic diversification, and transition planning is about. Could coal communities attract new types of industries or manufacturing? The possibilities for these communities reliant on coal are endless. Lake Sakakawea is a valuable resource already and money could be put in for more tourism and fishing. People working in the coal industry and communities that rely on coal deserve an equitable transition with support from our state government. We know that we often disagree on partisan issues, but we can all agree that coal communities need help right now. The national trends and experts say coal is in decline and will be completely retired in the not-so-distant future (Source). We stand on the side of promoting an equitable transition for coal communities based on those facts and trends.

We also believe HB 1412 to be a form of corporate welfare for one industry, especially if we do not cut the spending that is associated with the amount of money lost from the tax revenue. In this scenario, it becomes a burden on taxpayers to cover that revenue from coal. It also doesn't make sense that the lignite research fund will still continue to receive funds from their taxes if they are receiving such a large tax cut, as proposed in this bill. If we could say, yes 100%, HB 1412 will save the coal industry then it could possibly be justified. That is not the case because North Dakota isn't isolated and will be impacted by market forces outside of its control. There are better options to help communities and workers transition than place nostalgia over common sense. We need to be honest about the future in our rapidly changing energy economy and prepare workers accordingly.

We believe it is time for leadership in North Dakota to be honest with workers based on national trends and facts. Those taxes (while they are still available) could be used for a transition fund for coal-dependent communities. The taxes from the cut could be used for retraining programs for people working in the coal industry. We know retraining is an unpopular idea, and we sympathize with how frustrating this situation is. However, that doesn't change the reality of our current energy economy. We know that there will not be one industry that can replace coal for these communities. Historically coal-reliant communities will need to be a broad, diverse strategy to help these communities which will lead to long-term resilience, so we don't face a similar situation down the road. We understand why people working in the coal industry support this bill, as it is an emotional situation they are facing. However, ND state legislators should be trusted to make decisions that will be sustainable over the long-term and are fiscally responsible. This bill, and many other coal bills this session, are gambling with taxpayer dollars on a bad bet. This is why we do not support a tax cut for the coal industry as counties, communities, and workers need those funds to diversify their economies and make plans for their futures.

I urge the committee to oppose HB 1412 and recommend a **DO NOT PASS** on HB 1412.