

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By Chairman Gary Spaeth, on January 13,  
1989, at 8:00 a.m.

ROLL CALL

Members Present: All present.

Members Excused: None.

Members Absent: None.

Staff Present: Carl Schweitzer, LFA  
Jane Hamman, OBPP  
Donna Grace, Committee Secretary

HEARING ON DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

List of Proponents and Groups they Represent:

Peggy Haaglund, Montana Assoc. of Conservation  
Districts  
Jane Holzer, Montana Salinity Control Assoc.  
Van Jamison, DNRC  
Dave Darby, DNRC  
Ray Beck, DNRC  
Senator Bob Williams  
Jo Brunner, Montana Water Rights Assoc.  
Marcia Rundle, DNRC  
Gary Fritz, DNRC  
Dee Rickman, DNRC  
John Armstrong, DNRC  
Senator Jack Galt

List of Opponents and Groups they Represent:

None.

Opening Statement: Dave Darby, Acting Director of the  
Department of Natural Resources, introduced his  
Division Administrators and stated that they would be  
giving testimony relative to each division. Mr. Darby  
presented an overview of the department and explained  
some of the issues which would be coming before the

committee in the next few days as they consider the budget for this department. An outline of Mr. Darby's remarks are contained in Exhibit 1. Mr. Darby stated that he felt the budget to be presented was conservative and asked for favorable consideration by the committee.

Conservation Districts Division:

Ray Beck stated that he was the Administrator of the Conservation Districts Division which is responsible under state law to assist Montana's 59 conservation districts and 30 grazing districts. Montana's conservation districts are legal subdivisions of state government responsible by law to develop and carry out long range programs that will result in the conservation and improvement of soil and water resources within their boundaries and to encourage maximum participation by the general public and all local public and private agencies to fulfill this purpose. State grazing districts are also formed under Montana statute that gives them the power to lease or purchase grazing lands to develop and manage district controlled lands and to allocate grazing preferences among members and non members.

The conservation Districts Division has six full time employees, five in the Helena office and one person in Miles City. The complete text of Mr. Beck's remarks are contained in Exhibit 2.

Senator Bob Williams, House District No. 15, from Hobson, testified in favor of the Community-Led Rural Economic Development Program, a pilot project outlined in Mr. Beck's presentation. He said seven counties are organizing to address economic development on a regional basis. Senator Williams urged the committee to authorize a full time individual to assist the locally organized groups by organizing meetings, seeking technical help and maintaining relationships with all other agencies, groups and individuals, working on funding sources, etc. Senator Williams' comments are included in Exhibit 3.

Peggy Haaglund, Executive President of the Montana Association of Conservation Districts, urged support of the Conservation Districts Division's proposed Budget. Ms. Haaglund's comments are attached as Exhibit 4.

Senator Jergeson brought up an issue in regard to these programs which are scattered throughout so many different agencies. He said he felt that there was a

need to get a handle on these programs. Chairman Spaeth stated that this issue should be flagged and discussed further with the Department of Commerce.

Executive Session:

LFA Analysis - Exhibit 5.

Issue No. 1. RIT Interest - General Fund Funding Shift.

Mr. Spaeth stated that he would recommend postponing any action on this issue at this time. His intention is to meet with the Long Range Planning Committee as this would be an issue throughout this agency.

Mr. Darby stated that the DNRC is charged with the oversight of the RIT account and the LFA and OBPP met this morning to go over the numbers one more time with the understanding that by Monday there would be some agreement between the LFA, the Budget Office and the Department so that when dealing with the numbers they would not only be dealing with potential revenue sources but also understand the impact on the availability of funds for the grant programs.

Discussion continued relative to the issues presented by the LFA relative to the Conservation Districts Division. See Exhibit 3.

Mr. Schweitzer pointed out that when looking at the general fund column, one thing the committee needs to keep in mind is that for the most part it won't show any general funds; however, the LFA budget does have general fund in the conservation program for everything other than some particular grants that have earmarked funding. The executive has used RIT money with also some alternate energy to almost totally replace the general fund monies. Mr. Darby pointed out that the Department is recommending de-earmarking the alternate energy fund so that the money would go into the general fund and it will possibly be necessary to go back and replace all alternate energy funding with general fund.

Issue No. 1. Position Transfer from Centralized Services to conservation Districts Division. The executive has proposed that one FTE from the Centralized Services Division be transferred because the department has identified higher priority needs in the Conservation Districts Division. Because the purpose of the position has changed, the LFA did not include the position in the current level.

MOTION: Senator Jenkins made the motion that the transfer

be approved (executive recommendation).

VOTE: MOTION PASSED. All present voted in favor.

Reserved Water Rights Compact Commission 16:A (001)

Senator Jack Galt testified in favor of the Montana Reserve Water Rights Compact Commission's proposed budget amendment for the 1990-91 biennium. Senator Galt's comments are contained in Exhibit 6.

Representative Spaeth introduced Marcia Rundel, the staff person in charge of the Reserved Water Rights Compact Commission. Several questions were asked of Senator Galt and Ms. Rundel relative to the negotiation process with federal agencies and Indian tribes that claim federal reserved water rights for lands within the State of Montana. Ms. Rundel stated that the amendment being proposed would increase the speed with which the Compact Commission could conduct the technical work necessary to support negotiations.

Jane Hamman, OBPP, expressed strong support of the Budget Office for funding of this amendment.

Executive Action:

LFA Analysis - Exhibit 7.

Issue No. 1. Expansion of Technical Work Force. The Compact Commission is requesting that 5 FTE and \$177,649 be added in FY90 and 7 FTE and \$226,626 be added in FY91. Proposed budget is attached as Exhibit 8.

Chairman Spaeth stated that funding for this program could be 100% general fund or it could be funded 50% general fund and 50% RIT as the executive has proposed for the Commission.

MOTION: Senator Jenkins made a motion to approve the recommended amendment. Mr. Schweitzer stated that if this issue is approved, items 2 and 3 would no longer be issues.

VOTE: MOTION PASSED. All present voted yes.

Conservation Districts Division (210)

LFA Analysis - Exhibit 9.

Executive action continued relative to the Conservation

Districts Division.

Issue No. 2. Travel and other Operating Expenses. Mr. Beck stated that the actual expenditure in 1988 was lower than expected. With the addition of one employee, travel and related expenses would also be higher.

MOTION: Senator Devlin made a motion that 1/2 of the requested travel expense be approved. Mr. Darby indicated that the management of travel in this department was very prudent.

SUBSTITUTE MOTION: Senator Jergeson made a substitute motion that the executive budget recommendation be adopted. The Chairman called for a roll call vote on the substitute motion.

VOTE: SUBSTITUTE MOTION PASSED. Senator Devlin voted no; all others present voted yes.

Issue No. 3. Vehicle for the Miles City Office. Mr. Beck stated that the vehicle used in this office has 120,000 miles and is badly in need of replacement.

MOTION: Representative Swift made a motion that the executive budget recommendation be adopted.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 4. Conservation District Grants. This involves allocation of the coal severance tax fund to the conservation districts. The difference between the LFA and the executive is on their estimate of revenues. Mr. Schweitzer suggested that the committee also look at the boilerplate language suggested by the LFA office relative to this subject. The language would provide that any funds reverted from unexpended conservation district grants be authorized for distribution as grants as specified in Section 76-15-530, MCA. Mr. Schweitzer also suggested that perhaps this should be made a statutory appropriation. Mr. Swift stated that he would rather stay with what is currently being done. This matter will be tracked and a figure will be plugged in at a later date. No action was required at this time.

Issue No. 5. Corps of Engineers. Mr. Schweitzer stated that the Corps of Engineers has a small office in the conservation district office and they would like to expand. They will put \$4,594 into the budget in federal funds. There was no discussion.

MOTION: Representative Swift made a motion that the executive recommendation be adopted.

VOTE; MOTION PASSED. All present voted yes.

Issue No. 6. Saline Seep. Mr. Schweitzer stated that this issue is outlined on pages C-98 and C-99 of the Budget Analysis 1991 Biennium, Vol. II. (Exhibit 10) The issue is that there are two saline grant appropriations in the legislative process. One appropriation is in the Conservation Districts Division and there is also the Saline Seep Project which has an RIT appropriation. The reason there was a saline seep appropriation in the budget was to add some additional counties into the program so the legislature put money into the appropriations bill. Basically, the issue at this time is why there are two appropriations necessary and perhaps they could be combined and put in one place.

Discussion followed. Senator Jenkins said he felt that administration costs should be paid from the general fund and the projects should be funded with RIT funds. Chairman Spaeth asked Mr. Schweitzer and Jane Hamman to meet with Jane Holzer, the Director of the Salinity Control Program, as well as Senators Jenkins and Jergeson and Mr. Beck, and come back to the committee with a recommendation on Tuesday, January 17.

Ms. Holzer then presented some information relative to the Salinity Control Program. She said the program is a function of the conservation districts. Funds are administered through DNRC but conservation district supervisors set the policy. In 1980 they started working in a nine county area and have expanded across eastern Montana, primarily working on dryland salinity but have now started to work on irrigated ground in Carbon, Pondera and Valley Counties.

Boilerplate Language. Mr. Schweitzer stated that the executive had requested language to be put into the appropriations bill which would authorize up to \$700,000 from the account established by Section 76-76-14-112, MCA, for Rangeland Improvement Loans during the 1991 biennium. Ms. Hammond stated that the executive budget recommended the increase as a result of the drought and there is an increased demand for water development as well as increased weed control problems.

MOTION: Senator Devlin made a motion that the language be adopted.

VOTE: MOTION PASSED. All present voted yes.

Mr. Peck stated that the FTE approved in Issue No. 1 was a higher grade level than the position eliminated. Ms. Hamman stated that the executive had included \$5,386 to cover the discrepancy.

MOTION: Senator Jergeson made a motion that the amount be approved.

VOTE: MOTION PASSED. All present voted yes.

Oil and Gas Conservation Division (248)

Dee Rickman, Assistant Administrator of the Oil and Gas Division, and Executive Secretary to the Board of Oil and Gas, presented an overview of the responsibilities of the Oil and Gas Division and the Board of Oil and Gas which are to administer the Montana Oil and Gas Conservation laws to promote the conservation of those resources and prevent wasteful practices. Ms. Rickman's comments are contained in Exhibit 11.

Announcements/Discussion: Chairman Spaeth stated that Mrs. Rickman would continue her testimony on Monday. The committee will meet at 8:00 a.m.

ADJOURNMENT

Adjournment At: 11:00 a.m.

  
REP. GARY SPAETH, Chairman

GS/dg

1126.mina





Department of Natural Resources and Conservation

FY 90-91 BUDGET OVERVIEW

- I. INTRODUCTIONS
- II. BUDGET AND PROGRAM PROPOSALS
- Executive Budget/Revenue Sources
  - Alternative Energy Account
  - DNRC Budget Process
  - Savings Reallocations
- Cuts: FTE, Other
  - Water Plan
  - Energy
  - Conservation Districts
  - High Hazard Dams
- III. SPECIFIC ITEMS OF EXPLANATION
- 1.5 FTE in Water Adjudication Records
  - Adjudication Program, Decrees
  - Computer Costs
  - BNRC Budget
  - Budget Flexibility
  - Project Rehabilitation
  - Broadwater Power Project
  - Rural Economic Development
  - Travel and Training
  - Middle Creek Dam
- IV. EXPLANATION OF DNRC CURRENT PROGRAM LEVEL
- V. OTHER ITEMS
- RWRCC: Separate Program Proposal
  - Corrections

**Vacancy Savings  
State Lands Department**

	Fiscal 1990		Fiscal 1991	
	General Fund	Gross	General Fund	Gross
Central Management	34,483	36,624	34,586	36,744
Reclamation	21,756	41,118	21,794	41,195
Land Administration	18,095	18,095	18,132	18,132
Resource Developmment	0	8,022	0	8,039
Forestry	187,499	205,729	188,032	206,309
Subtotal Current Level	261,833	309,588	262,544	310,419
Budget Modifications	3,857	10,448	6,040	12,578
<b>Total Department</b>	<b>265,690</b>	<b>320,036</b>	<b>268,584</b>	<b>322,997</b>

EXHIBIT 1  
DATE 1-13-89  
HB \_\_\_\_\_

Vacancy Savings  
Central Management Division

	Fiscal 1990		Fiscal 1991	
	General Fund	Gross	General Fund	Gross
Central Management	31,271	31,271	31,350	31,350
Air operations	3,212	5,353	3,236	5,394
Total Central Management	34,483	36,624	34,586	36,744

EXHIBIT 1  
DATE 1-13-89  
#3.....

Vacancy Savings  
Reclamation Division

	Fiscal 1990		Fiscal 1991	
	General Fund	Gross	General Fund	Gross
Administration	1,868	1,868	1,869	1,869
Open Cut	3,903	3,903	3,915	3,915
Abandoned Mine		6,497		6,515
Coal and Uranium	4,809	17,674	4,817	17,703
Hard Rock	11,176	11,176	11,193	11,193
 Subtotal Current Level	 21,756	 41,118	 21,794	 41,195
 Budget Modifications				
1. Superfund		492		193
2. Abandoned Mine		2,140		2,140
 Subtotal Bud. Mods		 2,632		 2,333
 Total Reclamation Division	 21,756	 43,750	 21,794	 43,528

EXHIBIT 1  
DATE 1-13-89  
HB \_\_\_\_\_

**Vacancy Savings  
Land Administration Division**

	Fiscal 1990		Fiscal 1991	
	General Fund	Gross	General Fund	Gross
Land Administrations	18,095	18,095	18,132	18,132
<b>Budget Modifications</b>				
1. Mineral Accountant	458	458	459	459
2. Geologist	492	492	493	493
Subtotal Bud. Mods	950	950	952	952
<b>Total Land Administration</b>	<b>19,045</b>	<b>19,045</b>	<b>19,084</b>	<b>19,084</b>

EXHIBIT 1  
DATE 1-13-89  
HB \_\_\_\_\_

Vacancy Savings  
Resource Development

	Fiscal 1990		Fiscal 1991	
	General Fund	Gross	General Fund	Gross
Resource Development		8,022		8,039

EXHIBIT 1  
DATE 1-13-89  
HB \_\_\_\_\_

Vacancy Savings  
Forestry Division

	Fiscal 1990		Fiscal 1991	
	General Fund	Gross	General Fund	Gross
Forest Fire	91,287	91,287	91,545	91,545
Brush Removal		7,519		7,537
TSI		10,711		10,740
Nursery	8,079	8,079	8,104	8,104
Slash	7,615	7,615	7,630	7,630
Other Services	25,350	25,350	25,430	25,430
Forest Management	55,168	55,168	55,323	55,323
<b>Subtotal Forestry</b>	<b>187,499</b>	<b>205,729</b>	<b>188,032</b>	<b>206,309</b>
<b>Budget Modifications</b>				
1. Block 4	2,734	2,734	4,915	4,915
2. Hazard Reduction		1,832		1,836
3. Wildlife Support	173	519	173	519
4. Water Quality		905		906
5. Wildlife Seedlings		146		146
6. Prescribed Burn		492		493
7. Coop Fire Prog		238		478
<b>Subtotal Bud. Mods.</b>	<b>2,907</b>	<b>6,866</b>	<b>5,088</b>	<b>9,293</b>
<b>Total Forestry Division</b>	<b>190,406</b>	<b>212,595</b>	<b>193,120</b>	<b>215,602</b>

EXHIBIT 1  
DATE 1-13-89  
HB \_\_\_\_\_

*Cay Beck*  
1-13-89

EXHIBIT 2  
DATE 1-13-89  
HB \_\_\_\_\_

CONSERVATION DISTRICTS DIVISION

OF

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

The Conservation Districts Division is responsible under state law (76-15-101 through 810) to assist Montana's 59 conservation districts and 30 state grazing districts. Montana's conservation districts are legal subdivisions of state government responsible by law to develop and carry out long-range programs that will result in the conservation and improvement of soil and water resources within their boundaries and to encourage maximum participation by the general public and all local public and private agencies to fulfill this purpose. State grazing districts are also formed under Montana statute that gives them the power to lease or purchase grazing lands to develop and manage district controlled lands and to allocate grazing preferences among members and nonmembers.

The Conservation Districts Division has six full time employees--five in the Helena office and one person stationed in Miles City. The division also contributes funding equivalent to a .2 position towards a secretary position in Miles City. There are 16 main categories of responsibility administered by the division.

A. Conservation District Supervision and Assistance

EXHIBIT 2  
DATE 1-13-89  
HB \_\_\_\_\_

The Division provides the critical link between local districts and state government, assisting conservation districts to accomplish their responsibilities. The division assists districts on a daily basis in the proper administration of conservation district business by providing administrative, legal, financial and technical assistance.

Our assistance comes in the form of help with projects or problems dealing with wind erosion, water and stream bank erosion, flooding, water pollution, water quality assessments, water reservations, range activities, timber management, streambed and land preservation permits, mining impacts, public meetings, pipeline routing, weed control, wilderness studies, urban activities, economic development, legal opinions, supervisor and employee training, budgeting, and the list goes on.

Approximately 75 percent of the division's man hours and budget are spent in this category.

B. Rangeland Management Coordination

The Conservation Districts Division is responsible by law to serve as an advisor, counselor, and coordinator

for and between persons and agencies involved in range management in Montana. We are directed to create understanding and compatibility between the many users of rangeland and to minimize conflicts between governmental agencies and private landowners.

C. Grazing District Supervision and Assistance

The Conservation Districts Division is responsible for the administration of the Montana Grass Conservation Act (Grazing District Law), acting in an advisory capacity to the districts to supervise and coordinate the formation and operation of grazing districts incorporated under the law; and for the purpose of working out uniform plans for the use of lands within the boundaries of the districts to conform with recognized conservation practices. This includes assistance to 30 state grazing districts who in turn represent 1,353 permittees covering 10,501,070 acres of land.

D. Water Programs

The Division represents the conservation districts on these water-related issues:

EXHIBIT 2  
DATE 1-13-89  
HB \_\_\_\_\_

-Water reservation process (1973 MT Water Use Act gave CDs the authority to reserve water for future Agriculture use);

-Water Policy Committee;

-Clark Fork Interagency Task Force;

-Wild and Scenic River Study;

-State Water Plan.

The Division also administers the Water Reservation Grant Program, which provides conservation districts with funding to make water reservation applications or to develop existing water reservations.

E. Watershed Planning

The Division, through a cooperative agreement with the SCS, is encouraging the development of multipurpose water development flood and erosion control projects in Montana under Public Law 566. The Resource Conservation Advisory Council provides the review of watershed project applications (DNRC director has final approval). The Division provides \$63,500 a year for watershed activities under this program.

F. Coordinated Resources Management and Planning (CRMP)

EXHIBIT 2  
DATE 1-13-89  
HB \_\_\_\_\_

The Division participates in the state and national effort to increase the effectiveness of resource management and planning activities on all lands regardless of ownership. In Montana, the SCS, BLM, Forest Service, Extension Service, MACD, DNRC, Department of State Lands, and DFWP are involved. Each agency has a member on the state executive committee and the state task group.

Although not part of CRMP, but directly related, is the Division's role in reviewing proposed public land exchanges for the Governor's Land Exchange Committee and reviewing forest plans, proposed wilderness study areas, and other management activities on federal land.

G. Forest Practices and Water Quality

The Division represents conservation districts in the Environmental Quality Council's study of forest practices and watershed effects (HJR 49) and on the Cumulative Watershed Effects Cooperative. Conservation districts have formally adopted a list of forestry Best Management Practices developed by the Department of State Lands and private timber companies. Development of forestry Best Management Practices

EXHIBIT 2  
DATE 1-13-89  
HB \_\_\_\_\_

training programs for conservation district supervisors is in progress.

H. Conservation Tillage

Conservation tillage has proven to be a very important tool in decreasing soil erosion from wind. This new tillage technique has not been without its problems. The method is not suited for all areas; soil compaction, pesticide buildup and crop production are all serious concerns. The Division is actively working with conservation districts to address these concerns.

I. Natural Resource Conservation Education Activities

The Division assists districts in developing outdoor classrooms, weed education programs, and tours. The Division has also been active in developing curriculum for Agriculture in Montana Schools, MT Natural Resources Camp, and 4-H.

J. Riparian Management Program

Proper management of riparian areas, is critical to maintaining water quality, bank stability, and flood control. The Division has launched a comprehensive

riparian management program with three major components: education, demonstration projects, and a grant program.

1. **Riparian Education Committee** - The Division organized and chairs this committee comprised of landowner organizations, land management agencies, and technical assistance organizations. The purpose of the committee is to promote proper riparian management on private lands in Montana by demonstrating to private landowners that it makes good economic and ecologic sense.
  
2. **Demonstration Projects** - The Division has applied for \$262,000 from Resources Development Grant Program to finance eight demonstration projects on a 60:40 federal/state cost share. If funded, the projects will demonstrate best management practices (BMPs) and rehabilitation measures for streams impacted by NPS water pollution from agriculture, silviculture, mining, and hydromodification.
  
3. **Streambank Reclamation Grant Program** - This provides financial assistance to conservation districts for projects to reclaim streams that have been damaged by past mining activities. Projects demonstrate relatively low cost reclamation techniques such as

vegetation stabilization. Meagher and Ruby Valley Conservation Districts have been awarded grants for three projects.

K. Nonpoint Source Pollution Control Program

Section 319 of the 1987 Clean Water Act requires states to manage and assess nonpoint source (NPS) pollution. NPS pollution originates from diffuse sources, such as runoff, seepage, drainage, or infiltration and is normally associated with agriculture, forest practices, mining, stream channel modification, and construction activities. The Division is responsible for developing and implementing a public information and education program designed to promote corrective action by landowners and to prevent or reduce future problems by increasing public awareness.

Conservation districts have been designated the local NPS control agency for non-federal lands in Montana. Districts will act as demonstration project sponsors, assist in improving waterbody NPS assessments, and participate in educational programs. The EPA has provided \$80,000 to conservation districts, beginning July 1, 1989, to be used for water quality planning, assessment and monitoring activities associated with

NPS pollution control. The Division will work closely with the conservation districts to implement the state's NPS management plan.

L. Loan and Grant Programs

The Conservation Districts Division administers a low interest rangeland improvement loan program. Funding for this program was provided from the Renewable Resource Development fund and authorized by the 1979, 1981, and 1983 legislative sessions.

To date, 131 applications have been received totaling \$2,016,460. Fifty-three loans have been made for \$755,516 (four in closing). Total acres improved equal 301,095 with improvements completed or in progress including:

14 stockwater wells	6,775 acres reseeding
89.2 miles stockwater pipeline	65 spring developments
2,180 acres mechanical renovation	165 stockwater tanks
3,355 acres brush/weed control	8 new grazing systems
101.6 miles fencing	158 wildlife habitat
28 stockwater reservoirs	301,095 acres improved

The division administers the conservation districts project grant program. This program is made possible from funding received from 1/2 of 1 percent of the coal tax, which was authorized by the legislature in 1981. To date, 175 projects have been funded from this program totalling \$1,316,963.

-No-Till Drills, Promotions, etc.	30	292,337
-Saline Seep	7	84,872
-Weed Control, Weed Awareness	20	74,324
-Streamside Stabilization	22	101,567
-Erosion Control	12	58,036
-Water Districts, Water Mgt, Irrigation	18	231,188
-Technical Assistance	16	106,137
-Administrative Funds	11	27,697
-Education, Range Camps	11	45,808
-Soil Survey	16	215,000
-Pasture Reclamation and Mgt.	2	19,344
-Forest Management	1	2,500
-Farmland Protection	1	15,000
-Miscellaneous	8	43,153
Total soil/water conservation projects	175	1,316,963

The division also administers \$95,000 to be used for administration of individual districts. The funds are being distributed through an application process and are used for: salaries, 85 percent; education, 6 percent; meetings, 2 percent; per diem and travel, 3 percent; and supplies and equipment 4 percent.

Because of low county mill levys, these funds are very important to the districts for day to day operations, required activities under state law, (310, water reservations, stream access, soil and water conservation, and protection activities as required by law) and federal law (conservation compliance, CRP, sodbuster, swampbuster).

Agricultural Energy Conservation Grant Program

In 1987, the Division was given legislative approval to receive federal funds (\$500,000) to implement a program that would demonstrate ways the agricultural community could cut energy related costs. This is the only program in the state that directly benefits the agricultural sector by demonstrating ways for them to reduce their energy consumption and costs. Projects funded have received considerable interest throughout the state and nationwide. Twelve projects have been

funded and fifteen more have been approved for a total of \$500,000.

SUMMARY OF AG ENERGY CONSERVATION PROJECTS FUNDED/APPROVED

Roosevelt CD-Irrigation Scheduling	20,700
Missoula CD-Gravity Irrigation	16,188
Missoula CD-Energy Education for Middle Schools	15,000
Richland CD-Irrigation Scheduling	9,500
Carter CD-Energy Related Newsletter Supplement	2,000
Little Beaver CD-Solar Livestock Watering	8,900
Bitterroot CD-Irrigation Scheduling	22,962
Jefferson/Madison CDs-Cereal/Legume Rotation	61,203
Upper Musselshell CD-Solar Livestock Watering	10,150
Treasure CD-Irrigation Scheduling	11,800
Rosebud CD-No-till Demonstration	13,947
Salinity Control Assoc.-Inoculation Techniques Demo.	35,000
Dawson CD-Surge Valve Demo	2,500
Fergus, Petroleum, McCone CDs-Living Snow Fences	30,000
Gallatin CD-Solar Fencing/Goats for Leafy Spurge	1,200
Gallatin CD-Swine Facility Retrofit Demo	30,000
Powder River CD-Solar Livestock Watering	16,233
Mile High CD-Energy Conservation Program	44,800
Gallatin CD-Plans for Energy Effic. Water Structures	10,400
Meagher CD-Solar Livestock Watering	5,200
Stillwater/Carbon CDs-Irrigation Water Scheduling	20,000

Flathead CD-Solar-powered Well Monitoring	13,265
Gallatin CD-Agrimet Weather Station	15,000
Phillips CD-Irrigation Water Scheduling	31,280
Treasure CD-Soil Probe	2,740
Bitterroot CD-Farm Energy Audits Pilot Program	44,355
CDD-to expand Missoula CD's energy program to a statewide program	6,677

M. Rural Economic Development Pilot Project

Through the efforts of the Division, local conservation districts, the Soil Conservation Service, and the Headwaters Resource conservation and Development Area (RC&D), fourteen counties are organizing to address economic development on a regional basis. The counties involved are Judith Basin, Fergus, Petroleum, Musselshell, Golden Valley, and Wheatland in Central Montana, Lincoln County in Northeast Montana, plus Silverbow, Granite, Jefferson, Deer Lodge, Beaverhead, Madison, and Powell Counties in the Headwaters area.

The underlying premise of the community-led Economic Development Program is inherent in the title itself. It will be community led. Most communities cannot afford a professional economic development coordinator and even when they can, the distances between

EXHIBIT 2  
DATE 1-13-89  
HB \_\_\_\_\_

individual low-density communities make the task of getting adequate resources and people together extremely difficult. Finally, even when resources and people are sufficiently established, the lack of understanding of economic development makes it difficult for the coordinator to be able to sustain momentum across such a large area.

Essentially, the program is developed for intense, hands-on instruction. The course, for community leaders and local citizens, establishes an increased awareness of economic development, equipping participants with the tools to activate others to respond constructively and effectively to the negative economic changes affecting their communities. Thus, the course is targeted to fit the most basic needs of rural America: a need to know enough about what to do to respond to economic change and a need to know how to get all one's neighbors working together to confront these changes.

COMMUNITY-LED RURAL ECONOMIC DEVELOPMENT

Through the efforts of DNRC, local conservation districts, the Soil Conservation Service and the Headwaters Resource Conservation and Development Area (RC&D), seven counties are organizing to address economic development on a regional basis. The counties involved are Judith Basin, Fergus, Petroleum, Musselshell, Golden Valley, and Wheatland in Central Montana and Lincoln county in northwest Montana. Also, people from Jefferson, Sweet Grass, Phillips, Ravalli and Cascade counties have been involved and are looking at potential regional approaches in their areas.

The underlying premise of the Community-led Economic Development Program is inherent in the title, itself. It will be community lead. Most communities cannot afford a professional economic development coordinator and even when they can, the distances between individual low-density communities make the task of getting adequate resources and people together extremely difficult and, finally, even when resources and people are sufficiently established, the lack of understanding of economic development makes it difficult for the coordinator to be able to sustain momentum across such a wide area.

The distance, lack of resources and lack of understanding regarding economic development work in concert with other barriers such as a history of not working beyond town or county lines. In effect, economic development cannot be "community-led" if the leaders in the community do not understand effective response to structural economic change.

Essentially, our program is developed for intense, hands-on instruction. It will not be a course for the training of economic development officers. Nor is the course meant for academics. This course, with its attendant manual and field guide will, along with the three weekends of in-class instruction, try to establish an awareness of economic development to the extent that is entirely instrumental, i.e., the participants will have the tools to activate others to respond to the negative economic changes affecting their communities.

The course seeks three levels of interaction:

First, the development on the small town level of active economic development committees working on projects, developing long-term plans and establishing an economic development office.

Second, for the many towns that are close together, the opportunity to develop mutual projects and also to work with others on a county-wide basis.

Finally, the greatest challenge: pulling rural regions of 3

counties together.

While most economic development programs emphasize such strategies as business retention, import substitution and industry attraction, Community-led Economic Development goes beyond these nationally accepted methods to an emphasis on organization and institutionalization.

Getting people together for the annual fair is not difficult in rural America. Getting them out to deal with something as confusing to them as "economic development" requires real organizational talent and training.

Thus, the course is targeted to fit the most basic needs of rural America: a need to know enough about what to do to respond to economic change and a need to know how to get all one's neighbors working together to confront these changes.

In following the Headwaters RC&D model, we are convinced that a full-time coordinator must be hired. Without an individual in place to assist the locally organized groups, we feel the effort will fail. The majority of the local people interested in this effort have full-time jobs or businesses. A coordinator would be responsible to organize meetings between groups, seek out technical help, maintain relationships with all other agencies, groups and individuals, work on funding sources, follow up on individual projects, etc.

RURAL ECONOMIC DEVELOPMENT

	FY1990	FY1991
Staff		
Coordinator	\$18,000	\$18,000
Clerical	5,250	5,250
Travel		
Travel	3,000	3,000
Per Diem	1,000	1,000
Meals	750	750
Training		
Training	750	750
Office		
Office Space	1,500	1,500
Office Equipment	1,500	500
Communications (PHONE, postage, printing etc.)	750	750
Desk top supplies	750	750
Other (Contracted Services)		
Existing Area Assistance	4,500	4,500
New Area Assistance	3,000	6,000
Division Cost (Communication, printing)	<u>2,500</u>	<u>5,000</u>
1/2 Project Cost Total	43,250	47,500

EXHIBIT 3  
DATE 1-13-89  
HB \_\_\_\_\_



# Musselshell Valley Development Corporation

P.O. Box 246  
Roundup, Montana 59072

RECEIVED

DEC 23 1988

MONT. DEPT. of NATURAL  
RESOURCES & CONSERVATION

December 23, 1988

Hon. Stan Stephens, Gov.-Elect  
State of Montana  
Capitol Station  
Helena, Montana 59620

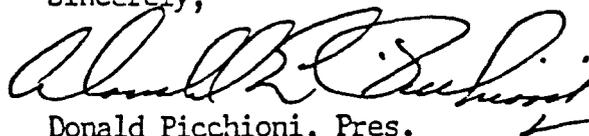
Dear Governor-Elect Stephens:

As you may be aware, a "Community-led Economic Development" pilot project is underway for 6 counties in central Montana. The pilot has involved a training program for a core group of people from each of the counties. That training is nearly complete. The next phase will be to hire and put in place a professional staff to facilitate the goals, objectives and tasks identified for the pilot area. We, in Musselshell County, are ready to move ahead with the program. We invite initial placement of staff in Roundup. We will provide incentives if such occurs, and have an aggressive and exciting program outlined. Because of several significant events being staged in Musselshell County, we are in a unique position to give wings and a success image to this pilot project.

On another note, we are aware of several economic development thrusts underway in Montana. They are being driven separately by local groups, several State agencies and federal agencies. The legislature is also going to be facing several, (i.e. Vincent Nos. 895,897 and 901, Cobb No. 758. In our view, the initiative being led by Ray Beck, DNRC, makes the most sense and should be the pattern for progress. Other programs tend to be too parochial and are driven by a disproportionately high ratio of governmental participation.

We encourage your administration to create an overview mechanism to reduce redundancy and turf battles, but will protect the concept of grass-roots initiative and involvement. In our opinion, this is the key to a successful program for our State.

Sincerely,



Donald Picchioni, Pres.

cc: Ray Beck

EXHIBIT 3  
DATE 1-13-89  
HB



RECEIVED

NOV 15 1988

MONT. DEPT. of NATURAL RESOURCES & CONSERVATION

November 14, 1988

Stan Stephens  
104 E. Broadway  
Suite 1  
Helena, MT 59601

Dear Governor-Elect Stephens:

Congratulations on your recent election as Governor of the State of Montana! I would like to orient you as to an extremely important rural economic development planning effort recently initiated in central Montana (Fergus, Judith Basin, Petroleum, Musselshell, Golden Valley, and Wheatland Counties). It is called the Community-Led Economic Assessment and Revitalization movement, sponsored by the State Conservation Districts Division and Dennis Winters and Michelle LeFurge of Butte.

Their approach attempts to replicate the successes of southwestern Montana throughout our rural counties by bolstering private sector leadership and coordinating resources. The emphasis is directed towards adapting to structural change, which we have not adequately attended to across the State. We need to adopt a proactive approach to determining our future economic prowess.

Most of our projects have been microcosmic oriented. Although these are essential to maintaining our economic base, they are insufficient in assuring our long-term viability. We must evaluate our position regionally, nationally, and internationally and exert our influence to create beneficial economic change.

The Census and Economic Information Center can provide you information that describes our area as one of the poorest and least populated throughout the State. If this economic growth effort is to succeed, we must realize a full-time Resource Conservation and Development Director. We hope that State funding for this program will continue. It will extend our private investment.

Sincerely,

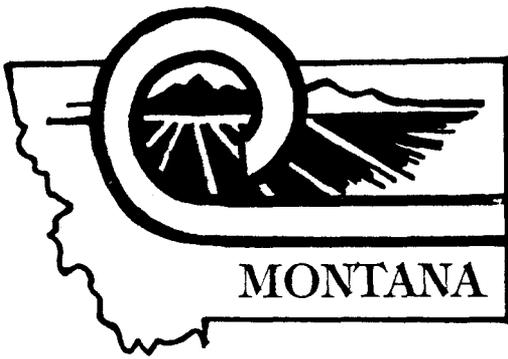
*Elly Walkowiak*  
Elly Walkowiak, Director  
Lewistown/Fergus County Planning

EXHIBIT 3

DATE 11-13-89

HB \_\_\_\_\_

EW/bw  
cc: Ray Beck, Administrator  
Conservation Districts Division



MONTANA

Association of Conservation Districts

1 South Montana  
Helena, MT 59601

443-5711

EXHIBIT 4  
DATE 1-13-89  
HB \_\_\_\_\_

SUPPORT FOR THE CONSERVATION DISTRICTS DIVISION OF DNRC

Mr. Chairman and Members of the Committee:

For the record, I am Peggy Haaglund, Executive Vice President of the Montana Association of Conservation Districts.

The Montana Association of Conservation Districts would like to go on record as being in support of the CDD/DNRC *their proposed budget.*

The Conservation District Division personnel ~~of DNRC~~ have been very supportive of conservation districts and provided much needed assistance. The Division has provided the conservation districts with a direct connection with State government. We feel that the Division provides a very valuable service to Montana and in particular the Districts.

The Division and the Districts have developed a working relationship that is essential for the proper administration of the many soil and water conservation projects and programs that we have in Montana.

We ask your support of the budget as requested.

Thank you.

*Peggy Haaglund*

EXHIBIT 4  
DATE 1-13-89  
HB \_\_\_\_\_

DATE 1-13-89  
 HB

LEGISLATIVE ACTION  
 AGENCY: Department of Natural Resources and Conservation      PROGRAM: AGENCY SUMMARY

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA Curr Lvl	Executive	LFA Curr Lvl	
FTE	239.20	234.20	239.20	234.20	5.00
Personal Services	\$6,486,169	\$6,257,433	\$6,498,496	\$6,267,989	\$230,507
Operating Expenses	4,842,458	4,694,856	3,123,736	2,971,816	151,920
Equipment	145,261	185,260	145,842	163,205	(17,363)
Non-Operating	3,875,148	617,735	612,927	608,306	4,621
<b>TOTAL EXPENSES</b>	<b>\$15,349,036</b>	<b>\$11,755,284</b>	<b>\$10,381,001</b>	<b>\$10,011,316</b>	<b>\$369,685</b>
FUNDING					
General Fund	\$2,367,140	\$4,977,699	\$2,332,216	\$4,980,642	(\$2,648,426)
State Special Rev	10,085,908	3,978,184	6,879,162	3,957,852	2,921,310
Federal Revenue	2,895,988	2,799,401	1,169,623	1,072,822	96,801
<b>TOTAL FUNDING</b>	<b>\$15,349,036</b>	<b>\$11,755,284</b>	<b>\$10,381,001</b>	<b>\$10,011,316</b>	<b>\$369,685</b>

ISSUE 1: RIT Interest - General Fund Funding Shift

The executive budget continues to use of resource indemnity trust interest (RIT) in many of the department's divisions and programs. Table A details the executive budget's use of RIT interest. The executive budget allocates \$2,400,000 RIT interest to fund department operational expenses.

EXHIBIT 5  
 DATE 1-13-89  
 HB

Table A  
Executive Budget Use of Resource Indemnity Trust Interest

<u>Division</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>Total</u>
Centralized Services	\$ 107,950	\$ 106,650	\$ 214,600
Conservation Districts	373,176	372,952	746,128
Water Resources			
Water Management	373,100	385,622	758,722
Reserved Water Right			
Compact Commission	108,074	108,316	216,390
Administration	90,000	90,000	180,000
New Water Right	12,334	435	12,769
Dam Safety	135,366	136,025	271,391
Total Department	<u>\$1,200,000</u>	<u>\$1,200,000</u>	<u>\$2,400,000</u>

LFA current level did not use RIT interest to fund operating expenses because Section 15-38-202(2), MCA, allocates the RIT interest for specific purposes which do not include funding departmental operating expenses. General fund, which was the funding source prior to the use of RIT interest, was used in LFA current level. However, paragraph 3 of Section 15-38-202, MCA, permits the executive to propose alternative uses of RIT interest provided that the recommendation is presented in a formal budget document.

ISSUE 2: Alternative Energy - General Fund Funding Shift

In the 1989 biennium the legislature appropriated the coal tax portion of the alternative energy fund for the operations of the Department of Commerce's Science and Technology Program. In LFA current level, \$931,600 of the alternative energy fund continues to finance the Science and Technology Program. The executive budget finances Science and Technology with general fund and uses all of the alternative energy funds for operational expenses of the Department of Natural Resources and Conservation.

The result of this recommendation is to reduce general fund in the Department of Natural Resources by \$2,788,217 below LFA current level.

EXHIBIT 5  
DATE 1-13-89  
HB \_\_\_\_\_

The use of \$2,788,217 of alternative energy funds reflects two changes from LFA current level. First, the executive proposes \$2,721,026 of new alternative energy funds to replace general fund. Second, the executive has shifted \$67,191 of the Energy Division's Conservation Program funding from alternative energy to federal funds and used the \$67,191 of alternative energy funds to replace a like amount of general fund in other department programs.

Based upon LFA revenue estimates, the executive's recommended expenditures of alternative energy funds will overexpend available funds by \$675,796 by the end of the 1991 biennium. Table B details the expenditure amounts recommended in the executive budget, the LFA revenue estimates, and the projected negative balance of \$675,796 at the end of the 1991 biennium.

Table B  
Executive Budget Alternative Energy Fund Cash Flow  
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Fund Balance	\$ 434,663	\$ 510,139	\$ 25,506
<u>Revenues</u>			
Interest	\$ 59,100	\$ 49,400	\$ 42,300
Principal Repayments	168,000	131,500	134,000
Coal Tax	1,020,297	914,717	824,256
Other	<u>2,000</u>	<u>-0-</u>	<u>-0-</u>
Total Funds Available	\$1,684,060	\$1,605,756	\$1,026,062
<u>Disbursements</u>			
Science and Technology Alliance	\$ 895,500	\$ -0-	\$ -0-
DNRC Energy Division	252,336	628,916	633,908
DNRC Water Resources	-0-	908,048	1,018,844
DNRC Conservation Dist.	-0-	340	9,000
DNRC Centralized Serv. Div.	<u>26,085</u>	<u>42,946</u>	<u>40,106</u>
Total Disbursements	\$1,173,921	\$1,580,250	\$1,701,858
Ending Fund Balance	<u>\$ 510,139</u>	<u>\$ 25,506</u>	<u>\$(675,796)</u>

EXHIBIT 5  
DATE 1-17-89

ISSUE 3: Vacancy Savings

The following amounts must be added to the LFA current level to provide 0% vacancy savings.

<u>General Fund</u>	<u>Gross</u>
\$333,743	\$503,866

EXHIBIT 5  
DATE 1-13-89  
HB \_\_\_\_\_

*Gen. Sect.*

EXHIBIT 6

DATE 1-13-89

HB \_\_\_\_\_

MONTANA RESERVED WATER RIGHTS COMPACT COMMISSION  
PROPOSED BUDGET AMENDMENT  
1990-1991

The Montana Reserved Water Rights Compact Commission was created by the Legislature in 1979 as part of the general stream adjudication. The Commission is authorized to negotiate with federal agencies and tribes that claim federal reserved water rights for lands within the state of Montana. Once negotiations are concluded, compacts are subject to approval by the Legislature and the appropriate tribal and federal authorities, and then are entered into decrees in the state adjudication. A compact was concluded with the Assiniboine and Sioux Tribes of the Fort Peck Reservation in 1985. There are an additional seven tribal reservations and four federal agencies that claim reserved water rights in Montana.

By statute the Commission is attached to the Governor's Office for administrative purposes; however, by executive action the Commission staff is housed at the Department of Natural Resources and Conservation and the Commission budget is a line-item in that department's budget. Since 1979 the Commission has operated on a budget of approximately \$400,000 per biennium. The Executive Budget proposed funding for the Commission for the 1990-1991 biennium at \$432,749. The LFA recommendation is \$404,092. With this amendment, the Commission is proposing an additional ~~\$172,656~~ for 1990 and an additional ~~\$221,594~~ for 1991.

*\$177,649*

*\$228,626*

This amendment is being proposed to increase the speed with which the Compact Commission can conduct the technical work necessary to support negotiations. The proposed increase is primarily for additional staff (five additional FTE's in 1990 and seven additional FTE's in 1991), additional data, and additional equipment. With the current staff, the Commission can focus technical analysis on one tribal and one federal reservation each biennium. Since the executive budget process started, the Commission has received a draft compact proposal from the Northern Cheyenne; however, the ability of the Commission to conduct timely negotiations with the Northern Cheyenne is limited under the current circumstances.

By statute, the Legislature has prioritized the adjudication of water rights in the Milk River Basin. Accordingly, the Commission has focused on negotiations with the Fort Belknap Reservation and the U.S. Fish and Wildlife Service, with plans to focus on the Rocky Boy and Blackfeet Reservations and the Bureau of Land Management next. The Northern Cheyenne are anxious to conclude a compact, but at current funding levels it is not possible to work on their proposal and continue the existing level of negotiations on the Milk River Basin issues.

EXHIBIT 6

DATE 1-13-89

HB \_\_\_\_\_

Of the eighty-five water basins identified by the Water Court, only eleven do not contain lands for which federal reserved water rights have been claimed. Therefore, the Water Court can issue final decrees in only a limited number of basins until the negotiations are concluded. With the current level of resources, it is unlikely that the Commission will be able to conclude compacts with all eleven of the tribal and federal entities by the 1993 statutory deadline. The inability to complete compacts in a timely fashion may soon become a major impediment to the conclusion of the adjudication. The Commission's proposed modification is designed to prevent that impediment.

EXHIBIT 6  
DATE 1-13-89  
HB \_\_\_\_\_

LEGISLATIVE ACTION

AGENCY: Department of Natural Resources and Conservation      PROGRAM: Reserved Water Rights Compact Commission

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference	Executive LFA Curr Lvl	Executive LFA Curr Lvl	Difference
	Executive	LFA Curr Lvl	Executive	LFA Curr Lvl				
FTE	6.00	6.00	6.00	6.00	0.00	6.00	6.00	0.00
Personal Services	\$161,482	\$156,883	\$161,849	\$157,243	\$4,606			
Operating Expenses	44,595	34,869	44,713	34,987	9,726			
Equipment	9,060	9,060	9,060	9,060	0			
Non-Operating	995	995	995	995	0			
<b>TOTAL EXPENSES</b>	<b>\$216,132</b>	<b>\$201,807</b>	<b>\$216,617</b>	<b>\$202,285</b>	<b>\$14,332</b>			
FUNDING								
General Fund	\$108,058	\$201,807	\$108,301	\$202,285	(\$93,984)			
State Special Rev	108,074	0	108,316	0	108,316			
<b>TOTAL FUNDING</b>	<b>\$216,132</b>	<b>\$201,807</b>	<b>\$216,617</b>	<b>\$202,285</b>	<b>\$14,332</b>			

General Fund      FTE      Gross

1. Expansion of Technical Work Force

The Compact Commission is requesting that 5.00 FTE and \$172,656 be added in fiscal 1990 and 7.00 FTE and \$221,594 in fiscal 1991. Table B details the commission's request.

*177,649*

*228,626*

EXHIBIT 7  
DATE 7-13-89

Table B

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
FTE	5.0	7.0
Personal Services	\$126,274	\$177,251
Operating Expenses	24,975	24,975
Satellite Images	6,400	6,400
Equipment	<u>20,000</u>	<u>20,000</u>
Total	<u>\$177,649</u>	<u>\$228,626</u>

FTE                      General Fund                      Gross

The subcommittee has two alternative ways of funding the commission's request. First, the request could be 100 percent general fund as was the rest of the Compact Commission budget in the LFA current level. Or, second, it could be funded 50 percent general fund and 50 percent RIT interest as the executive has proposed for the Commission.

2. Compact Commission Compensation

\$ 2,860                      \$ 2,860

3. Consultant Services

20,000                      20,000

*4. New program No.*

EXHIBIT 7  
 DATE 1-13-89  
 HB \_\_\_\_\_

MONTANA RESERVED WATER RIGHTS COMPACT COMMISSION  
 PROPOSED BUDGET AMENDMENT  
 1990-1991

	1990	1991
0000 FTE	5	7
1100 SALARIES	102,560	144,488
1300 OTHER COMPENSATION	1,430	1,430
1400 BENEFITS	15,384	21,673
1500 INSURANCE	6,900	9,660
1600 VACANCY SAVINGS		
TOTAL ADDITIONAL PERSONAL SERVICES	126,274	177,251
2100 CONTRACTED SERVICES	15,000	15,000
2200 SUPPLIES & MATERIALS	2,575	2,575
2300 COMMUNICATIONS	1,200	1,200
2400 TRAVEL	3,500	3,500
2500 RENT		
2600 UTILITIES		
2700 REPAIR & MAINTENANCE	1,200	1,200
2800 OTHER EXPENSE	1,500	1,500
TOTAL ADDITIONAL OPERATING EXPENSES	24,975	24,975
3100 EQUIPMENT		
3400 INTANGIBLE ASSTS	6,400	6,400
TOTAL ADDITIONAL ASSETS	6,400	6,400
TOTAL ADDITIONAL OPERATIONS	31,375	31,375
4000 CAPITAL OUTLAY		
5000 LOCAL ASSISTANCE-STATE SOURCES		
TOTAL GRANTS		
TOTAL ASSISTANCE		
7000 BENEFITS & CLAIMS		
8000 TRANSFERS		
9000 DEBT SERVICE	20,000	20,000
TOTAL ADDITIONAL OTHER	20,000	20,000
TOTAL PROGRAM ADDITIONAL	177,649	228,626

LEGISLATIVE ACTION

AGENCY: Department of Natural Resources and Conservation

PROGRAM: Conservation Districts Division

BUDGET ITEM	Fiscal 1990		Fiscal 1991		FY 88-90 % Change
	Executive	LFA Curr Lvl	Executive	LFA Curr Lvl	
FTE	6.20	5.20	6.20	5.20	0.00%
Personal Services	\$160,720	\$136,087	\$160,883	\$136,245	-6.51%
Operating Expenses	124,577	118,369	124,178	117,636	0.80%
Equipment	839	1,976	9,511	1,976	-46.38%
Non-Operating	260,980	262,517	248,760	253,069	-35.68%
<b>TOTAL EXPENSES</b>	<b>\$547,116</b>	<b>\$518,949</b>	<b>\$543,332</b>	<b>\$508,926</b>	<b>-23.10%</b>

FUNDING

General Fund	\$0	\$346,109	\$0	\$345,534	0.00%
State Special Rev	582,712	170,137	538,332	160,689	-70.80%
Federal Revenue	92,125	2,703	5,000	2,703	-97.07%
<b>TOTAL FUNDING</b>	<b>\$674,837</b>	<b>\$518,949</b>	<b>\$543,332</b>	<b>\$508,926</b>	<b>-23.10%</b>

General Fund Gross

FTE

1. Position Transfer From Centralized Services to Conservation Districts Division:

The executive has proposed that 1.00 FTE from the Centralized Services Division be transferred because the department has identified higher priority needs in the Conservation Districts Division. Because the purpose of the position has changed the LFA did not include the position in the current level.

2. Travel and Other Operating Expenses

EXHIBIT 9

3. Vehicle for Miles City office

DATE 1-13-89

HB

<u>FTE</u>	<u>General Fund</u>	<u>Gross</u>
	\$ -0-	\$(5,846)
	-0-	4,594

- 4. Conservation Districts Grants
- 5. Corps of Engineers
- 6. Saline Seep Grant

(Please see Issue 1, pgs. C-98 and C-99 of Budget Analysis 1991 Biennium, Vol. II.)

**Boilerplate Language**

The executive has requested the following two boilerplate sections.

1. The department is authorized up to \$700,000 from the account in Section 76-14-112, MCA, for Rangeland Improvement Loans during the 1991 biennium.
2. Any funds reverted from unexpended conservation district grants are authorized for distribution as grants as specified in Section 76-15-530, MCA.

EXHIBIT 9  
DATE 1-13-89  
HBS

1990 and \$345,534 in fiscal 1991, which is indicated by the 100 percent increase in general fund in the main table.

ISSUE 1: SALINE SEEP GRANT

Included in the current level is a \$71,250 per year grant to the Montana Salinity Control Association (MSCA) for saline seep reclamation and prevention. MSCA operates a program of technical field assistance designed to correct saline seep and reclaim land on a farm-by-farm basis. The technical field team and equipment are stationed in Conrad, from where they serve the 10-county Triangle Conservation District, founder of the saline seep reclamation program, and 23 other counties which are included in the program.

The service area of MSCA was expanded to 23 other counties by the legislature in fiscal 1986 when it appropriated \$75,000 per year to MSCA. Because of later budget reductions, the fiscal 1987 appropriation was reduced to \$69,825. The \$75,000 per year was in addition to the \$150,000 RIT interest grant which MSCA received for the 1987 biennium for expanding the salinity control program. Therefore, for the 1987 biennium, the legislature appropriated \$294,825 for expansion of the salinity control program.

For the 1989 biennium, the legislature continued the funding of the expanded salinity control program in two appropriation bills. In the Conservation District's budget, the legislature appropriated \$71,250 per year for the program, and in House Bill 6, the RIT grant bill, the legislature appropriated \$300,000 for the biennium. Therefore, for the 1989 biennium, \$442,500 is authorized for salinity control.

The funding of the state grant to MSCA in the Conservation District Division budget has shifted between RIT interest and general fund almost every year since 1986. Table 9 details the funding history of the salinity control grant since it was first appropriated.

Table 9  
 Salinity Control Grants Appropriations History  
 Conservation District Budget

<u>Fiscal Year</u>	<u>General Fund</u>	<u>RIT Interest</u>
1986	\$ -0-	\$75,000
1987	69,825	-0-
1988	-0-	71,250
1989	-0-	71,250
1990*	71,250	-0-
1991	71,250	-0-

\*Current level

EXHIBIT 10  
 DATE 1-13-89  
 HB \_\_\_\_\_

percent vacancy savings. In the current level, all the positions are fully funded, and a 4 percent vacancy savings factor has been applied.

The 0.1 percent reduction in operating expenses reflects a \$1,018 per year reduction in computer maintenance and other minor adjustments.

The 18.4 percent reduction in equipment reflects the use of a three-year average of equipment expenditures as the current level base. The three years used in the average were fiscal 1986, 1987, and 1988.

The non-operating budget decreases by 57.3 percent. The major decrease is the elimination of the \$500,000 biennial appropriation of oil overcharge funds. The funds were appropriated for grants to conservation districts for emergency conservation. Also coal tax revenues for soil and water conservation projects in conservation districts are reduced by \$23,539 in fiscal 1990 and \$32,987 in fiscal 1991. The reduction results from projected coal tax revenues in the 1991 biennium being less than fiscal 1988. Table 8 details the current level non-operating budget.

Table 8  
Funding for the Conservation District Division Non-Operating  
1991 Biennium

<u>Program</u>	<u>Funding Source</u>	<u>FY90</u>	<u>FY91</u>
Conservation District Subsidy	General Fund	\$ 95,000	\$ 95,000
Saline Seep	General Fund	71,250	71,250
Conservation District Grants	Coal Tax	95,537	86,089
Computer Lease/Purchase Payment	General Fund	730	730
<b>Total</b>		<u>\$262,517</u>	<u>\$253,069</u>

**Funding**

The Conservation District Division is financed by a number of revenue sources. First, general fund and grazing district funds are appropriated to fund the division's administration, to finance the conservation district subsidy, and for the saline seep grants. Second, conservation district projects are financed by 0.19 percent of the coal severance tax. Third, renewable resources development funds are allocated to conservation districts for development of water reservations. For the 1991 biennium, the appropriation from the renewable resource development fund is \$65,600 per year. Finally, the budget includes \$3,000 per year of rangeland improvement loan funds for the administration of the loan program.

In the 1989 biennium, RIT interest was used to finance the division's administration, conservation districts subsidies, and the saline seep grants. Because Section 13-38-202, MCA, allocates 100 percent of RIT interest to specific appropriations, all past uses of RIT interest other than those statutorily specified have been refinanced with general fund. In the Conservation District Division's budget, this refinancing caused the general fund to increase by \$348,109 in fiscal

DATE \_\_\_\_\_

HB \_\_\_\_\_

The legislature may wish to consolidate the funding for MSCA in one appropriation bill. MSCA has had six years in which to prove the worthiness of its project and if it is of high enough priority it could receive all of its needed state support from the RIT grant bill. If the legislature were to remove the salinity control grant appropriation from the Conservation District budget, then the general fund could be reduced by \$71,250 per year. MSCA would not necessarily receive less funding from the state, because it would still be able to apply for an RIT grant for its fiscal needs. The grant application could be considered along with all other RIT applications and ranked and funded accordingly.

Option A: Remove the \$71,250 per year general fund grant to MSCA.

Option B: Continue the \$71,250 per year grant to MSCA.

WATER RESOURCES DIVISION					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	- - - Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	129.00	128.00	126.00	126.00	(3.00)
Personal Services	\$ 3,421,108	\$ 3,361,002	\$3,320,578	\$3,327,174	(1.98)
Operating Expenses	9,433,864	1,191,272	809,898	811,220	(84.74)
Equipment	156,456	47,492	94,766	85,724	(11.50)
Total Operating Costs	\$13,011,428	\$ 4,599,766	\$4,225,242	\$4,224,118	(52.02)
Non-Operating Costs	1,085,807	23,987,690	47,585	47,585	(99.62)
Total Expenditures	\$14,096,435 =====	\$28,587,456 =====	\$4,272,827 =====	\$4,271,703 =====	(79.98) =====
<b>Fund Sources</b>					
General Fund	\$ 2,357,681	\$ 2,381,653	\$2,975,753	\$2,979,442	25.65
State Special	11,417,117	26,118,663	1,247,074	1,242,261	(93.37)
Federal Revenue	321,637	87,140	50,000	50,000	(75.54)
Total Funds	\$14,096,435 =====	\$28,587,456 =====	\$4,272,827 =====	\$4,271,703 =====	(79.98) =====

**Program Description**

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. These programs include the following:

Water Rights Program - Responsible for carrying out Article IX of the Montana Constitution and the Montana Water Use Act, which provides that any use of the state's waters is a public use, and that waters in the state are the property of the state, for the use of the people, and are subject to appropriations for beneficial use.

EXHIBIT 10  
DATE 1-13-89  
HB \_\_\_\_\_

Water Adjudication Program - Responsible for the protection and confirmation of all rights to the use of any waters for any useful or beneficial purpose that existed prior to the effective date of the Montana Water Use Act of July 1, 1973.

State Water Projects - Responsible for providing engineering assistance to state water user associations and promoting safety and economic stability of state-owned water projects through professional engineering services.

Water Management Program - Responsible for providing technical information and assistance on hydrology, geohydrology, geology, and soils to water users and units of government and for the collection, compilation, and analysis of water and related land resources data, projection of future water requirements, and formulation of plans, alternatives, and methods of implementation to enable full utilization of these resources within the state.

Water Development Program - Responsible for administration of the state's Water Development and Renewable Resource Development Programs to allow full economic and social benefits from the state's water and other renewable resources.

Reserved Water Rights Compact Commission - Responsible for negotiating water rights agreements with federal agencies and Indian tribes which own reserved water rights in Montana.

Water Well Program - Responsible for monitoring the competence of water well drillers and contractors and preventing the waste and contamination of ground water resources.

Dam Safety Program - Responsible for ensuring the safety of high-hazard nonfederal dams of 50 acre-feet or over by regulating construction, operation, and maintenance.

Floodplain Management Program - Responsible for determining the floodways and one hundred-year floodplain boundaries for every watercourse and drainway in the state. Concurrent with this primary function is the management and regulation of flood-prone lands to prevent or alleviate flood threats to life and property.

**Budget**

The 3.00 FTE reduction reflects the following adjustments. First, 3.00 FTE working on the Missouri River Reservation Program are not continued in the current level. The legislature authorized 1.00 FTE and the department created the other 2.00 FTE by transferring funds from consulting services to personal expenses. The 3.00 FTE are not included in the current level because the Missouri River Reservation Program appropriation has historically been considered at each legislative session as a budget modification. Second, the department has identified 1.00 FTE which is no longer required in the Water Engineering Bureau. The department recommended transferring the position to the Water Management Bureau to supplement the Water Planning project. The position is not included in the current level because the legislature has not approved the expanded functions in the Water Management Bureau. Third, 1.00 FTE added in fiscal 1989 for the Dam Safety Program has been continued in the 1991 biennial current level. A 4 percent vacancy savings factor has been applied to this division in the current level.

EXHIBIT \_\_\_\_\_

DATE \_\_\_\_\_

HB \_\_\_\_\_

## OIL AND GAS CONSERVATION DIVISION

The Board of Oil and Gas Division Conservation is a quasi-judicial board comprised of 7 members appointed by the governor. It is attached to DNRC for administrative purposes only. It is responsible for hiring and directing the activities of its own staff which comprises the Oil and Gas Division. It has three offices, the administrative office in Helena, Southern District and Technical office in Billings, and Northern District office in Shelby. It also has field inspectors stationed in Sidney and Plentywood

The Oil and Gas Division administers Montana oil and gas laws to promote conservation and to prevent wasteful practices in the recovery of these resources. That administration involves regulation of exploration, drilling and production through the issuance of permits, well classification, inspections and investigations, engineering studies and maintaining complete well data and production information.

Two major pieces of legislation passed by the last session impact the operations of the division. SB184 requires the BOGC to adopt a PES by June 30, 1989. The document, which has been prepared by an inter-disciplinary team under the direction of the Governor's office, is intended to provide the basis for the board to comply with MEPA by identifying impacts associated with drilling and production of oil and gas wells. It will include options for the board to consider for adoption and incorporation into its permitting process to mitigate potential adverse environmental impacts associated with such operations. While the document has yet to be turned over to the Board and released for public review and comments, we anticipate that our response in the coming biennium will involve a comprehensive rulemaking effort to incorporate the recommendations adopted by the board into its existing drilling and production rules. The executive budget includes provision for costs associated with the rulemaking effort but does not include any provision for expenditures that may result from incorporating environmental review into our current procedures

HB795 revised the oil and gas conservation laws to incorporate regulation of the UIC program for class II injection wells. This program is currently administered by the Denver office of EPA and we have been negotiating the transfer of primacy with them for the past year and a half. We now anticipate the transfer to take effect prior to June 30, 1989. Our budget request reflects 4 additional FTE's and operating expenditure for this program.

### FUNDING

O & G privilege and license tax (0.2%)  
Drilling permit fees  
Injection well permit fees (to fund UIC program)

EXHIBIT 11  
DATE 1-10-89  
HB \_\_\_\_\_

### DRILLING PERMITS

CY 1988 -- 377 (up from 330 and 341 in 87 and 86)  
Average year -- about 800; highest year 1981 with 1550.  
UIC -- approx. 30 new injection wells per year  
Administrative action except for UIC wells and exception locations.

### INSPECTIONS

Approx. 50% of all wells while drilling  
100% of those deeper than 11,000.  
30% of the 7000 producing wells and facilities.  
All P/A wells to ensure restoration compliance.  
Spot check seismic crews working and 30% of shot holes.  
UIC--Random inspections of inj. wells and facilities to assure compliance with program requirements -- approx. 70% of the existing 1400 wells.  
MIT tests on 20% of injection wells to protect fresh drinking water sources from contamination by assuring that there are no leaks and no fluid migration between zones.

### DEVELOPMENT ACTIVITIES

Hearings--approximately 8 each year; approximately 100 orders per year--provide the statutory public forum to regulate industry field development practices and protect correlative rights of mineral owners.  
The nature of the hearings is based upon applications from operators or other interest parties to establish field delineations for newly discovered reservoirs, field rules, spacing, pooling, exception locations and resolutions of conflicts and complaints.

Natural Gas Policy Act (NGPA)--approx. 50 applications per year to establish the appropriate gas well classification for maximum lawful price.

### RECORDS

Maintain individual well files including logs, geological information and drilling histories.  
Database for approx. 30,000 wells--well histories & production  
Calculate decline curves--400 fields.  
Maintain activity maps for fields and regions  
Compile and publish quarterly Statistical Bulletin and Annual Review (production, valuation, drilling activity, secondary recovery projects, reserve calculations, field rule summaries, activity map and stratigraphic correlation chart.  
Core chip and sample repository in Billings office.

EXHIBIT 11

DATE 1-10-89

HB \_\_\_\_\_

VISITOR'S REGISTER

Natural Resources

SUBCOMMITTEE

AGENCY (S) \_\_\_\_\_

DATE 1-13-89

DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
Leggy Haaglund	Mt. Assoc. of Cons. Dist	✓	
Jane Holzer	MT Salinity Control Assoc.	✓	
Alan Jamison	DNR C	✓	
Ray Beal	DNR C	✓	
Bob Willin	senate	✓	
Ed Drummond	MWR A	✓	
Marcia B. DeOe	RWRCC	✓	
Gary Fritz	DNR C		✓
Dee Hickman	DNR C	-	
John Armstrong	DNR C		
Rocky Kern	Red Lodge Citizen		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.