Call to Order: By Rep. Ernest Bergsagel, Chairman, on February 5, 1993, at 8:00 AM.

ROLL CALL

Members Present:
Rep. Ernest Bergsagel, Chair (R)
Sen. Bob Hockett, Vice Chair (D)
Rep. Francis Bardanouve (D)
Sen. Ethel Harding (R)
Sen. Eleanor Vaughn (D)
Rep. Tom Zook (R)

Members Excused: None

Members Absent: None

Staff Present: Jim Haubein, Legislative Fiscal Analyst
Jane Hamman, Office of Budget & Program Planning
Sandra Boggs, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: CULTURAL AND AESTHETIC GRANTS; HB 12, COAL SEVERANCE TAX LOANS; HB 6, WATER DEVELOPMENT AND RENEWABLE RESOURCE DEVELOPMENT PROGRAMS; AND HB 7, RECLAMATION AND DEVELOPMENT GRANTS

Executive Action: HB 9; CULTURAL AND AESTHETIC GRANTS AND CULTURAL AND AESTHETIC GRANTS, Cont.

ANNOUNCEMENTS/DISCUSSION

CHAIRMAN ERNEST BERGSAGEL informed the committee that committee meetings the next week would begin at 7:00 am. The committee will be making hard decisions regarding the building program for the state of Montana. He will have individual motions prepared to terminate all of the buildings. It will be up to the committee to approve or disapprove of them, but the correct language for termination will be included in the motions.

SEN. BOB HOCKETT asked if by all buildings, CHAIRMAN BERGSAGEL included the Montana State Prison expansion and the new women's prison. CHAIRMAN BERGSAGEL stated he included them and all...
building projects that construction can be terminated on.

SEN. HOCKETT wondered if his amendment for an Agricultural storage unit at MSU was included. CHAIRMAN BERGSAGEL stated that is tentatively scheduled for executive action on Wednesday, February 10.

SEN. HOCKETT asked if it was possible to get copies of the motions on Monday. CHAIRMAN BERGSAGEL stated he would be able to get them to the committee on Tuesday.

CHAIRMAN BERGSAGEL stated that the committee would be dealing with the inmate labor bill, the new Veteran's Home at Glendive, and Eastmont.

SEN. HOCKETT wondered if this committee would be dealing with the issue of closing Galen. CHAIRMAN BERGSAGEL stated that he believed the Institutions subcommittee will be dealing with that. The Department of Corrections and Human Services will have to provide another way of dealing with the clients within its operating budgets.

SEN. HOCKETT asked if REP. BARDANOUVE's proposal to build a nursing home with special revenue funds would affect their operating budgets. REP. FRANCIS BARDANOUVE stated that the Boulder institution is not included in their program because it is not General Fund money. It will be built with Health Facility bonds and will not have an impact on the General Fund. The bonds will be repaid with Medicaid/Medicare funds.

REP. BARDANOUVE asked if the Budget Office has indicated what they would want to see accomplished by this committee's actions. CHAIRMAN BERGSAGEL stated that he has met with members of the Governor's Office and told them what he believed could be accomplished. They have indicated a direction they would like to be taken.

REP. BARDANOUVE stated that he believes someone should provide the committee with guidelines. CHAIRMAN BERGSAGEL stated that he should receive the Budget Office's bottom line Monday afternoon.

SEN. HOCKETT said he has received many letters from Glendive arguing that the Veteran's Home is not General Fund but federal money and cigarette taxes. The only General Fund money would be incurred further down the road with maintenance costs.

REP. BARDANOUVE stated that he is not against the building of a Veteran's Home. He is bothered, however, by the idea of taking on the maintenance of a new building, when the state can't even take care of what it has.

REP. BARDANOUVE asked if CHAIRMAN BERGSAGEL meant that the possible closure of Galen will not happen in this committee. CHAIRMAN BERGSAGEL stated that it would not be this committee's
responsibility. He expects that the Institutions Subcommittee will cut off all operating funds for Galen, and provide those services through some other facility.

SEN. HOCKETT stated the Institutions Committee would have to coordinate with this committee because of the roof repairs to Galen authorized by this committee. CHAIRMAN BERGSAGEL said that if they shut down the operations, this committee can quickly shut down that project either on the House or Senate floor.

EXECUTIVE ACTION ON HB 9: CULTURAL AND AESTHETIC GRANTS

BUDGET ITEM #520 PARK COUNTY MUSEUM:

Motion/Vote: REP. TOM ZOOK moved approval of a $1,750 grant for a Fire and Burglar Security System. MOTION CARRIED UNANIMOUSLY.

BUDGET ITEM #575 ANACONDA DEER LODGE COUNTY:

Motion/Vote: REP. ZOOK moved to not approve a $15,000 grant for the Restoration of Historical Lighting System project. MOTION CARRIED UNANIMOUSLY.

BUDGET ITEM #543 UPPER BLACKFOOT VALLEY HISTORICAL SOCIETY:

Motion/Vote: REP. BARDANOUVE moved to approve a $3,000 grant for the Historical Museum Start-up Project. MOTION CARRIED UNANIMOUSLY.

BUDGET ITEM #599 PONDERA HISTORY ASSOCIATION:

Discussion: CHAIRMAN BERGSAGEL requested Mr. Pratt to provide a brief description of this grant request.

Bill Pratt, Montana Arts Council, informed the committee that because this grant was under the $4,500 limit, the organization decided not to testify in front of the committee. The project would renovate the old Conrad Creamery building into a museum. It will take extensive renovation. The Association has been in touch with the State Historical Society which has indicated that the restoration of the building's facade was fine with them. The rest of the building will have to be completely re-built.

SEN. HOCKETT commented that they requested a large grant, but it was reduced almost 90% by the Citizen's Advisory Committee.

Motion/Vote: SEN. HOCKETT moved approval of the $4,000 grant for the Conrad Creamery Project. MOTION CARRIED UNANIMOUSLY.
BUDGET ITEM #509 TOBACCO VALLEY IMPROVEMENT ASSOCIATION:

Discussion: CHAIRMAN BERGSAGEL asked Mr. Pratt to brief the committee on this project. Mr. Pratt stated the group did not testify due to the small size of the grant. The grant will renovate the first cabin moved to the historic village museum. The cabin was moved as a result of a dam project. The project will re-roof the cabin, paint one interior room and replace floors, windows and doors.

SEN. ELEANOR VAUGHN stated that the Association has set up a whole area as an historic village to attract tourists. The group has done so almost entirely with volunteer labor and funds. She received a phone call from them expressing their appreciation for even just the $1,000 recommended.

Motion/Vote: SEN. VAUGHN moved approval of the $1,000 grant for Restoration of First Cabin on site in Eureka. MOTION CARRIED UNANIMOUSLY.

BUDGET ITEM #570 ARLEE HISTORICAL SOCIETY:

Discussion: REP. BARDANOUVE stated he likes this one because of the combination of Indian and white people getting together to do something. With a little encouragement from this committee, they may carry that work on and have better relations.

Motion: REP. BARDANOUVE moved approval of $3,320 for the Renovation of old Arlee Church into a museum.

Discussion: SEN. ETHEL HARDING agreed with Rep. Bardanouve. She stated that the Citizen’s Advisory Committee did not seem to realize that there was a multi-cultural Board of Directors. That is a sign of how well the Board works together. This is commendable and should be rewarded.

Vote: MOTION CARRIED UNANIMOUSLY.

ANNOUNCEMENTS/DISCUSSION

CHAIRMAN BERGSAGEL informed the committee that executive action would now be taken on Endowment Grant Applications.

BUDGET ITEM #544 HELENA PRESENTS:

Discussion: REP. ZOOK reminded the committee that he is voting in opposition to all endowments. He thinks endowments are a poor use of Trust money. Trust money should be put to work, not set away in a savings account drawing interest. He has no problems with endowments, but believes they are the community’s responsibility.
REP. BARDANOUVE asked what the money would be used for if the committee did not approve endowments. CHAIRMAN BERGSAGEL stated in his opinion that would be up to the will of the committee.

REP. ZOOK asked what the money could be used for.

REP. BARDANOUVE stated that in the past he was not excited about endowments, but now realizes that the income off the endowments reduces the organization's requests for financial help down the road.

Jim Haubein, Legislative Fiscal Analyst, stated that if the endowments are not approved, $134,000 will be left in the account. The law refers to the interest for this Trust fund, and states the funds can be used for protection of works of art in the state capital and for other cultural and aesthetic projects. Therefore, if the committee does not approve the endowments, the money will stay in the account unless approved for another grant.

SEN. HOCKETT asked Mr. Pratt to address the pattern of past endowment requests and grants. Mr. Pratt stated that historically the amount recommended by the Advisory Committee for endowments has decreased. In the beginning they recommended $300,000 and now are only recommending $134,000 total. He does not think it will decrease a lot more, but thinks it will stabilize. The reason for the reduced recommendations is because of the present need for funds by these other organizations. Prior to the existence of an endowment category, most cultural organizations had pretty much a hand-to-mouth existence and had to raise funds every year. Now 20 organizations have used these grants to stabilize and diversify their funding. This is looked at as a conservative and incremental approach to long-range stabilization. This is critical to Montana where adequate corporation and foundation grant programs are lacking. Each state dollar leverages three dollars, primarily in public support. Applicants have reported that this seed money is vital in encouraging these private donations. The challenge grants are not limited to large organizations. Many organizations are placing their endowment accounts with the Montana Community Foundation, a statewide nonprofit organization that offers professional and technical assistance, as well as professional management of endowment funds. He believes strongly in endowment grants and strongly urges the committee to continue to fund them. Montana is a leader in these grants, Utah and some eastern states have followed Montana's lead in using public money in a public/private partnership to stimulate support of cultural organizations.

REP. BARDANOUVE stated that he is in a difficult position. He does not like to find himself at cross-purposes with the Chairman of the Appropriations Committee. He will support these endowments, possibly not 100%, but hates to see the committee completely reverse past support.
REP. ZOOK apologized if his position creates that difficult position, that was not his intent. It just seems wasteful to set aside $134,000 for organizations to use approximately $9,000 in interest. The rest will sit in an account and he would rather put the money to use. For example it could be used to bring the Indian artifacts back to Montana to be placed in the new Plains Indian Museum. He encouraged committee members to vote however they please.

SEN. HARDING wondered how much money has been put into endowments over the years.

CHAIRMAN BERGSAGEL stated that he will vote no if tie-votes occur, or if people start abstaining.

Carleen Layne, Montana Arts Council, stated that the requested information is not at hand, but she can provide it to the committee later today.

CHAIRMAN BERGSAGEL stated that if endowments were begun in 1989, it would be safe to say that $300,000 to $500,000 had been appropriated in total.

SEN. HARDING commented that the endowment challenge grants do encourage community support for cultural organizations which is a plus in her mind.

SEN. HOCKETT asked what the ratio is for the grant match. Mr. Pratt stated that it is three dollars to every dollar of grant. The grant is pro-rated, so it is not necessary for the entire grant to be matched for the organization to receive some funds.

REP. BARDANOUVE asked if the current size of endowments are known. Ms. Layne stated that detailed reports are received from grant recipients that explain where match funds are acquired. She does not have the totals at this time, but will provide them later today.

BUDGET ITEM #544 HELENA PRESENTS: Tape No. 1:A:017

Motion/Vote: REP. BARDANOUVE moved approval of a $40,000 grant for their endowment. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #558 BITTERROOT PUBLIC LIBRARY FOUNDATION, INC.: Tape No. 1:A:037

Discussion: REP. BARDANOUVE asked if the endowment was just for library purposes. CHAIRMAN BERGSAGEL stated that he understood this would be used to buy books for the library. Mr. Pratt stated that all these endowment grants must be for cultural and aesthetic purposes, and therefore the books and materials purchased would be specifically for the arts and humanities.
CHAIRMAN BERGSAGEL stated the library has received a prior endowment grant, and the endowment is being used for arts and cultural information in the library.

SEN. HOCKETT stated that this organization was in front of the committee two years ago with a similar grant. He is concerned that the public library has no city or county support. Mr. Pratt stated that the information the committee has is specifically for the endowment program, and is from a nonprofit foundation. It is not the library itself.

REP. BARDANOUVE stated that he would like to know what size their current endowment is. If they have a small endowment, it is more important to him to enhance it. Ms. Layne responded she is familiar with this particular organization, and that their current endowment trust balance is $68,000.

SEN. HARDING asked if the interest money is being used now, or if it is left in the account to build the trust. Ms. Layne stated they are using the interest now to purchase books.

REP. BARDANOUVE stated he is not an advocate of buying books when there should be more local support.

Motion/Vote: REP. BARDANOUVE moved approval of $8,000 for Establishment of Permanent Endowment for Phase III. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #524 HOCKADAY CENTER FOR THE ARTS: Tape No. 1:A:174

Discussion: SEN. HARDING asked if the current amount of their endowment was known. Ms. Layne answered that she believed their endowment is approximately $23,000 at this time.

Motion: SEN. HARDING moved approval of a $8,000 grant for Endowment Expansion.

Discussion: SEN. HOCKETT asked if there was any way to suggest to county and government officials that they should begin supporting this center more. They have cut the funding, and he believes they should be asked to do more. The committee will fund it this time, but they should not think it negates local government support. The center did not meet its endowment challenge grant last time and reverted some funds. Therefore, they should be told that they are very likely to get nothing in the future if they don't have community support.

SEN. VAUGHN pointed out that the county and city have contributed $9,000 towards the center's operating budget, and therefore do support the group's operations even though they don't support the endowment.

Vote: MOTION CARRIED WITH REP. ZOOK VOTING NO.
BUDGET ITEM #554 ALBERTA BAIR THEATRE:

Discussion: REP. BARDANOUVE expressed dissatisfaction with giving the theatre the entire recommended amount of $20,000. Ms. Layne stated that by referring to the endowment grant history, she predicts the endowment is approximately $185,000.

Motion/Vote: REP. BARDANOUVE moved approval of a $10,000 grant for Operations and Lecture Enhancement, instead of the recommended $20,000 grant. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #565 GALLATIN COUNTY HISTORICAL SOCIETY:

Motion/Vote: SEN. HOCKETT moved approval of a $8,000 grant for Endowment Fund Enhancement. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #594 ARCHIE BRAY FOUNDATION:

Motion/Vote: REP. BARDANOUVE moved approval of a $10,000 grant for the Archie Bray Foundation Endowment Campaign, instead of the $12,000 recommended grant. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #592 BEALL PARK ART CENTER:

Discussion: SEN. HARDING stated that the center is well on its way to meeting and surpassing the match requirement for the 1992-1993 challenge grant.

CHAIRMAN BERGSAGEL asked Mr. Pratt to brief the committee on this grant. Mr. Pratt stated that this is a small art center in Bozeman that has existed for six years. The center had a special project grant request for support for their executive director position to become a full-time position. It is admirable that such a small organization should begin an endowment while still young.

Motion/Vote: SEN. VAUGHN moved approval of a $8,000 grant for an endowment challenge grant. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #612 BILLINGS SYMPHONY SOCIETY:

Discussion: REP. BARDANOUVE asked how large the current endowment is. Ms. Layne stated that it is approximately
$173,000.

SEN. HOCKETT is impressed with this group's outreach to low-income communities. They charge either nothing at all or low admission fees, which merits support in his opinion. He stated that they have matched their past challenge grants, and supposes it is one way they can keep their costs down.

Motion/Vote: SEN. HOCKETT moved approval of a $10,000 grant for Endowment Expansion. MOTION CARRIED WITH REP. ZOOK VOTING NO, AND REP. BARDANOUVE ABSTAINING.

BUDGET ITEM #595 INTERNATIONAL CHORAL FESTIVAL:

Motion/Vote: SEN. HARDING moved approval of a $8,000 grant for the Establishment of an Permanent Endowment. MOTION CARRIED WITH REP. ZOOK VOTING NO.

BUDGET ITEM #609 GLACIER ORCHESTRA AND CHORALE:

Discussion: SEN. VAUGHN mentioned that they were unable to match a previous challenge grant, and asked if there was a question of support. Mr. Pratt stated he spoke with them recently and they are now well on their way to meeting the challenge grant.

Motion/Vote: SEN. HARDING moved approval of an $8,000 grant for their Challenge Grant for Permanent Endowment Fund. MOTION CARRIED WITH REP. ZOOK AND REP. BARDANOUVE VOTING NO.

BUDGET ITEM #613 BILLINGS PRESERVATION SOCIETY:

Motion/Vote: SEN. HOCKETT moved to not approve the recommended $4,000 to Establish a Permanent Endowment. MOTION CARRIED WITH REP. ZOOK AND REP. BARDANOUVE VOTING NO.

ANNOUNCEMENTS/DISCUSSION

CHAIRMAN BERGSAGEL informed the committee that $143,780 is the balance left in the trust as a result of committee action to this point. The committee can now decide if it wishes to reconsider any committee actions, and fund any programs to a greater or lesser extent.

SEN. HOCKETT asked if REP. BARDANOUVE has received information from the Attorney General's office on the Daly Mansion yet. CHAIRMAN BERGSAGEL stated that when REP. BARDANOUVE comes back into the room, the discussion of how or if the Daly Mansion should be funded will begin. He does not know if REP. BARDANOUVE has a suggested amount.

CHAIRMAN BERGSAGEL asked the committee to decide at this time if
other grants should be re-visited.

SEN. HOCKETT stated the committee passed a motion for zero funding of Helena Presents' grant application #545 for their Art Education Project. He believes the committee had some concern over how much art education the schools should be doing themselves. He asked to reconsider that grant, Very Special Arts Montana's grant application #556 for affiliate site development, and the Montana Preservation Alliance's grant application #582 for operating support.

SEN. HOCKETT stated that he believes the Preservation Society should receive support because the preserve the history of Montana, and will ultimately enhance Montana's ability to draw tourists. This group does not deal with preservation of historic sites but works with groups that do. The Preservation Society provides small community nonprofit organizations with professional help. Mr. Pratt stated that the Society is a grassroots self-help organization.

SEN. HOCKETT stated that he would like REP. ZOOK and REP. BARDANOUVE to have the privilege of being present when these votes are taken.

CHAIRMAN BERGSAGEL stated the committee has a full schedule of hearings for the RIT grants, and perhaps all reconsideration of grants should happen on Monday at noon. SEN. HOCKETT stated that people are here to testify for Helena Presents, Very Special Arts Montana, Emerson Cultural Center, and Montana Preservation Alliance. He asked that they be allowed to make brief comments on these grants.

HEARING ON CULTURAL AND AESTHETIC GRANTS
Tape No. 1:B:535

BUDGET ITEM #556 VERY SPECIAL ARTS MONTANA:
Tape No. 1:B:536

Informational Testimony: Katrina Ruhmland, Executive Director, Very Special Arts Montana, spoke on behalf of the recommended $10,000 grant for affiliate site establishment and Native American site development. She provided the committee with letters in support of the committee raising their funding level of $5,500 back up to the recommended funding level of $10,000.

EXHIBIT 1.

Ms. Ruhmland stated that the reduction of $4,500 is not a lot of money in general, but impacts what the organization can accomplish. She stressed that Very Special Arts provides art experiences for people with disabilities. The organization's focus and mission is to work with disabled populations. This requires that a lot of considerations must be met before these people can participate in art experiences. The organization is a resource for teachers, administrators and others. The
organization helps people be seen who wish to become professionals in the arts.

Ms. Ruhmland said that taking funding away from this type of organization takes the opportunity for art experiences away from people, especially for those in rural Montana. Art is everlasting in people's lives. Disabled people who have a hard time getting to and from places deserve the same opportunities that everyone else has to experience the good that art brings into our lives.

BUDGET ITEM #545 HELENA PRESENTS:

Informational Testimony: Arnie Molina, Executive Director, Helena Presents, spoke on behalf of the recommended grant of $25,000 for their Art Education Project. He stated the three-year project has become a model national project. It was chosen as one of eight in the country by the National Endowment for the Arts and is a great honor for Montana. Hundreds of volunteers in Helena participate in this program. The project budget is $446,000, with the National Endowment for the Arts providing $150,000 of that budget. The school system matches with over $140,000, and Helena Presents must come up with $115,000. The $25,000 that was very highly recommended by the Advisory Committee is a portion of that $115,000.

Mr. Molina stated that this is an example of a grant that will require the organization to raise funds from individuals, corporations, and foundations. The project is a community-school partnership. This grant enables some of the finest performing art companies around the country to come to Helena, stay for a longer period of time, and give performances and workshops in the community. Community members and school children benefit from the project.

Questions, Responses, and Discussion: SEN. HOCKETT asked which schools in Jefferson County would benefit from the project. Mr. Molina said that all of the schools will be served in both Jefferson County and Lewis and Clark County. Members of different schools are involved in the project through participation on committees. The goal of the project is to serve all schools. It includes teacher training so that teachers can learn about dance, theater, and music to take back to the classrooms. The project brings the artists to the schools and brings the schools to the community for performances.

SEN. HOCKETT stated that the reason he voted against the project was because he thought it was only for Helena Public Schools. Mr. Molina stated that communities like Lincoln and Augusta will be served by this project. That is a serious part of the project and will be monitored by the NEA. An important part of the project is an evaluation that is taken very seriously by the NEA. An effort is being made to get rural communities represented on
the project’s working committees. There is an effort to ensure that a high percentage of rural schools are included.

**BUDGET ITEM #500 EMERSON CULTURAL CENTER:**

Ray Campeau, Emerson Cultural Center, spoke on behalf of their recommended grant of $20,000 for Hiring Personnel. He informed the committee that a school building in Bozeman became available for $425,000. The organization successfully raised $500,000 within the community to purchase the building, remove the asbestos and prepare it for occupancy. The organization worked closely with other cultural organizations in the community to ensure that services were not overlapped. The center does not want to become a performing arts center that competes with the already existing performing arts center in Bozeman.

Mr. Campeau stated he believes it is commendable that a group of people were able to raise that much money for this building. The building is open to artists, artisans, musicians, and theatre groups to occupy. The center’s job is to provide space to artists at subsidized rent so that they can be in one space and have comraderie.

Mr. Campeau stated that the city/county support is listed as zero, when actually the city has provided $6,591 in donations. In addition, the school district has given $9,000 in debt forgiveness and snow removal valued at $3,000. Landscaping and site improvement by the Alternative School is valued at $3,000. Remodeling of facilities in the west wing is valued at $5,000. These are all donations from within the community. Right now the Center is being upgraded.

Mr. Campeau stated they are unique in the west and are the only ones offering artists this kind of service. Now they need a full-time executive director to help get the next fundraising drive organized. The first one was done completely with volunteers. Now the place is occupied and someone is needed who is not a volunteer to manage the center and raise additional funds. The grant request was for personnel.

**Questions, Responses, and Discussion:** SEN. HOCKETT asked if they were already renting and receiving income. Mr. Campeau stated they provide subsidized rental. The average rental in Bozeman is $8.00 to $9.00/sq. ft. They are charging $4.50/sq.ft. Artists cannot find rental space at this price anywhere else, plus they benefit from being in a central place that allows exchanges between artists. Gymnasium and theatre space is rented out to classes and workshops.

CHAIRMAN BERGSAGEL asked how many square feet are rented out. Mr. Campeau stated the building is 47,900 square feet, and 38,000 square feet are rented out.
CHAIRMAN BERGSAGEL stated that if they charged $1.00 more per square foot they would have income to cover the grant amount they requested. Mr. Campeau stated this is their first year; raising the rent by $1.00 may come up in the future, the space has already been leased out at this time, and contracts are written. There is also a lot of things that need to be done to the building before it will meet new building codes. One of the leasers, the school district, has advanced them rent payments so that some corrections could be made in some of the wings.

CHAIRMAN BERGSAGEL stated his point is that if normal rent is $9.00/sq.ft. and they are subsidizing it for half of that, it does not seem to much to ask that they charge $1.00 more per square foot to pick up the cost for a full-time director. Mr. Campeau stated that would be charging the artist. There is a point where what they are asking from the committee becomes equitable when compared to the services they are providing. In the future, when some debt is paid off, a solution like CHAIRMAN BERGSAGEL’s could be reached.

CHAIRMAN BERGSAGEL said he understood that contracts are already in place. Mr. Campeau said some of those contracts are for more than $4.50/sq.ft. depending on the renter.

EXECUTIVE ACTION ON CULTURAL AND AESTHETIC GRANTS, Cont.

CHAIRMAN BERGSAGEL stated he needs motions to reconsider the three grants.

Motion: SEN. HOCKETT moved to reconsider the grants for Helena Presents, Very Special Arts Montana, Emerson Cultural Center and Montana Preservation Alliance.

Discussion: REP. BARDANOUVE asked if SEN. HOCKETT would insist on full-funding for all four.

SEN. HOCKETT said he had no funding amount in mind at this point.

REP. ZOOK asked if each one would be voted on individually.

CHAIRMAN BERGSAGEL stated that was correct.

Vote: MOTION CARRIED UNANIMOUSLY.

BUDGET ITEM #545 HELENA PRESENTS:

Motion: REP. BARDANOUVE moved to approve a $25,000 grant for their Arts Education Project.

Discussion: SEN. HOCKETT stated he would support the motion. He did not support it in the previous vote because he was concerned that the project was replacing art in the schools. After listening to further testimony, he finds it more supportable due
to the participation of rural schools and the national recognition of the project.

REP. ZOOK stated he will support it this time too. It is the third year of a three-year program and Montana has some investment in it.

**Vote:** MOTION CARRIED UNANIMOUSLY.

**BUDGET ITEM #556 VERY SPECIAL ARTS MONTANA:**

**Discussion:** CHAIRMAN BERGSAGEL reminded the committee that through previous executive action, the committee authorized $5,500 instead of the $10,000 recommended by the Advisory Committee.

**Motion:** SEN. HOCKETT moved to revise the funding back up to the recommended $10,000.

**Discussion:** SEN. HOCKETT commented he did not realize the organization works with disabled people of low-income and native American people. These people don't have a lot of resources, and have limited mobility to travel to other communities. This organization travels to the communities the people are in; therefore he asks the committee to reconsider this grant.

REP. ZOOK stated the Advisory Committee commented that this is not a statewide organization as stated in the application, but is primarily in western Montana.

SEN. HOCKETT asked if the organization was just in Missoula. Mr. Pratt stated they have sites in five communities.

**Vote:** MOTION CARRIED THREE TO ONE WITH REP. ZOOK VOTING NO AND REP. BARDANOUVE ABSTAINING.

**BUDGET ITEM #500 EMERSON CULTURAL CENTER:**

**Discussion:** REP. BARDANOUVE commented he has a dim view of this grant request.

**Motion:** SEN. HOCKETT moved approval of a $10,000 grant for Hiring Personnel, instead of the recommended $20,000 grant.

**Discussion:** REP. BARDANOUVE commented he opposed it earlier because it seemed like big business. They get $38,000 per year rent and wheel and deal with a lot of big business. He does not think they need the money.

**Vote:** MOTION FAILED WITH SEN. HARDING, REP. ZOOK AND REP. BARDANOUVE VOTING NO.
BUDGET ITEM #582 MONTANA PRESERVATION ALLIANCE:

Motion/Vote: SEN. HOCKETT moved approval of a $3,000 grant for Operating Support, instead of the $3,500 recommended. MOTION CARRIED UNANIMOUSLY.

ANNOUNCEMENTS/DISCUSSION

SEN. HOCKETT expressed his appreciation of the committee’s support for those grants.

SEN. HARDING stated there is one more grant the committee may want to re-consider.

SEN. VAUGHN stated the Montana Institute for the Arts Foundation grant application #587 is the one that would purchase Indian artifacts from the Van Dyke Foundation and bring them back to Montana to be placed in a proposed museum. The Montana Institute for the Arts Foundation requested $100,000, but the committee authorized the recommended amount of $15,000.

SEN. VAUGHN suggested increasing that amount to $25,000, which would be 25% of what they need. These are artifacts that can never be replaced if they are lost.

REP. ZOOK stated SEN. VAUGHN has made a good point, and this is something that is probably very worthwhile.

SEN. HOCKETT commented that if the Native American people are in support of this, he can support it too.

Motion: SEN. HARDING moved approval of increasing the grant from $15,000 to $25,000 for application #587.

Discussion: REP. BARDANOUVE commented this project depends on successful negotiation with the Van Dyke Foundation. It is not known that this museum will definitely happen.

CHAIRMAN BERGSAGEL said he understood the $15,000 request was for engineering and architectural drawings to allow the people involved to show that they are serious about bringing the artifacts to Montana and placing them in a museum. He is not sure what affect the $10,000 increase will have on the study.

SEN. HOCKETT asked Mr. Pratt if this additional incentive will be of any benefit to the people. Mr. Pratt stated it will be put to use and be appreciated by the Montana Arts Foundation.

REP. BARDANOUVE asked if the grant funds would not be awarded, should the project fail. Ms. Layne stated there is a contingency in place that documentation must be received regarding continued, active participation of the tribes. Unless the LRP committee places another contingency on the grant, the council must release
the grant money.

SEN. HOCKETT asked if the State Historical Society would be actively involved in the project. Mr. Pratt replied that the Society was involved in the project a number of years ago but there was no positive resolution. The Society would like to see the collection in the state, but weren't able to negotiate successfully with the Van Dyke Foundation.

SEN. HOCKETT asked if SHPO or the tribes should be negotiating this purchase. Ms. Layne informed the committee that Brian Cockhill of the Historical Society tried to get the collection when Ted Schwinden was Governor. The negotiations were unsuccessful, and there was some sense that the Foundation will not negotiate with the State Historical Society. The Van Dyke Foundation owns land that the proposed Plains Indian Buffalo Culture Museum will be built on, and they are determined to build that museum.

SEN. HOCKETT asked if that was the tribe's position as well. Ms. Layne stated she is not sure what the tribe's position is.

REP. BARDANOUVE commented that the museum will probably cost $1 million, and wondered where that money would be obtained.

Jane Hamman, Office of Budget and Program Planning, commented that the committee could suggest that the Montana Arts Foundation go to the Department of Commerce and get some help putting a business plan together to use in helping them raise the funds. Just the entrance fees alone would make it self-supporting very quickly because of the number of tourists that come to the Battle of the Little Big Horn Park. If a good business plan was in place, they may qualify under the Montana Technology and Alliance program.

CHAIRMAN BERGSAGEL reminded the committee that this project would bring back to Montana some rare and important Indian artifacts.

Vote: MOTION CARRIED UNANIMOUSLY.

ANNOUNCEMENTS/DISCUSSION

CHAIRMAN BERGSAGEL stated that the committee has $105,000 left in funds as a result of committee action.

BUDGET ITEM #533 DALY MANSION:

Tape No. 2:A:551

Discussion: REP. BARDANOUVE briefed the committee on what he found out regarding the possible loss of a state building if the Daly Mansion Preservation Trust defaults on loan payments. See EXHIBIT 2 for this information.

REP. BARDANOUVE gave a brief review of how the Preservation
Trust got indebted for $150,000 to the National Historic Preservation Trust, and the current financial situation of the Daly Mansion Preservation Trust. Please refer to EXHIBIT 2 for this information. The Trust must make a balloon payment of $107,000 on May 1, 1994.

REP. BARDANOUVE stated he has been in touch with the National Historic Preservation Trust. He has made a proposal to them requesting that they renegotiate the balloon payment, if the debt payments are made up to the $107,000 balloon payment. The debt payments up to May 1, 1993 total approximately $33,000. The NTHP's Chief Financial Officer was not available, but other staff in the office have stated that they could make that recommendation to the NTHP Board of Directors. They cannot promise, however, that the request would be honored. If the balloon payment could be re-financed or re-negotiated, the Daly Mansion Preservation Trust would have over a year to raise the money or design a repayment schedule.

REP. BARDANOUVE stated that the NTHP has requested that the Daly Mansion Preservation Trust write a letter detailing a plan for financing the balloon payment. The DMPT will withdraw their request for $8,000 if the LRP committee will take some action on reducing their debt.

REP. BARDANOUVE stated that any appropriation made by this committee will not be available to the DMPT until July 1, 1993. This means more interest will accumulate, and the May 1, 1993 payment will be past due by the time money is released.

REP. BARDANOUVE proposed that the $8,000 request be withdrawn. The mansion belongs to the state of Montana, and the people involved are working very hard to preserve it. He does not know what the state would do with the building if it is left standing empty. If the LRP committee reduces the DMPT's balloon payment, the Trust may have more time to design a payment and fundraising plan. Therefore he proposes that the committee appropriate funds to pay the past due payments and the interest. This would total $33,000. He also proposes that the committee pick up $7,000 of the balloon payment for a total of $40,000. He does not have exact figures, but thinks this could save interest payments. However, he is not sure because the money will not be available until July.

REP. BARDANOUVE stated the committee has already been requested to authorize an $8,000 grant, so he is really only asking that approximately $32,000 in additional funds be appropriated. Perhaps then the NHPT would look favorably upon re-negotiating the balloon payment.

REP. BARDANOUVE stated he would like a motion to approve a $40,000 grant for the Daly Mansion Preservation Trust, and not the previously requested $8,000.
Discussion: CHAIRMAN BERGSAGEL requested the Arts Council to comment on Rep. Bardanouve's proposal. Ms. Layne informed the committee that by law the Arts Council cannot release grants greater than $10,000 in one lump sum. Currently no more than 25% of the total grant can be released in one six-month period. The grant appropriation is released over the entire two years of the biennium. If this money is needed upfront it will require a special action by the committee authorize the release of all the money in one six-month period.

Ms. Hamman stated that since an adjustment would have to be made anyway to release the money all at once, perhaps she, the Council, and Mr. Haubein could look at putting this in a section of HB 9 that would be effective upon passage and approval. This would eliminate unnecessary penalty and interest payments. The funds could perhaps be taken out of the balance of FY93.

REP. BARDANOUVE stated he will not make a motion on this project, but will leave it up to the committee.

SEN. HARDING commented that the state is in a difficult situation in regards to this mansion.

Motion: SEN. HARDING moved approval of a $40,000 grant for the Daly Mansion Preservation Trust.

SEN. HOCKETT stated the DMPT also had requested a grant for restoration and painting at the mansion. That $25,000 grant was not recommended for funding. He commented that it seems the people that sold this came out of the deal more favorably than the others involved. He asked what the furnishings within the house are valued at.

REP. BARDANOUVE stated they were bought for $60,000 by community residents who then donated them back to the mansion. The furnishings were well worth that money and probably are more valuable by now; however, they will not be enough to pay off the balloon payment. The seven anonymous individuals who signed the note will be responsible for the balloon payment if the DMPT defaults on the loan.

REP. ZOOK asked which fund this money will come out of. Mr. Haubein stated the funds would come from the interest off the Cultural and Aesthetic Trust.

REP. BARDANOUVE warned the committee that the DMPT may be back in front of the committee next biennium with grant requests for maintenance and restoration needs.

REP. BARDANOUVE informed the committee that he would abstain from voting on this motion.

CHAIRMAN BERGSAGEL replied that he would stick with his decision to vote no if there is a tie.
Vote: MOTION FAILED WITH SEN. HOCKETT, REP. ZOOK, AND CHAIR BERGSAGEL VOTING NO, AND REP. BARDANOUVE ABSTAINING.

Mr. Haubein informed the committee that the $8,000 is still in HB 9.

Motion: SEN. HARDING moved approval of the full $19,000 requested, instead of the $8,000 recommended by the Advisory Council.

Discussion: Ms. Layne clarified that the $19,000 grant request for #533 was for administrative support. She wondered if the committee wanted the $19,000 to go for that or for debt service.

Motion: SEN. HARDING amended her motion to approve $19,000 for debt service.

Vote: MOTION CARRIED UNANIMOUSLY.

ANNOUNCEMENTS/DISCUSSION

CHAIRMAN BERGSAGEL informed the committee that $100,080 is the current balance after this committee action.

Mr. Haubein announced he would bring back all the amendments to the committee for review before final approval.

Ms. Layne reminded the committee that unless a special action is taken by the committee, the $19,000 will be released over a two year period.

Motion/Vote: SEN. HARDING moved approval of placing the grant of $19,000 in a portion of HB 9 that is effective upon passage and approval. MOTION CARRIED UNANIMOUSLY.

REP. BARDANOUVE stated that he has never been a champion of the Daly Mansion but is disappointed in the committee’s actions. The DMPT is being left in a terrible position. His proposal might have made the National Historic Preservation Trust more agreeable to a plan for re-negotiating the balloon payment over time. It is the state’s mansion, whether we like it or not. Private citizens have taken on an obligation to preserve and protect the mansion for Montana. He was hoping the committee would give them more. He refrained from voting because he did not want to push his view upon the committee, but is now disappointed that the people will be left in this difficult position. He questions whether they will be able to pay off the balloon payment now that no negotiation will occur. The state created this problem when the legislature unwisely agreed to buy the mansion.

CHAIRMAN BERGSAGEL stated on behalf of the committee that REP. BARDANOUVE’s efforts were appreciated. Sometimes when left with a white elephant, you are left with no choice but to pay it off. On the other hand, the people will get some breathing room now.
because they will be able to get current with their payments. They can now go out to work and raise the rest of the money. It may not be the perfect situation, but it is the best the committee can do. REP. BARDANOUVE’s efforts show his concern for Montana and its history, and his efforts are appreciated.

CHAIRMAN BERGSAGEL stated that if the committee does not want to discuss this issue further, he will consider all the hearings and executive action complete on HB 9.

REP. ZOOK asked if REP. BARDANOUVE would be opposed to offering the Daly Mansion for sale. REP. BARDANOUVE said he could not decide that. The Mansion belongs to the state, and there would probably be strong opposition from the community to any sale. CHAIRMAN BERGSAGEL stated that the Cultural and Aesthetic Grant process was closed, and the committee will review and approve the final HB 9 next week. He thanked the Arts Council for their cooperation.

HEARING ON HB 12, COAL SEVERANCE TAX LOANS
Tape No. 2:B:289

Informational Testimony: John Tubbs, Chief of Resource Development Bureau, Dept. of Natural Resources and Conservation, informed the committee that the loans to be considered today are greater than $200,000 and are recommended for a subsidized interest rate. HB 12 has two sections. One section has four new loans that the committee will hear testimony on today. The other section re-authorizes eight other loans previously approved in other bienniums. Any authorization granted by this committee is good for the following legislative session. By the subsequent session if construction has not begun, the DNRC recommends their removal from the bill. There are five loans for up to $6.7 million included the bill that will be removed and no longer be authorized.

REP. BARDANOUVE asked which projects were being removed. Mr. Tubbs stated they were Browning at $447,000; East Bench at $441,000; East Glacier at $484,270; Lake County Big Arm at $2,283,000; Summers at $3,151,000. However, the Summers loan included West Shore and West Shore still needs at least a portion of that loan authority to be re-instated for their sewer project.

Mr. Tubbs provided the committee with EXHIBIT 3, which provides information on the four large loans to be authorized this session.

REP. BARDANOUVE asked how much the loans would be subsidized. Mr. Tubbs stated they would be subsidized at a 3% rate over a 20 year term. He asked to wait until after the applicants testified to further explain how that subsidy was determined. He said that all but two loan applicants have received a 3% 30-year loan. He cut it down to a 20-year term so that it would better match the bond sale.
Informational Testimony: Mr. Tubbs pointed out to the committee that the Town of Ennis is not getting as large a subsidy as the irrigation projects. Municipalities in the DNRC’s recommendations don’t get the type of subsidy support that the irrigation projects have historically gotten. The DNRC formulates this based on median household income, the cost of the project, and a percent of the increase on water rates. The cost of Ennis borrowing the $1,100,000 represented that their final water fees would be 1% of their median household income. Therefore, the DNRC automatically recommends a 1% subsidy for five years. This has worked well in the past.

Mr. Tubbs informed the committee that municipalities have commented that the short five-year subsidy is difficult for communities to work with. This is because at the end of five years the municipalities have to raise their rates to come up with the additional revenue to make payments. This is unlike any other financial program faced by municipalities. In applications to the Treasure State Endowment Program, municipalities requested that consideration be given to extending the subsidy for the entire term of the loan. The DNRC has based its recommendations on past committee actions and did not take that issue into consideration.

Questions, Responses, and Discussion: SEN. HARDING asked what other two irrigation projects Mr. Tubbs referred to earlier. Mr. Tubbs stated the other two irrigation projects are department projects and have received substantial contributions from the Engineering Bureau. Because of this money the department has only needed to borrow $30,000 in loan. Because they were receiving such a large amount of matching funds, this committee recommended that those two loans be received at the bond rate.

REP. BARDANOUVE stated he does not understand how the DNRC has determined the same subsidized loan rate for all projects. Each situation should have different abilities to pay based on the specific situation. The state is providing a lot of funds for subsidies every year.

SEN. HOCKETT requested that the amount irrigation districts are paying for water be provided to the committee. Mr. Tubbs replied the information is available, and that each applicant is prepared to share that information in their testimony. To REP. BARDANOUVE, he stated that the department’s actions are solely based on past committee action.

REP. BARDANOUVE commented the process should be questioned. This committee has no control over what past committees have done. Mr. Tubbs replied that since there really is no committee available to review and make recommendations for these loans, he must rely on himself and the DNRC’s chain of authority to approve these loans. He referred the committee to EXHIBIT 4 for information on all the irrigation projects that ever received a loan from the Coal Severance Tax Fund.
REP. BARDANOUVE stated again that one basic interest rate should not be used for all irrigation projects, because each district has a different ability to repay loans.

CHAIRMAN BERGSAGEL noted REP. BARDANOUVE’s concern; however, one concern is to justify that the legislature does not discriminate and provide a better advantage to some individuals. He suggested that this discussion be had another time.

Mark Siminich, Director, DNRC, introduced himself as the new director to the DNRC. He offered to help in any way, and commended Mr. Tubbs and his staff for the good job they have done in reviewing and recommending action on these grants and loans.

**HEARING ON HB 6, WATER DEVELOPMENT AND RENEWABLE RESOURCE DEVELOPMENT PROGRAMS**

Mr. Tubbs informed the committee that Carbon County was unable to attend the hearing yesterday and is the last group to testify on HB 6.

**BUDGET ITEM PROJECT #21 CARBON COUNTY:**

Informational Testimony: Pete Bertolino, Carbon County, spoke on behalf of a $50,000 grant and $50,000 loan for a town of Roberts Water System Improvement. EXHIBIT 5. He stated that the town had applied for a $100,000 grant. He stated that the water system in place now suffers surface ground contamination. The State Water Quality Board has issued complaints to the town, and has threatened to shut down the system if the town does not address the problems.

Mr. Bertolino said the town has applied for a CDBG grant and is applying for Farmer’s Home Administration loan and grant money. The RRD grant funds are desperately needed to offset the costs to each household in the community. Right now the cost per household is $6.00/month. If all the improvements are made at once the water rate will increase 310% to $25.00/month. With RRD grant funds the rate will drop back down to approximately $17.00/month.

Questions, Responses, and Discussion: SEN. HARDING commented that she appreciated his data on their water rates, and asked DNRC if there is a state average for water rates in rural areas. Mr. Tubbs replied that he does not have the information with him at this time but did provide the committee with that information in yesterday’s meeting. Ms. Hamman stated the range of water rates.

Mr. Bertolino commented that this project’s total cost is $850,000 and will be a major restructuring of the water system to benefit the town for years to come.
REP. ZOOK asked if this project is also being considered for a grant by the TSEP. Mr. Tubbs replied that it is not.

REP. BARDANOUVE commented that many of the communities supported with RRD funds are paying $30.00 to $35.00 for water each month. Ms. Hamman pointed out that the range really does vary.

Mr. Bertolino stated that 103 households pay water rates in the town of Roberts. The figures provided are all tentative, but the highest cost to residents would be $25.00/month if all FHA funds are received.

COAL SEVERANCE TAX LOANS HEARING, Cont.

BUDGET ITEM TOWN OF EKALAKA - OUT OF CYCLE REQUEST:

Informational Testimony: REP. RALPH TUNBY, HD 24, Billings, spoke in favor of an additional $60,000 for Ekalaka. They have a previously approved $100,000 loan and are seeking another $60,000. They already have a $50,000 grant from the DNRC and are contributing $30,000 themselves.

Questions, Responses, and Discussion: REP. BARDANOUVE asked if the additional $60,000 would be in the form of a loan. REP. TUNBY stated it would be $60,000 in additional loan authority. They need additional fire protection which will help lower their insurance rates, and they need to install a chlorination system. The water rates will increase to $17.00/month.

SEN. HOCKETT asked if this project was previously approved by the legislature. Mr. Tubbs stated that this project was approved last session for grant funding. HB 6 currently contains language that would re-authorize this loan. REP. TUNBY is requesting that an additional $60,000 be authorized due to an unexpected increase in costs.

CHAIRMAN BERGSADEL TURNED OVER THE CHAIR TO SEN. HOCKETT

BUDGET ITEM TOWN OF ENNIS:

Informational Testimony: Daniel McCauley, Engineer, Damschen & Associates, for the town of Ennis, spoke on behalf of a $1.1 million loan for Water Storage and Distribution System Improvements. EXHIBIT 6. He stated that the town has major deficiencies in its water storage and distribution systems. The first improvement to be done is the construction of a steel water storage tank, and other improvements will occur after this is completed. The storage system is needed for improved consumer use and fire protection.
Mr. McCauley presented the committee with a written proposed financial plan, EXHIBIT 7.

Richard Barr, City Council member, spoke on behalf of the loan. He informed the committee he is also representing the Chamber of Commerce, the School District, the Lions Club and the fire department. One of the city's largest concerns is the inadequate fire protection now provided due to the poor water system. The main street of Ennis is very narrow and consists of wood-fronted buildings adjacent to each other. The current fire-fighting capacity would be inadequate to fight a major fire downtown, as well as at the school district. The current system is thirty years old and is just too old to keep up with the current growth of the town. The town would like to get started on the improvements now. Right now the economic climate is such that the timing is important in keeping costs of the project down by completing it sooner rather than later.

Questions, Responses, and Discussion: REP. BARDANOUVE asked if meters were present on households. Mr. Barr stated that there are meters on every residence and commercial establishment in town.

REP. ZOOK asked Mr. Tubbs if it is known how many dollars are available from the TSEP. Mr. Tubbs estimated that just over $2.4 million is available for the biennium. The Department of Commerce has not yet completed its ranking of the projects; therefore, it is not known if Ennis will receive funds from there.

REP. BARDANOUVE asked if Ennis is receiving any economic development funds. Mr. Barr stated that they are not receiving any and are not applying for any. Mr. Tubbs stated that the federal economic development grants are only given to areas of high unemployment. Ennis would not qualify. Ennis is pursuing a CDBG.

Mr. Barr said they will probably pursue CDBG funds depending on what happens with this loan and the TSEP. Mr. McCauley referred the committee to EXHIBIT 7 for more information on the town’s financial plan. He stated he designed the plan with the goal of keeping water rates at $15.00/month. They are asking for a $400,000 TSEP grant, and may ask for only a $300,000 CDBG grant due to its stricter guidelines. If all grants total $300,000, the town’s rates will be approximately $17.00/month.

BUDGET ITEM PROJECT #2 HUNTLEY PROJECT IRRIGATION DISTRICT: Tape No. 3:A:425

Steve Sian, Vice-Chair, Huntley Project Irrigation District, spoke on behalf of a $4,875,440 loan for their Diversion and Main Canal Rehabilitation and Betterment project. EXHIBIT 8. He provided large photos of the areas that will be repaired. EXHIBIT 9. A summary brochure of the loan application was also
Questions, Responses, and Discussion: REP. BARDANOUVE wondered why the tunnels were needed. Mr. Sian replied that there is 110-foot bluff that comes right up to the edge of the river. The tunnels run through the hillside. The district looked at other options such as taking a slice off the top of the hills, but the cost is very high. Less water is able to pass through the tunnels as they continue to deteriorate. Due to increasing water right concerns, they need to be able to utilize all water they have rights to in order not to lose them. The district has checked into federal funds and has not found any options.

REP. BARDANOUVE asked if the holes in the tunnels are allowing the water to erode the rock walls surrounding the tunnels. Mr. Sian replied that the shale portion of the surrounding rock wall is getting badly eroded due to water damage.

REP. ZOOK asked when the tunnels were built. Mr. Sian replied construction on the tunnels was begun in 1904 and completed in 1906.

REP. BARDANOUVE asked what the water rates/acre will be with this project completed. Mr. Sian stated that irrigators are willing to pay more, but have asked the district board to use as much money as possible from the district’s budget. The district has already implemented a labor force reduction, and will continue to cut funds out of their budget before they ask for more from the landowners.

REP. ZOOK asked if they have approached the Bureau of Reclamation for funds since they originally constructed the tunnels and canals. Mr. Sian stated that they were approached but were of no help. They will fix the tunnels only after they collapse, and then they will charge the landowners. Mr. Sian stated if that happens the water rates will increase by approximately $20.

Mr. Sian requested the committee take into consideration the district’s concerns about the terms of the loan. The district requested a no-interest 30-year loan. A 20-year, 3% interest loan is not affordable to the district. Unless other grant funds are made available to them, from federal or state agencies, the cost of the project is prohibitive with the proposed loan terms.

REP. BARDANOUVE asked if the district currently has enough water. Mr. Sian replied that two weeks out of the year, the district is short of water. Jason Thom, Engineer, HKM Associates, stated that in years when the gravel bar has not been removed, the district’s water supply was cut in half.

Mr. Tubbs informed the committee that the DNRC was put in a difficult position in dealing with these grant and loan requests. A number of the loans came in requesting zero interest, 30-year loans. That is what Huntley is saying they can afford. The
DNRC's recommendation is quite a bit higher than that. Their request would have increased their water rate by $5.00/acre. The DNRC's level of subsidy will result in a $12.00/acre increase.

Mr. Tubbs wants the committee to know that there is a lot of difference between what the district has requested and what was recommended.

Mr. Thom clarified that the normal source for Bureau of Reclamation projects is the Bureau of Reclamation's Rehabilitation and Betterment Program. Two years ago that program was shut down for total revision and overhauling of the program. In the meantime, they won't even accept an application. This project is urgent and needs to be done. The Bureau's program was for no-interest loans, and it is not known what it will be like after it is overhauled. The district has run out of other options for funding. REP. BARDANOUVE commented that the Bureau's programs will likely have more severe criteria after the overhauling.

Mr. Sian stated that the Bureau has done studies on the District's ability to re-pay loans. He pointed out that at the current $20/acre the district is above its ability to pay, but the landowners have been willing to pay because water is the lifeblood of the community.

BUDGET ITEM PROJECT #4 TIN CUP WATER COMPANY:

Informational Testimony: Chris Leece, Tin Cup Water Company, spoke on behalf of a $273,742 loan for the Tin Cup Lake Dam Restoration Project. EXHIBIT 11. He also provided the committee with an information brochure about the project. EXHIBIT 12. He stated that, if the project is not funded by this committee, the project will be lost. This is their last source of funds.

Questions, Responses, and Discussion: REP. ZOOK asked why the DNRC has recommended more money than was requested. Mr. Tubbs replied that the application did not contain a reserve account to ensure payment, so the DNRC bumped the authorization up to cover that amount. This is the maximum amount that can be borrowed; if they need less, they can always borrow less. Mr. Leece stated that a complete engineering study has not been done yet. The study may raise costs significantly.

Mr. Leece stated that due to the dam being located seven miles inside of a wilderness area and ten miles from a trailhead, there is a possibility that the heavy equipment will have to be flown in. This will raise costs significantly.

REP. BARDANOUVE asked what crops were raised, and what their average annual yield is. Mr. Leece explained the land is primarily grass pasture for beef, with two acres per animal unit. The soil is shallow and there really isn't much topsoil. The yield for alfalfa is 4.5 tons. Two acres are necessary to
pasture a cow for six months. Calves average 550 pounds. He
concluded by expressing his appreciation of the committee’s help
in this project.

Mr. Tubbs reminded the committee that all loans in HB 12 are for
20 year terms. There is an error in EXHIBIT 11 which says this
loan is for 30 years.

Proponent Testimony: Jo Brunner, Montana Water Resources
Association, spoke in support of both the Huntley Irrigation
Project and the Tin Cup Dam Restoration Project. She
emphasized that the Tin Cup Dam is classified a high-hazard dam at this time
and needs restoration. This dam is one of only three high-hazard wildness dams in the country and is the highest dam of the
three. She requested that the committee support the projects.

REP. BARDANOUVE asked where this dam would be on a previously
provided chart of dam safety levels. Mr. Tubbs stated that this
dam would not be on the chart because it is on federal property.
This is not a state requirement; the U.S. Forest Service requires
the project be completed. If it was plotted on the chart, it
would be a high-hazard dam that is unsafe. It does not meet
current standards.

BUDGET ITEM PROJECT #3 DNRC, ENGINEERING BUREAU:
Tape No. 3:B:352

Glenn McDonald, Bureau Chief, Water Projects Bureau, DNRC spoke
on behalf of a $1,024,000 loan for Rehabilitation of the North
Fork of the Smith River Dam. EXHIBIT 13.

Mr. McDonald stated that, due to an oversight on the part of the
department, they were unable to secure funds from FWP to provide
a minimum pool of storage at the dam. Therefore, this project
will not increase the storage of the project. The main focus of
the rehabilitation will focus on bringing the spillway into
compliance with today’s dam safety criteria.

Mr. McDonald requested that the committee change the loan amount
due to the DNRC’s request to do the project differently than
originally proposed. Repairing just the spillway is
significantly cheaper than the originally proposed project. The
estimated cost will be approximately $700,000 instead of $1
million. The loan will be repaid with funds from the water
users. Two studies have determined that the water users have
very limited abilities to pay but are willing to contribute to
the project. The 20-year, 3% loan will enable the department to
get the project done.

Mr. McDonald updated the committee on the Tongue River Project, a
state-owned facility. In September of this year, President Bush
signed federal legislation that authorizes the Northern Cheyenne
compact, and the repair and enlargement of the Tougue River Dam.
The Department will try to get that project going this biennium, and most department staff will be working on that project. There is a chance that some staff can work on the North Fork Dam this biennium. Therefore they are requesting loan authority for this biennium. Tongue River is their number one priority, and will be their largest project. The authorizing legislation contained funds for $52.2 million for that project.

Questions, Responses, and Discussion: REP. BARDANOUVE asked where the $52.2 million is coming from. Mr. McDonald stated that state funds total 20.7 million, and the federal government is financing $31.5 million.

REP. BARDANOUVE asked what the water charges will be after the North Fork Dam rehabilitation. Mr. McDonald replied they would be $4 to $5 per acre foot. Mr. Tubbs explained that cost is average. Some farmers will require 2 or 2 1/2 acre feet of water and have charges of $20/acre. Some with water rights that existed before the need for storage will only have $5.00/acre charges. The water is tracked very closely on this project.

HEARING ON HB 7, RECLAMATION AND DEVELOPMENT GRANTS

BUDGET ITEM PROJECT #3 GOVERNOR/LT. GOVERNOR'S OFFICE:

Lieutenant Governor Dennis Rehberg, spoke on behalf of a $127,667 grant for establishment of a Montana Office of Public Policy Dispute Resolution. EXHIBIT 14. He presented letters of support for this project. EXHIBIT 15.

Lt. Gov. Rehberg requested the committee’s support for the establishment of an office for dispute resolution in the Lt. Governor/Governor’s office. This project has been worked on since October of 1991. The office will attempt to avoid lengthy court cases by bringing together opposing parties and promoting communication for the successful resolution of complicated and controversial issues. The office will be neutral and will not be bound by partisanship. It must be or it will not work.

Questions, Responses, and Discussion: REP. BARDANOUVE asked where part of the funds came from. Lt. Gov. Rehberg stated a national organization called the National Institute for Dispute Resolution has committed $50,000 to a regional effort. The regional effort will include North and South Dakota, Wyoming, Idaho and Montana. Montana is taking the lead position on this. An attempt is being made regionally to resolve the Missouri Drawdown controversy. The Western Governor’s Association is donating $40,000.

REP. BARDANOUVE asked if these funds were one-time donations. Lt. Gov. Rehberg explained that this is a two-year pilot project with the hope that further funds will not be sought from the...
legislature. The Governor’s Office intends to make the Dispute Resolution Office a public/private partnership supported by fees and grants. It is not intended to be an ongoing project of the governor’s office.

SEN. HARDING asked if another office would be required, and if an Executive Director was being hired. Lt. Gov. Rehberg replied that as part of his donation, he is providing an office within his office and allowing the use of office equipment. The salary for the executive director was set at the lower end of the regional range at $45,000. The director will have to do all the clerical and secretarial work as well.

SEN. HARDING asked if the travel budget included out-of-state travel. Lt. Gov. Rehberg stated it is anticipated the director will travel within the state approximately 10 times per year. Additional money is provided for travel out-of-state on an "as needed" basis. There are also funds for continuing education of this director.

SEN. HARDING asked if this is already in place in other states. Lt. Gov. Rehberg said that was correct. Eight states currently have this office.

SEN. HARDING asked what qualifications the director would need to have. Lt. Gov. Rehberg stated that the qualified individual will have experience in public policy, alternative dispute resolution techniques, and an advance degree or considerable training in dispute resolution. Matthew McKenny is a good example of someone who would be qualified.

Proponent’s Testimony: SEN. LORENTS GROSFIELD, SD 41, Sweetgrass, spoke in favor of this project. He stated it is a needed and an excellent project that could help with a lot of different issues.

BUDGET ITEM Project #12 DEPT. OF HEALTH AND ENV. SCIENCES/WATER QUALITY BUREAU:

Jack Thomas, Program Manager, Water Quality Bureau, DHES, spoke on behalf of a $300,000 grant for Nonpoint Source Pollution Control in Montana. EXHIBIT 16. He presented a slide show on the NPSPC program in Montana. The $300,000 grant would be in addition to the federal EPA money they receive.

Mr. Thomas stated that agriculture is the single largest source of nonpoint source pollution. Roads are the biggest source of nonpoint pollution on forest lands. The department has done a lot of educational programs for loggers and landowners in an attempt to reduce nonpoint source pollution. Abandoned mines also cause a lot of damage and this department does a lot work with them and small miners who are not required to do any
Mr. Tubbs informed the committee that during executive action the DNRC will propose an amendment that identifies all projects that would qualify for federal EPA matching funds.

Proponent’s Testimony: John Bloomquist, Montana Stockgrowers Association, spoke in support of this grant. The Stockgrowers Association supports this project to continue the nonpoint source pollution control program. The association has been involved with the development of this management program and supports its voluntary approach to nonpoint source concerns through the development of best management practices. The association is currently working on adopting a single set of BMP’s for use on all lands in Montana, regardless of ownership. The association also participates in education projects for riparian improvement techniques. The Association believes that state financial support is crucial to the nonpoint source pollution program’s success. The grant will demonstrate the state’s commitment to this pollution concern. He asked that the committee consider moving the request to a higher funding priority.

SEN. HOCKETT asked how the department determines a list of priority streams. Mr. Bloomquist replied that each stream is rated based on a 200 point system. He provided the committee with the criteria used to assign points to streams. EXHIBIT 17. EXHIBIT 16 - PAGE 43 contains a list of the stream projects most likely to be funded with this grant money. If another project comes up that rates higher, the priority project list will change accordingly.

Proponent’s Testimony: Mike Volesky, Executive Vice-President, Montana Association of Conservation Districts, spoke in support of this grant application. The Association supports this program and its voluntary approach to water pollution control through the application of best management practices and education programs. In the last three years the Water Quality Bureau has provided almost $3 million to local organizations to sponsor watershed projects and education activities. Seventy percent of that funding went to conservation districts and associated organizations for priority projects which had requested technical and financial assistance. State support of this program is critical to its success; for each one dollar in state funds provided the water quality bureau will secure $1.50 in federal funds. The association respectfully requests the committee’s approval of this grant and requests that it be moved to a higher priority for funding.

BUDGET ITEM PROJECT DEPT. OF STATE LANDS:

Mr. Tubbs informed the committee that the DSL has withdrawn its request for grant funds for the expansion of the Geological Inventory System.
BUDGET ITEM PROJECT #5 DEPT. OF STATE LANDS:

Informational Testimony: Eric Sirs, Petroleum Engineer, Minerals Management Bureau, DSL, spoke on behalf of a grant for $211,800 for a Well Assessment and Abandonment-Oil and Gas project.

EXHIBIT 18. He stated that there are no funds for this type of activity in the DSL budget. In 1969 the legislature repealed the authority of the DSL to request bonds for wells on state lands. The sources of funding available to the Montana Board of Oil and Gas are minimal. As these older well fields decline, more problems will arise. The depressed oil and gas economy will cause many small and large operators to leave the state, and often they leave problems that the state will have to deal with. This grant request, which deals specifically with sub-surface as well as well-site surface reclamation, is both a comprehensive and a deserving project.

Questions, Responses, and Discussion: SEN. HOCKETT commented that the cost would be approximately $8,000/well. A request from the Oil and Gas Commission to plug wells had costs of approximately $60,000/well. Mr. Sirs said wells would be plugged in this project. The large difference is because the oil fields differ structurally and geographically. The deeper a well the higher the cost to plug it. The DSL project would be plugging wells that are typically less than 14,000 feet deep. Wells that are 10,000 to 15,000 feet deep can conceivably cost $60,000 each.

SEN. HOCKETT commented that he read drillers are required to put up a bond but then can drill any number of wells. Therefore the bond amounts to a pittance in regards to reclamation. Mr. Sirs said that the bonds are often smaller than what is needed if the driller walks away. The DSL has no bond authority.

SEN. HARDING asked if a similar proposal has been before the committee in an earlier session. Mr. Sirs replied that it was before the committee in 1991, but the project was not funded. It has been revamped and re-submitted for funding this biennium.

BUDGET ITEM PROJECT #18 DEPT. OF NATURAL RESOURCES AND CONSERVATION:

Mr. Tubbs informed the committee that, when the Water Management Bureau submitted this application, the funding for this study was unknown. The project was approved in 1991 but fell far below the funding level. The project has since received the grant and this grant would have provided them $50,000 more to take on another phase of the project. Mr. Tubbs stated that after receiving the funds for the 1991 grant application, the Bureau was unsure about attempting to secure this additional $50,000 in grant funds. He assumes that by not showing up for this hearing they are indicating that they do not want the additional $50,000.
Greg Mills, Program Officer, Reclamation and Development Grants, DNRC, stated that he did speak with the Bureau recently and they had planned to testify today. Mr. Tubbs stated he would contact the Bureau and re-schedule their hearing.
Adjournment: 12:00 PM

ERNEST BERGSAGEL, Chair

SANDRA BOGGS, Secretary

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DATE 2/13/73
Dear Mr. Chairman and Members of the Committee:

I'm writing to request reconsideration of the latest reduction in Cultural and Aesthetic Grant funding to Very Special Arts Montana (VSAM). The original grant proposal requested $20,000 to develop five satellite offices in locations across the state as well as developing an on-going series of workshops devoted to providing educational art experiences about the arts in Native American cultures. Originally, the committee recommended $10,000 and now that has been reduced to $5,500.

The impact of this additional reduction will be substantial. The need for VSAM to expand to various locations statewide is not only requested regularly, but highly supported by community professionals and the vast community of persons with disabilities. The remoteness and lack of quality art opportunities in rural Montana creates barriers that are hard for those without disabilities to overcome. The offering of exposure as well as professional guidance for those with disabilities is of primary concern for VSAM and can create a world of enrichment in the lives of the people concerned. This population has been greatly overlooked and deserves as much attention as the rest of our progressive society.

The Native American component serves populations that often receive little, if any, education regarding their culture. In addition, the opportunity for the understanding and coming-together of cultures, native and non-native, through the arts, will always lead to better communication between people with or without disabilities.

On behalf of Very Special Arts Montana and all of the people it serves and hopes to serve, please reconsider the reduction to $5,500 and recommend the original $10,000 to the House Appropriations Committee. The funding will be very carefully monitored and used in a most conscientious manner. Thank you for your time and I highly appreciate your consideration.

Sincerely,
Katrina Ruhmland
Executive Director

Very Special Arts Montana is an official state program of Very Special Arts, an educational affiliate of the JFK Center for the Performing Arts
Representative Ernest Bergsagel
House Appropriations Committee
State Capitol
Helena, MT  59620

Dear Representative Bergsagel,

We are writing to request that your subcommittee and the Appropriations Committee restore the recommended $10,000 funding to Very Special Arts Montana. A cut of $4,500 to this program would do a great disservice to countless numbers of Montana citizens whose art-related experiences touch and fulfill their lives in a very meaningful way.

Very Special Arts Montana is a program of the highest caliber and brings enjoyment and a sense of belonging not only to those persons who would not otherwise be able to participate, but to those of us who have been enthralled and culturally enriched by their offerings.

Again, we ask that you reinstate the funding for this program to the full $10,000 recommended.

Sincerely,

BOARD OF COUNTY COMMISSIONERS

Ann Mary Dussault, Chair

Barbara Evans, Commissioner

Fern Hart, Commissioner

BCC/SS:ss
February 3, 1993

Dear Mr. Chairman and Committee Members:

As director of a program for elderly persons with disabilities, I have looked to the resources of Very Special Arts Montana (VSAM) to provide leadership in providing activities that I believe to be vital to the quality of life for these older individuals.

It has been demonstrated to me that the arts are much more to persons with disabilities than "nice and fun" activities when people are not in a training or work situation. The expressive arts hold the key for many people to exercise control and choice in their lives through participating successfully in activities in which they have talents and can develop their self confidence and esteem. Additionally, the arts provide and opportunity for many individuals who are often not verbally articulate to express their ideas and feelings and to therefore successfully connect with the world outside themselves.

Because of the potential "developmental value" of the arts, I believe that participation in art activities should be given as high priority for some individuals as daily living or work-related training/activities.

It has been brought to my attention that the Cultural and Aesthetic Grant funding to Very Special Arts Montana has been reduced from the originally recommended $10,000 to $5,500. In support of Very Special Arts Montana and the opportunities the organization provides in the arts for person's with mental and/or physical disabilities, I would like to request that the Committee reconsider the additional reduction in this funding and to please recommend to the Full Appropriations Committee, a reinstatement of the originally recommended $10,000.

Sincerely,

Philip Wittekind
Director of Gerontology
February 2, 1993

Dear Mr. Chairman and Members of the Committee:

It has been brought to my attention that the Cultural and Aesthetic Grant funding to Very Special Arts Montana (VSAM) has been reduced from the originally recommended $10,000 to $5,500. In support of Very Special Arts Montana and the opportunities the organization provides in the arts for person's with mental and/or physical disabilities, I would like to request that the Committee reconsider the additional reduction in this funding and to please recommend to the Full Appropriations Committee, a reinstatement of the originally recommended $10,000.

Very Special Arts Montana has a reputable history of making art related experiences accessible to persons whose lives would not otherwise be touched by the creative and fulfilling aspects of the arts. The process of increasing the number of people reached is dependent upon the establishment of satellite chapters statewide. Without the help of the Cultural and Aesthetic Grant, Very Special Arts Montana cannot provide more easily accessed arts experiences to the disabled populations in rural Montana. The populations effected range from pre-school to the elderly, whose disability may be obvious or discrete. The art programs provided by VSAM have been of the highest quality and have served as greatly needed catalyst for integrated experiences for persons with and without disabilities.

Native American Services Agency and the Missoula community has recently benefited from a series of "Teach People to Create" workshops sponsored by Very Special Arts Montana. We feel that there is a tremendous interest in Indian Culture and Art from all cultures and would like to continue to share the artistic contributions of the Indian people.

Thank you for your time and please consider reinstating the originally recommended $10,000.

Sincerely,

Jackson Redhorn,
Board Chairman
To Members of the Joint Appropriations Subcommittee on Long Range Planning
From Greg A. Olsen, Executive Director
State of Montana
Developmental Disabilities Planning and Advisory Council
Date February 4, 1993

The members of the Developmental Disabilities Planning and Advisory Council would like to go on record as supporting the request of Very Special Arts Montana (VSAM) for a Cultural and Aesthetic Grant through the Montana Arts Council in the original recommended amount of $10,000.

The Council has recognized the need for arts activities that directly touch the lives of persons with disabilities. These activities can serve as one means of providing recreational and leisure activities for persons who otherwise are very limited in their ability to access these types of activities. VSAM has been active in promoting and directly supplying exposure to arts activities to persons with disabilities throughout Montana.

Without the activities of organizations such as VSAM, persons with disabilities in the state will be without any form of professional opportunity for an important aspect of all of our lives.
February 3, 1993

Dear Mr. Chairman and Members of the Committee:

It has been brought to my attention that the Cultural and Aesthetic Grant funding to Very Special Arts Montana (VSAM) has been reduced from the originally recommended $10,000 to $5,500. In support of Very Special Arts Montana and the opportunities the organization provides in the arts for persons with mental and/or physical disabilities, I would like to request that the Committee reconsider the additional reduction in this funding and to please recommend to the full Appropriations Committee, a reinstatement of the originally recommended $10,000.

Very Special Arts Montana has a reputable history of making art related experiences accessible to persons whose lives often would not otherwise be touched by the creative and fulfilling aspects of the arts. The process of increasing the number of people reached is dependent upon the establishment of satellite chapters statewide. Without the help of the Cultural and Aesthetic Grant, these satellite chapters cannot be developed. The populations effected range from pre-school to the elderly, whose disability may be obvious or discreet.

Thank you for your time and please consider reinstating the originally recommended $10,000.

Sincerely,

Sharon Miller, M. Ed., C.R.C.
Assistant Vice President
Vocational Services
Dear Mr. Chairman and Members of the Committee:

It has been brought to my attention that the Cultural and Aesthetic Grant funding to Very Special Arts Montana (VSAM) has been reduced from the originally recommended $10,000 to $5,500. In support of Very Special Arts Montana and the opportunities the organization provides in the arts for persons with mental and/or physical disabilities, I would like to request that the committee reconsider the additional reduction in this funding and to please recommend to the Full Appropriations Committee, a reinstatement of the originally recommended $10,000.

Very Special Arts Montana has a reputable history of making art related experiences accessible to persons whose lives would not otherwise be touched by the creative and fulfilling aspects of the arts. The process of increasing the number of people reached is dependent upon the establishment of satellite chapters statewide. Without the help of the Cultural and Aesthetic Grant, Very Special Arts Montana cannot provide more easily accessed arts experiences to the disabled populations in rural Montana. The populations effected range from pre-school to the elderly, whose disability may be obvious or discrete. The arts programs provided by VSAM have been of the highest quality and have served as a greatly needed catalyst for integrated experiences for persons with and without disabilities.

Thank you for your time and please consider reinstating the originally recommended $10,000.

Sincerely,

Dan J. Richman
Executive Director

DJR/thk
February 2nd, 1993

Dear Mr. Chairman and Committee Members,

It has been brought to my attention that the Cultural and Aesthetic Grant funding to Very Special Arts Montana has been reduced from the originally recommended $10,000 to $5,000. In support of Very Special Arts Montana and the opportunities that this organization provides for persons with mental and physical disabilities, I would like to request that the Committee reconsider this reduction in funding and reinstate the original $10,000 budget.

Very Special Arts Montana (VSAM) has a history of making art related experiences accessible to persons whose lives would not otherwise be touched by the arts. Without the help of the Cultural and Aesthetic Grant, VSAM cannot provide more easily accessed arts experiences to the disabled populations in rural Montana. The populations affected range from pre-school to the elderly, whose disability may be obvious or discrete. The art programs provided by VSAM have been of the highest quality and have served as a greatly needed, catalyst for integrated experiences for persons with and without disabilities.

Thank you for your time and please consider reinstating the originally recommended $10,000.

Respectfully,

[Signature]

Stephen R. Blackhart
Curator of Education
February 4, 1992

Dear Mr. Chairman and Members of the Committee:

It is my understanding that the Cultural and Aesthetic Grant funding to Very Special Arts Montana (VSAM) has been reduced from the originally recommended $10,000 to $5,500. Due to my concern for Very Special Arts Montana and the opportunities in the arts that the organization provides for persons with mental and/or physical disabilities, I would like to request that the Committee reconsider the reduction in this funding and recommend to the Full Appropriations Committee, a reinstatement of the originally recommended $10,000.

Very Special Arts Montana has a reputable history of making art related experiences accessible to persons whose lives would not otherwise be touched by the creative and fulfilling aspects of the arts. The populations range from pre-school to the elderly, whose disability may be obvious or discrete. In order to increase the number of people reached statewide, the establishment of satellite chapters is essential. Without the help of the Cultural and Aesthetic Grant, Very Special Arts Montana cannot provide more easily accessed arts experience to the disabled populations in rural Montana. The art programs provided by VSAM have been of the highest quality and have served as a greatly needed catalyst for integrated experiences for persons with and without disabilities.

During this very difficult budget year, I appreciate your consideration of this request and hope that you will reconsider reinstating the original recommendation of $10,000.

Sincerely,

Melinda Mason, ACSW
Program Manager
River House
February 4, 1992

Dear Mr. Chairman and Members of the Committee:

Eagle Watch Estates is a 24-unit apartment building designed specifically for mobility impaired adults. In the fall of 1992, not long after we had open, Very Special Arts Montana (VSAM) approached us about their programs and how the mobility impaired residents of Eagle Watch Estates could become involved. Very Special Arts Montana has a reputation of making art related experiences accessible to persons whose lives might not otherwise be touched by the creative energies and fulfilling aspects of the arts.

Eagle Watch Estates has an opportunity to bring accessible housing to only a small portion of Montanans in an urban area. On the other hand, a program like Very Special Arts Montana, by establishing satellite chapters statewide can provide greater access of experiences in art to disabled populations in rural Montana. The population effected by their programs range from pre-school to the elderly. Very special Arts Montana cannot provide access to these programs in rural areas without the support of the Cultural and Aesthetic Grant.

Recently, it was brought to my attention that the Cultural and Aesthetic Grant funding for Very Special Arts Montana has been reduced from $10,000 to $5,500. I am encouraging the Committee to reconsider this major reduction in funding. Very Special Arts Montana offers opportunities for people with disabilities to explore themselves and their own abilities through the medium of art. I also ask that you recommend to the Full Appropriations Committee, a reinstatement of the originally recommended funding of $10,000.

The emphases here is on access, whether it's to a physical structure or program, access provides people with disabilities the opportunity to enhance their own lives.

Thank you for reconsidering this very important grant.

Sincerely,

Kathy Dutton
Site Manager

565 Burton, P.O. Box 7095, Missoula, Montana 59807-7095 (406) 549-3892 Fax (406) 543-1163
February 3, 1993

Dear Mr. Chairman and Members of the Committee:

I have been associated with Very Special Arts Montana (VSAM) for the past five years. It is a worthwhile program deserving of your support. VSAM provides opportunities in the arts for people with mental and/or physical disabilities. It makes art accessible to these persons who otherwise would not have the opportunity for the creative and fulfilling experience which can be gained through the arts. VSAM needs to establish satellite chapters to meet the need statewide. A cut in funding would make this impossible.

It has been brought to my attention that the Cultural and Aesthetic Grant to Very Special Arts Montana (VSAM) has been reduced from the originally recommended amount of $10,000 to $5,500.

The art programs provided by VSAM have been excellent and deserve to be reinstated to the originally recommended $10,000.

Sincerely,

Charles M. Page, Ph.D.
Vice President for Rehabilitation Services
February 4, 1993

Dear Mr. Chairman and Committee Members:

Please consider reinstating the originally recommended $10,000 funding for Very Special Arts Montana (VSAM) as a Cultural and Aesthetic Grant.

We have worked with VSAM for years and consider them to be a very valuable resource to persons with disabilities.

Thank you for your consideration.

Sincerely,

OPPORTUNITY RESOURCES, INC.

Jack Chambers
Executive Director

JC/db
February 3, 1993

Dear Mr. Chairman and Committee Members:

It has been brought to my attention that the Cultural and Aesthetic Grant funding to Very Special Arts Montana (VSAM) has been reduced from the originally recommended $10,000. I have been told this grant has been cut in half; allowing VSAM only $5,000.00. I am writing this letter in support of Very Special Arts Montana and the opportunities the organization provides for person's with mental and/or physical disabilities. I would like to recommend that the Committee reconsider the additional reduction in this funding. Please, recommend to the Full Appropriations Committee, a reinstatement of the originally recommended $10,000.00.

Very Special Arts has a reputable history of making art related experiences accessible to persons whose lives would not otherwise be touched by the creative and fulfilling aspect of the visual and performing arts. The process of increasing the number of people reached is dependent upon the establishment of satellite chapters statewide. Without the help of the Cultural and Aesthetic Grant, Very Special Arts Montana cannot provide more easily accessed art experiences to the disabled population in rural Montana. The populations affected range from pre-school to the elderly, whose disability may be obvious or discrete. The experiences I've had with VSAM has been of the highest quality and have served as a greatly need catalyst for integrated experiences for persons with and without disabilities.

Thank you for your time and please give very serious consideration to reinstating the originally recommended $10,000.

Sincerely,

Jodel Petroni
Education Director
Butte Sheltered Workshop
February 4, 1993

Representative Francis Bardanouve
House District 16
Montana House of Representatives

Dear Representative Bardanouve:

On January 25, 1993, you wrote the Attorney General regarding the financing of the Daly Mansion in Ravalli County. In particular, you expressed concerns regarding a potential foreclosure and requested assistance in obtaining information. The Attorney General has directed that I research these concerns and I offer you and the Long Range Building Subcommittee the following comments.

The Daly Mansion and 40 acres of grounds surrounding the home are owned in fee title by the State of Montana. That real property was deeded to the State Historical Society on December 31, 1986, by the estate of a Hungarian countess, Margit Bigray Bessenyey, who was the granddaughter of Marcus Daly. The co-executor of the estate, Francis Bessenyey, is a stepson of a granddaughter of the countess. Originally the estate was comprised of the Mansion, its furnishings, and approximately 22,000 acres of undeveloped land surrounding the home. The deeding of the Daly Mansion and the surrounding 40 acres to the State in late 1986 was the result of long negotiations between Francis Bessenyey, his New York attorney, Henry Hyde (also a co-executor of the Bessenyey estate), and Tom Brader (a local resident of Ravalli County) and Bob Archibald, the former director of the Montana Historical Society.

Through legislation introduced by former legislator Bob Thoft, Francis Bessenyey approached the 1985 Montana Legislature with the proposal to have the State waive
$600,000 worth of inheritance taxes, this sum representing his asking price for the Mansion. A bill was eventually passed by the Legislature authorizing the waiver of $400,000 in taxes, with the understanding that local residents would be given the opportunity to continue negotiations and raise the difference between this amount and an acceptable selling price of Bessenyey. Eventually the local people, acting through the Valley Community Arts Council (hereinafter Arts Council), made a commitment to Bessenyey of $200,000 in late 1986 and the deed was then transferred to the Historical Society.

Of importance is that the Bessenyey estate did not retain a security interest in the Mansion when the State accepted title. The Arts Council did grant to the estate a security interest in the furnishings of the Mansion. The Arts Council obligated itself through a promissory note bearing 9% interest to pay Bessenyey $160,000 over a period of years. These financial arrangements were superseded by an agreement executed May 1, 1989, between the Bessenyey estate, the Arts Council, the Daly Mansion Preservation Trust, Inc. (hereinafter the "Daly Mansion Trust") and the National Trust for Historic Preservation (hereinafter "National Trust"). The Daly Mansion Trust was created as a non-profit Montana corporation and essentially stepped into the role that the Arts Council had previously served, as the local steward for the Daly Mansion and owner of the mansion’s furnishings. The agreement provided that the National Trust would loan the Daly Mansion Trust $150,000 such that the Daly Mansion Trust could pay the estate the complete amount of the Arts Council’s outstanding obligation and relieve the Arts Council of the security interest in the furnishings. Thus, the Daly Mansion Trust became indebted to the National Trust while the Arts Council and the estate were removed as parties to the financial arrangement. The Daly Mansion Trust’s loan from the National Trust was paid off by the National Trust with a combination of the $150,000 loan and $10,000 raised through fundraising efforts.

2The furnishings were sold by the estate in an auction held in August, 1986. They were purchased by local residents for a combined value of approximately $60,000. The local residents then donated the purchased furnishings to the Arts Council, who maintained them within the Mansion.

3The difference between the $200,000 the Arts Council obligated itself to pay the Bessenyey estate, and the promissory note of $160,000 is attributable to the fact that the Arts Council was able to provide through fundraising efforts a $40,000 down payment on the obligation.

4The $150,000 received by the loan was combined by the Daly Mansion Trust with $10,000 raised through fundraising to pay the Bessenyey estate the $160,000 due on the promissory note of December 31, 1986. The Bessenyey estate waived payment of interest due and cancelled the note.
Trust was not secured with any collateral from the Mansion, however, seven individuals did personally guarantee the loan.5

The Daly Mansion Trust has engaged in extensive fundraising efforts over the years in an effort to repay their loan to the National Trust. See Attachment A. Despite these efforts, in November, 1992, the Daly Mansion Trust had to secure from the National Trust permission to defer payments due November 1, 1992 and February 1, 1993. Such permission was granted by the National Trust November 24, 1992, under the condition that the Trust receive a total of $16,629.35 from the Daly Mansion Trust by May 1, 1993. Assuming this payment is made May 1, 1993, the Daly Mansion Trust will have an unpaid balance of $113,543.38 and payment due of $5,483.36 on August 1, 1993. A final balloon payment of $107,054.13 will be due on April 27, 1994.

This is the present financial situation of the Daly Mansion Trust. The State's ownership of the real property -- the Mansion and surrounding 40 acres -- is not affected by the present difficulties of the Daly Mansion Trust in repaying their outstanding loan to the National Trust. Ownership of the personal property within the Mansion is potentially affected by the present financial situation. The Board of the Daly Mansion Trust has indicated that furnishings of the Mansion may have to be sold to meet the May 1, 1993, payment of $16,600 to the National Trust. Furthermore, unless a significant benefactor can be obtained by the Daly Mansion Trust, their financial difficulties can be expected to persist. Proceeds of the sale of the Mansion's furnishings will be insufficient to retire the outstanding balance of the National Trust loan.

I hope these comments prove of assistance to you and the subcommittee. If you have any additional questions or concerns, please do not hesitate to contact either myself or the President of the Board of the Daly Mansion Trust, Jeanette McKee. Ms. McKee can be reached at 363-4647.

Sincerely,

George Schunk

GEORGE SCHUNK
Assistant Attorney General

cc: Joe Mazurek
    Jeanette McKee

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5In exchange for their guarantee of the loan, these seven individuals executed written agreements with the Daly Mansion Trust that provided, in the event that there was a repayment default to the National Trust, the Daly Mansion Trust would liquidate
DALY MANSION PRESERVATION TRUST

SOURCES OF REVENUE
1987-1992

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<td>12,500</td>
<td>14,750</td>
<td>16,085</td>
<td></td>
</tr>
<tr>
<td>SPECIAL EVENTS</td>
<td>20,365</td>
<td>18,161</td>
<td>22,903</td>
<td>16,275</td>
<td>9,743</td>
<td>7,303</td>
</tr>
<tr>
<td>RENTAL FEES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,186</td>
<td>10,428</td>
</tr>
</tbody>
</table>

(1) ADMISSIONS FOR THE FIRST YEAR WE WERE OPEN WERE VERY HIGH BECAUSE OF PEOPLE'S CURIOSITY TO SEE THE MANSION FOR THE FIRST TIME. ADMISSION WAS $10.00 PER PERSON, AS COMPARED TO OUR CURRENT RATE OF $5.00. ALSO, SPECIAL EVENTS WERE WELL ATTENDED AND COSTLY.

(2) DONATIONS HERE, INCLUDE MONEY THAT WAS GIVEN TO THE TRUST TO HELP BUY FURNITURE AT THE AUCTION SALE.

(3) MEMBERSHIP FEES INCREASED THIS PAST YEAR AS A RESULT OF CONDUCTING A BUSINESS MEMBERSHIP DRIVE THAT ACTUALLY CARRIED OVER INTO 1993. THE END RESULTS OF THIS DRIVE WILL EXCEED $20,000.

(4) RENTAL FEES HAVE BEEN DELETED FROM THE SPECIAL EVENTS CATEGORY IN 1991 AND PUT INTO THEIR OWN CATEGORY, AS THEY ARE BECOMING A MAJOR SOURCE OF REVENUE. WE HAVE EXPERIENCE A STEADY DECLINE IN ATTENDANCE AND INCOME FROM SPECIAL EVENTS FOR THE LAST THREE YEARS.

* 1991 Capital Campaign Drive was for a 2-year commitment, thus 1992 income is payment of outstanding '91 pledges.

Attachment A
WATER DEVELOPMENT -- COAL SEVERANCE TAX LOANS

HOUSE BILL NO. 0012

Required Coal Tax Subsidy
Assumes the state will sell a 20 year bond at an interest rate of 6%.

1) Town of Ennis

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>Subsidized Payment</th>
<th>Required Coal Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,100,000</td>
<td>$88,267</td>
<td>$7,636</td>
</tr>
</tbody>
</table>

Total Coal Tax Subsidy over a 5 year period is $38,180.

2) Huntley Project Irrigation District

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>Subsidized Payment</th>
<th>Required Coal Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,875,440</td>
<td>$327,706</td>
<td>$97,357</td>
</tr>
</tbody>
</table>

Total Coal Tax Subsidy over a 20 year period is $1,947,140.

3) DNRC -- North Fork of the Smith River Project

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>Subsidized Payment</th>
<th>Required Coal Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,393,467</td>
<td>$93,663</td>
<td>$27,826</td>
</tr>
</tbody>
</table>

Total Coal Tax Subsidy over a 20 year period is $556,520.

4) Tin Cup Dam

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>Subsidized Payment</th>
<th>Required Coal Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$304,204</td>
<td>$20,447</td>
<td>$6,075</td>
</tr>
</tbody>
</table>

Total Coal Tax Subsidy over a 20 year period is $121,500.
## Cost of Irrigation for Projects Receiving Water Development Funding

<table>
<thead>
<tr>
<th>Project Sponsor</th>
<th>Original Principal Amount</th>
<th>Interest Rate</th>
<th>Term (Years)</th>
<th>Annual Payment</th>
<th>Acres Benefited</th>
<th>Cost of loan per acre</th>
<th>Total cost of water per acre (Debt Service + O&amp;M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bitterroot Irrigation District</td>
<td>$1,180,000</td>
<td>3.00%</td>
<td>30</td>
<td>$59,771.43</td>
<td>3,326</td>
<td>$17.97</td>
<td>$18.25</td>
</tr>
<tr>
<td>Beaverhead Co. Red Rock River W/S dist.</td>
<td>2,700,000</td>
<td>3.00%</td>
<td>30</td>
<td>137,124.00</td>
<td>16,000</td>
<td>8.57</td>
<td>9.83</td>
</tr>
<tr>
<td>East Bench Irrigation District</td>
<td>757,297</td>
<td>3.00%</td>
<td>30</td>
<td>38,865.00</td>
<td>2,615</td>
<td>14.86</td>
<td>25.15</td>
</tr>
<tr>
<td>Mill Creek Water District</td>
<td>950,000</td>
<td>3.00%</td>
<td>30</td>
<td>48,754.00</td>
<td>3,450</td>
<td>14.13</td>
<td>15.01</td>
</tr>
<tr>
<td>Pondera County Canal and Reservoir co.</td>
<td>555,000</td>
<td>6.00%</td>
<td>30</td>
<td>52,972.00</td>
<td>79,127</td>
<td>0.67</td>
<td>10.25</td>
</tr>
<tr>
<td>Shields Canal Co. Water Users Assoc.</td>
<td>30,000</td>
<td>8.38%</td>
<td>20</td>
<td>3,163.00</td>
<td>1,470</td>
<td>2.15</td>
<td></td>
</tr>
<tr>
<td>Upper Musselshell Water Users Assoc.</td>
<td>222,647</td>
<td>8.38%</td>
<td>20</td>
<td>23,705.00</td>
<td>21,718</td>
<td>1.09</td>
<td>3.00</td>
</tr>
<tr>
<td>Yellow Water Water Users Assoc.</td>
<td>32,000</td>
<td>8.38%</td>
<td>20</td>
<td>3,402.00</td>
<td>1,455</td>
<td>2.34</td>
<td></td>
</tr>
</tbody>
</table>
Grant funds will be provided after DNRC approves a scope of work and a budget, and after matching funds have been secured. Any requirements or measures identified as reasonable to reduce project impacts shall be stipulated in the project agreement and incorporated as part of the project's scope of work. Original specifications, designs, and respective revisions shall be submitted to and approved by the Department of Health and Environmental Sciences before bids are solicited; by reference, these also shall be included in the project agreement.

After bids have been obtained, the project sponsor shall submit a breakdown of specific construction costs such as material, labor, and equipment. Any reduction in the scope of work will require a proportional reduction in the grant amount. Any funds received from sources other than those already identified will cause a dollar-for-dollar reduction in the funds awarded under this grant.

If grant funding is not available, the project sponsor may request a DNRC loan up to $50,000. DNRC will provide loan funding in an amount commensurate with the project sponsor's ability to repay the principal and interest according to terms specified in a DNRC bond purchase agreement.

PROJECT NO. 21

APPLICANT NAME: CARBON COUNTY

PROJECT NAME: Roberts Water System Improvement

AMOUNT REQUESTED: $100,000 GRANT

OTHER FUNDING SOURCES:
- $375,000 (Community Development Block Grant)
- $341,562 (Farmer's Home Administration Loan)

TOTAL PROJECT COST: $816,562

AMOUNT RECOMMENDED:
- $50,000 GRANT
- $50,000 LOAN

PROJECT ABSTRACT (Prepared and submitted by applicant)

Roberts, Montana, is an unincorporated community in Carbon County with a population of approximately 200. The town currently draws its water from two closely spaced wells. The water then is chlorinated and pumped to a 5,000-gallon storage pressure tank. The distribution system that supplies water to the water district users is made up of nearly 1,850 feet of 6-inch pipe and 5,000 feet of 4-inch pipe with substandard looping and valving.

Because of an extremely limited storage capability, undersized mains, and the lack of system looping, the Roberts water system is unable to meet minimum requirements for peak water demands, chlorination detention time, fire flow demand, and minimum operational pressures. In addition, the present chlorine feed system is extremely hazardous, if not potentially life-threatening, to people who work in or near the pump and storage facility. This facility is located at a point of surface runoff concentration and also is subject to potential flood damage and surface influence.

Providing a new pump and storage facility in a new location with a proper chlorine feed system, along with making distribution improvements, will ensure Roberts an adequate water supply system free of the present health, safety, and operational problems.
TECHNICAL ASSESSMENT  (Prepared by DNRC)

Roberts has had water system problems for several years with its limited storage capacity (5,000 gallons), undersized mains, and inadequate looping of system lines. The limited storage does not allow adequate chlorination detention time, and the town is unable to meet requirements for minimum fire flow and operational pressure. Its outdated chlorination facilities also present a significant safety hazard both to its operator and the town's residents.

Several years ago, the town contracted with an engineering firm for a detailed study of Roberts' water system. The study was completed in 1986, followed by a supplemental study in 1992.

These two studies recommended six alternatives for improving Roberts' water system. Of these six, the town chose the alternative it thought would provide the best long-term solution to its water system problems.

Roberts proposes to construct a new 200,000-gallon storage tank, develop new wells in a better location, construct a new pumphouse with chlorination facilities, and rehabilitate the current distribution system. By making all these improvements, the town will be able to meet applicable drinking water standards.

The documentation submitted with the application supports the work proposed for the system. The Department of Health and Environmental Sciences also has indicated its support of the project.

The town has identified an area on which the well, pumphouse, and storage tank will be constructed. This area is located on private land, and the town has indicated that the landowner is receptive to selling the property if the project should go forward. The water main will be replaced on property already controlled by the town. The town has a water right on its existing well and, if new wells are developed, it will have to obtain water rights for them. No additional permits appear to be required for this project.

FINANCIAL ASSESSMENT

The proposed project's total is $816,562. The $100,000 grant request includes $1,000 for contract administration and $99,000 for construction, including $9,000 for contingencies. Additional funding will be obtained through a Community Development Block Grant ($375,000) and a Farmer's Home Administration (FmHA) loan ($341,562).

The budget developed for all alternatives is acceptable. Although the town has not chosen the least-cost alternative, the Department of Health and Environmental Sciences and DNRC both support the selected alternative. The application indicates that the town's residents are capable of repaying the FmHA loan.

BENEFIT ASSESSMENT

DNRC's project review values only those benefits described by statute. Public benefits are found in projects that support the State Water Plan; promote reserved water rights; conserve, manage, or protect water resources; exhibit broad citizen support and public use; display tangible benefits; or replace benefits—economic or otherwise—currently derived from Montana's mineral resources.
The proposed project will relocate well system and chlorination facilities out of a low area susceptible to contamination. Relocating and updating the chlorination facilities will improve the residents' safety, and the additional storage will enable the system to meet applicable standards for fire flow and operational pressure.

ENVIRONMENTAL ASSESSMENT

During construction, slight to moderate adverse environmental effects may take place in disturbed areas, such as dust, noise, and debris. Proper precautions will be taken to reduce these impacts.

The project's positive effects will include improved water quality that will meet applicable state and Federal safe drinking water standards. In conjunction with the application for water rights associated with the proposed well(s), DNRC would complete an environmental checklist to document that the project's adverse effects would not be significant.

RECOMMENDATION

Since the project sponsor is able to assess fees or collect tax revenue to recover the project's cost, the project is considered to have "payback capability" and thus qualifies for only 25 percent of the project cost or $50,000, whichever is less. DNRC recommends a $50,000 grant.

The project sponsor may obtain additional funding through a DNRC loan up to $50,000. DNRC will provide a loan up to the amount requested, commensurate with the project sponsor's ability to repay the principal and interest according to terms specified in a DNRC bond purchase agreement.

Grant funds will be provided after DNRC approves a scope of work and a budget, after matching funds have been secured, and after DNRC has completed a checklist review required under the Montana Environmental Policy Act (MEPA). Mitigation measures considered necessary to address the project's adverse effects would be stipulated in the project agreement and incorporated as part of the project's scope of work. Original specifications, designs, and respective revisions shall be submitted to and approved by the Department of Health and Environmental Sciences before any bids are solicited; by reference, these also shall be included in the project agreement.

After bids have been obtained, the project sponsor shall submit a breakdown of specific construction costs such as material, labor, and equipment. Any reduction in the scope of work will require a proportional reduction in the grant amount. Any funds received from sources other than those already identified will cause a dollar-for-dollar reduction in the funds awarded under this grant.

If grant funding is not available, the project sponsor may request a DNRC loan up to $100,000. DNRC will provide loan funding in an amount commensurate with the project sponsor's ability to repay the principal and interest according to terms specified in a DNRC bond purchase agreement.
The following projects are Coal Severance Tax loans recommended for funding. The list is alphabetized by the name of the project sponsor.

**PROJECT NO. 1**

<table>
<thead>
<tr>
<th>APPLICANT NAME</th>
<th>TOWN OF ENNIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECT NAME</td>
<td>Water Storage and Distribution System Improvements</td>
</tr>
<tr>
<td>AMOUNT REQUESTED</td>
<td>$1,100,000 LOAN</td>
</tr>
<tr>
<td>OTHER FUNDING SOURCES</td>
<td>None</td>
</tr>
<tr>
<td>TOTAL PROJECT COST</td>
<td>$1,100,000</td>
</tr>
</tbody>
</table>

**PROJECT ABSTRACT** *(Prepared and submitted by applicant)*

This project is proposed to improve the town of Ennis' water storage and distribution system. A 300,000-gallon reservoir will be constructed southwest of Ennis, with a 12-inch transmission main connecting the reservoir to the existing distribution system. The new tank will increase available storage from 250,000 to 500,000 gallons to enable the community to fight larger fires, and the reservoir will be placed at an elevation such that pressures in the southwestern part of town can be increased to an acceptable level.

A second pressure zone will be needed after the new tank is constructed. To supply and pressurize this zone, a booster pump station will be constructed. A pressure-reducing station will be integrated between the pressure zones to let water from the new storage tank enter the lower pressure zone as needed to fight fires.

Distribution system improvements will provide a core to satisfy fire supply needs for all areas, particularly the commercial district. Several loops also will be completed not only to increase pressure but to eliminate the potential for stagnant or contaminated water. New fire hydrants will be installed to replace those that do not function properly and, for more efficient system operation, new gate valves will be installed to replace inoperable valves.

**TECHNICAL ASSESSMENT** *(Prepared by DNRC)*

The town of Ennis' population increased more than 17 percent between 1980 and 1990. The increased growth into outer areas of the community has caused problems with supplying adequate water pressure and flow to all areas. As Ennis' population increases, the demand for water increases, and the town has discovered that it no longer is able to provide water to all its consumers and still maintain adequate system pressure and an adequate fire-fighting reserve.
In 1990, Ennis commissioned a detailed water system analysis. The analysis was completed in November 1991 and identified several alternatives for correcting the water storage and distribution system problems. For each option, detailed cost estimates were prepared and the least-cost alternatives selected. Although some of the other alternatives were considered technically feasible, they proved to be cost-prohibitive.

The town of Ennis proposes to construct a new 300,000-gallon, on-ground, bolted steel water storage tank. The tank will be located so that water pressure throughout the town meets applicable standards, and it also will increase the system’s storage capacity by 100 percent. As a result, water availability for consumer use and fire protection will increase.

A number of improvements are planned for the distribution system, including replacement of undersized mains, installation of additional fire hydrants and valves, elimination of dead end mains, and construction of a new, radio-controlled telemetry system.

Ennis has coordinated its efforts with several local, state, and federal agencies, and all necessary permits have been identified. Although none have been applied for yet, obtaining the permits should not be a problem. The project’s budget and the proposed schedule appear realistic.

FINANCIAL ASSESSMENT

The cost estimate in the application is realistic, and the figures are adequately documented in the water system analysis. The system’s 762 equivalent users will see their rates increase from $7.29 to $26.10 per month (a 360 percent increase). While this represents a significant user rate increase, it is not out of line in comparison to other communities of similar size.

BENEFIT ASSESSMENT

DNRC’s project review values only those benefits described by statute. Public benefits are found in projects that support the State Water Plan; promote reserved water rights; conserve, manage, or protect water resources; exhibit broad citizen support and public use; display tangible benefits; or replace benefits—economic or otherwise—currently derived from Montana’s mineral resources.

This project will provide an improved water system for Ennis’ citizens. The community will receive a fire protection system capable of meeting ISO requirements that should help reduce insurance premiums and make the commercial district more attractive to potential businesses. Water pressure will be increased in several areas of town, and the potential for stagnation and contamination potential will be minimized by eliminating dead end mains. Also, the number of any users disrupted by required system shutdowns will be minimized with the addition of new valves.

ENVIRONMENTAL ASSESSMENT

The adverse environmental aspects associated with this project are those related to construction. With the exception of new disturbances for the proposed water reservoir and connecting pipelines, most construction will take place within Ennis city limits. The construction will involve the usual earth-moving and excavation procedures that will cause some dust and noise pollution. To reduce these impacts, proper precautions will be taken during construction.
Positive environmental effects are anticipated for water quantity and quality. The increased amount of stored water will allow additional water for consumer demand or fire-fighting. The system also will realize better pressures and operation flexibility that will improve water quality and service for the users.

RECOMMENDATION

DNRC recommends a $1,100,000 loan at an interest rate 1 percentage point below the rate at which the state bond is sold for the first five years, and at the bond rate for the remaining 15 years.

Since Ennis will be asked to increase its rates by more than 360 percent, the town shall hold a debt election in accordance with Title 7, Chapter 7, Part 42, MCA, to show its support for the project. A simple majority of those electors casting ballots must be in favor of the project before any DNRC funds will be disbursed.

State agency approvals will be required for this project. As a condition of the loan, DNRC would require that the appropriate permits and approvals be obtained. If an additional environmental analysis is required as a prerequisite for permit issuance, DNRC would participate to the degree required to determine whether adverse impacts beyond those expected would occur and to determine the measures necessary to reduce those impacts to acceptable levels. If any such measures are identified, the loan amount may be increased to provide funds necessary for maintaining adverse impacts at minor levels.

Expenditure of the funds would be contingent upon the Department of Health and Environmental Sciences' final approval of the project design.

PROJECT NO. 2

APPLICANT NAME HUNTLEY PROJECT IRRIGATION DISTRICT
PROJECT NAME Diversion and Main Canal Rehabilitation and Betterment
AMOUNT REQUESTED $4,875,440 LOAN
OTHER FUNDING SOURCES $ 176,530 (Project Sponsor)
TOTAL PROJECT COST $5,051,970

PROJECT ABSTRACT (Prepared and submitted by applicant)

Between 1904 and 1908, the U.S. Bureau of Reclamation constructed the main canal and tunnels (three ranging from 550 to 1,600 feet long) of the project's irrigation system. The system's initial capacity was 750 cubic feet per second (cfs). Throughout the years, however, the longest tunnel (#2) has deteriorated substantially for several reasons. (1) The tunnel was constructed of unreinforced concrete of questionable quality. (2) Some of the soil through which the tunnel was constructed has a high expansion ratio. (3) During the 80-plus years the tunnel has been in existence, it has received no protection from Montana's winters. (4) In later years, the original structure's under-capacity design raised velocities within the tunnel to approximately 9.5 feet per second and, with the quality of the water
# TABLE 1

## PROPOSED FINANCING PLAN

<table>
<thead>
<tr>
<th>Loan Payments</th>
<th>DNRC Loan Only</th>
<th>DNRC Loan With TSEP Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Costs</td>
<td>$996,000</td>
<td>$996,000</td>
</tr>
<tr>
<td>Less TSEP Grant</td>
<td>- 0 -</td>
<td>$400,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$996,000</td>
<td>$596,000</td>
</tr>
<tr>
<td>Bond Administration (3%)</td>
<td>$29,900</td>
<td>$17,900</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$1,025,900</td>
<td>$613,900</td>
</tr>
<tr>
<td>Semiannual Payment (6.5% over 20 Years)</td>
<td>$72,531</td>
<td>$43,403</td>
</tr>
<tr>
<td>Allow For Reserve (One semiannual payment)</td>
<td>$72,500</td>
<td>$43,400</td>
</tr>
<tr>
<td>Recalculate Semiannual Payments Based on $1,100,000 Loan ($74,100 For Reserve) and $560,000 Loan ($46,100 For Reserve)</td>
<td>$77,770</td>
<td>$46,660</td>
</tr>
<tr>
<td>Total Annual Payments</td>
<td>$155,540</td>
<td>$93,320</td>
</tr>
</tbody>
</table>

## Estimated Annual System Operation Revenue

<table>
<thead>
<tr>
<th></th>
<th>DNRC Loan Only</th>
<th>DNRC Loan With TSEP Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt From Proposed DNRC Loan</td>
<td>$155,500</td>
<td>$93,300</td>
</tr>
<tr>
<td>Debt From Present FmHA Loan</td>
<td>$3,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>Operation &amp; Maintenance</td>
<td>$38,500</td>
<td>$38,500</td>
</tr>
<tr>
<td>Additional For 125% Coverage Requirement</td>
<td>$20,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Total Annual Revenue</td>
<td>$217,500</td>
<td>$147,300</td>
</tr>
<tr>
<td>Monthly Revenue Required</td>
<td>$18,125</td>
<td>$12,275</td>
</tr>
<tr>
<td>Monthly Cost Per Equivalent User (822)</td>
<td>$22.04</td>
<td>$14.93</td>
</tr>
</tbody>
</table>

## Estimated Rates (Monthly)

<table>
<thead>
<tr>
<th></th>
<th>Residential</th>
<th>Commercial</th>
<th>Institutional</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$22.00</td>
<td>$110.00</td>
<td>$198.00</td>
</tr>
<tr>
<td></td>
<td>$15.00</td>
<td>$75.00</td>
<td>$135.00</td>
</tr>
</tbody>
</table>

1. Does not include 1% subsidy for first five years

2. Based on 360 residential, 78 commercial (5 x residential charge) and 8 institutional (9 x residential charge)
Positive environmental effects are anticipated for water quantity and quality. The increased amount of stored water will allow additional water for consumer demand or fire-fighting. The system also will realize better pressures and operation flexibility that will improve water quality and service for the users.

RECOMMENDATION

DNRC recommends a $1,100,000 loan at an interest rate 1 percentage point below the rate at which the state bond is sold for the first five years, and at the bond rate for the remaining 15 years.

Since Ennis will be asked to increase its rates by more than 360 percent, the town shall hold a debt election in accordance with Title 7, Chapter 7, Part 42, MCA, to show its support for the project. A simple majority of those electors casting ballots must be in favor of the project before any DNRC funds will be disbursed.

State agency approvals will be required for this project. As a condition of the loan, DNRC would require that the appropriate permits and approvals be obtained. If an additional environmental analysis is required as a prerequisite for permit issuance, DNRC would participate to the degree required to determine whether adverse impacts beyond those expected would occur and to determine the measures necessary to reduce those impacts to acceptable levels. If any such measures are identified, the loan amount may be increased to provide funds necessary for maintaining adverse impacts at minor levels.

Expenditure of the funds would be contingent upon the Department of Health and Environmental Sciences' final approval of the project design.

PROJECT NO. 2

<table>
<thead>
<tr>
<th>APPLICANT NAME</th>
<th>HUNTLEY PROJECT IRRIGATION DISTRICT</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECT NAME</td>
<td>Diversion and Main Canal Rehabilitation and Betterment</td>
</tr>
<tr>
<td>AMOUNT REQUESTED</td>
<td>$4,875,440 LOAN</td>
</tr>
<tr>
<td>OTHER FUNDING SOURCES</td>
<td>$ 176,530 (Project Sponsor)</td>
</tr>
<tr>
<td>TOTAL PROJECT COST</td>
<td>$5,051,970</td>
</tr>
</tbody>
</table>

PROJECT ABSTRACT (Prepared and submitted by applicant)

Between 1904 and 1908, the U.S. Bureau of Reclamation constructed the main canal and tunnels (three ranging from 550 to 1,600 feet long) of the project's irrigation system. The system's initial capacity was 750 cubic feet per second (cfs). Throughout the years, however, the longest tunnel (#2) has deteriorated substantially for several reasons. (1) The tunnel was constructed of unreinforced concrete of questionable quality. (2) Some of the soil through which the tunnel was constructed has a high expansion ratio. (3) During the 80-plus years the tunnel has been in existence, it has received no protection from Montana's winters. (4) In later years, the original structure's under-capacity design raised velocities within the tunnel to approximately 9.5 feet per second and, with the quality of the water...
being diverted, creates a highly erosive condition. Today, tunnel #2 is on the verge of collapsing.

The diversion dam was constructed during the mid-1930s, when "head-cutting" within the river channel threatened to leave the diversion gates high and dry. In 1956, the diversion dam began to fail and was repaired with funds the Huntley Project Irrigation District borrowed from the United States. Today, the diversion dam again is in danger of failing.

The main diversion gates are located approximately 1,400 feet above the diversion dam. During two of the past five years, depositions in front of the diversion gates virtually have shut them off. According to the entities responsible for administering the Clean Water Act, no further permits will be forthcoming unless the planned activity will provide stability for a period not less than five years.

The three major elements of the proposed project that pose the greatest threat to its continued existence of the project are:

1. relocation of the main diversion gates to the immediate vicinity of the diversion dam;
2. reconstruction of the diversion dam; and
3. reconstruction of tunnel #2.

TECHNICAL ASSESSMENT (Prepared by DNRC)

The irrigation district is comprised of 27,706 acres in southcentral Montana. The Bureau of Reclamation constructed the original irrigation district facilities between 1904 and 1908.

The problems the proposed project will address are well-described and documented. Investigations have shown that the diversion dam, the main intake structures, and tunnel #2 are the facilities that most need immediate attention. Documentation and descriptions of technical alternatives and costs, implementation plans, the area's natural features, and the project results are provided in the application.

The crest of the concrete diversion dam's southern half has a downstream deflection of approximately 2 feet and a vertical deflection of approximately 1 foot. A transverse crack is evident just below the crest, and the dam's concrete has substantially eroded in certain sections. Five rehabilitation alternatives are provided in the application, including design drawings and cost breakdowns. The proposal calls for removing the existing structure and replacing it with a new structure made of roller-compacted concrete with an inflatable rubber dam.

According to the proposal, gravel and sediment deposition in front of the existing river intake structure, caused by river channel changes, will be eliminated by relocating the structure to the immediate proximity of the diversion dam. The proposed alternative includes closed conduits from the intake structure through the access road and railroad track embankments to the existing canal. A Montana Rail Link contact indicates that it would have to approve any railroad embankment alteration or disturbance, but the irrigation district has not contacted Montana Rail Link. A concrete sill will be constructed in a side channel to maintain water level for inflow into the intake structure.

Two alternatives for rehabilitating tunnel #2 are described: (1) open-cut the tunnel and line the cut with concrete, or (2) rebare the tunnel and reline it with concrete. Because of extreme cost-estimate ranges, the alternative selected will be determined by the bidding process at the time of construction.
Although rebuilding a portion of the main canal is indicated in the application as proposed work, no specific design information is provided.

FINANCIAL ASSESSMENT

The project’s proposed total cost is $5,051,970. The irrigation district’s $4,875,440 loan request includes $502,000 for engineering and construction management, $3,348,000 for construction contracts, $502,200 for contingencies, $392,680 for inflation contingencies, and $130,560 for land administration fees. The irrigation district will contribute $158,000 for pre-contract engineering costs, $1,530 for inflation contingencies, $14,000 for salaries and benefits, $2,000 for travel, and $1,000 for general office costs.

The irrigation district’s current annual operating budget is approximately $629,784. These operation and maintenance costs are collected from an assessment of $20 per irrigable acre and other district revenues. According to the application, the district’s capacity to repay loan obligations is limited to the water users’ willingness to pay. It states that the water users have indicated a “willingness to pay” an additional $3 to $4 per acre—approximately an 18 percent increase—to repay DNRC’s loan. Based on these figures, the district is requesting a 0 percent interest loan over a 30-year repayment period. The district now has an emergency reserve fund of $150,000 and would sell a bond to the state under the authority of irrigation district law.

The district’s total indebtedness as of December 31, 1991, was $237,306.86 owed to the United States Government as the outstanding balance of the original construction costs of the irrigation district facilities. The district has no outstanding special improvement bonds or warrants.

Although wetland and wildlife habitat mitigation measures and rebuilding a portion of the main canal are indicated in the application as proposed work, no specific costs are provided.

The irrigation district manager indicated that the district will terminate the $727,958 loan from DNRC authorized in 1991.

BENEFIT ASSESSMENT

DNRC’s project review values only those benefits described by statute. Public benefits are found in projects that support the State Water Plan; promote reserved water rights; conserve, manage, or protect water resources; exhibit broad citizen support and public use; display tangible benefits; or replace benefits—economic or otherwise—currently derived from Montana’s mineral resources.

This project’s key benefit would be eliminating the risk of failure of the structures described. If these structures fail, the district’s irrigators would not have access to the water they need for crop production. The project will also improve the use of the water supply. The district currently is unable to divert its entitlement when the river is at low-fall flows, which requires the district to divert greater amounts over extended periods of time to fulfill its obligation to water users. Relocating the main diversion gates will provide a consistent, timely diversion of water to meet irrigation needs and also will solve a problem the district now has with removing gravels in front of the diversion gate. This removal requires work in the river channel, and the Yellowstone Conservation District officially has notified the irrigation district that no more 310 permits will be issued for this purpose unless a long-term solution can be identified. Other stated project benefits include improved diversion and water use to meet peak system demands and the reduction or total elimination of excavation work in the river channel.
ENVIRONMENTAL ASSESSMENT

The proposed project could produce potentially significant, adverse effects that would warrant an additional environmental review. The project involves reconstructing an existing major diversion on the Yellowstone River. The impacts that would be caused by the proposed reconstruction activities have not been fully documented, and whether the proposed solution would represent the best alternative is uncertain.

Agencies with permitting authority may determine that an environmental assessment would be required. This review possibly could be tied to environmental assessments prepared by the U.S. Bureau of Reclamation or other agencies. An environmental review would determine the proposed project's potential for significant adverse and beneficial environmental effects, along with any mitigation measures deemed necessary for keeping adverse effects at acceptable levels. Among areas of concern to be addressed are whether the proposed changes would provide the degree of stability at the diversion sought by the Department of Health and Environmental Sciences and the EPA necessary for water quality protection; what provisions for fish by-pass of the diversion dam should be made; what effects the increased diversions will have on the river's fishery during low flows; and any effects on downstream water rights or diversions.

RECOMMENDATION

DNRC recommends a $4,875,440 loan at a 3 percent interest rate with a 20-year repayment term. The interest rate for the first 5 years will be at 3 percent below the bond rate and at the bond rate for the remaining 25 years. The loan will be secured by a bond sold under the authority of irrigation district law.

The district shall not receive any loan funds until DNRC receives and approves documentation showing (1) that permission from Montana Rail Link has been obtained for work on the railroad track embankment; (2) that all required permits and licenses have been secured; (3) specific design information for rebuilding stated portions of the main canal; and (4) costs for wetland and wildlife habitat mitigation measures and rebuilding stated portions of the main canal.
RECONSTRUCTION AND BETTERMENT PROGRAM

The Huntley Project was constructed shortly after the Reclamation Act of June 17, 1902 (1904-08) and has been in continual operation for about 83 years. The project serves 27,706 acres of irrigated land (over 500 land owners) in the Yellowstone River Valley between Huntley and Pompeys Pillar. The production from the irrigated lands contributes in excess of $7,500,000 annually to the economic base of the region. The project features under consideration include a diversion dam and intake structures in the Yellowstone River and three tunnel sections (see map on back). Tunnel No. 2 has experienced severe deterioration in recent years and is in danger of collapse. The diversion dam is also in poor condition and in danger of failing. Sediment deposition in front of the main intake gates has virtually shut them off in two of the last five years. Removal of the sediment impacts the water quality of the Yellowstone River. Therefore, a reconstruction and betterment program has been developed to address the three deficiencies that pose the greatest threat to continued existence of the project:

- Reconstruction/Replacement of Tunnel No. 2
- Relocation of the Main Diversion Gates to a Point Adjacent to Dam
- Reconstruction of the Diversion Dam

This program has been developed from a review of the features that are of critical concern to the project. Failure to complete the program may result in sudden loss of ability to deliver water to project lands. This would be catastrophic to the local economy.

PROJECT FUNDING

Funding for the Reconstruction and Betterment Program involves a loan under the Montana Water Development Loan Program. The amount of the loan for each feature is:

- Tunnel No. 2 $2,951,400
- River Intake $ 548,900
- Diversion Dam $1,375,100

Contributions $176,530
Total Project Cost $5,051,930

Loan Repayment ($4,875,400)
Annual Cost Per Acre

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<tr>
<th>Term</th>
<th>No Int. Loan</th>
<th>3% Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 years</td>
<td>$8.80</td>
<td>$11.83</td>
</tr>
<tr>
<td>30 years</td>
<td>$5.87</td>
<td>$ 8.98</td>
</tr>
</tbody>
</table>

The District’s current Operation and Maintenance Assessment is $20 per acre. A financial analysis by the Bureau of Reclamation shows no additional ability to pay. A portion of the repayment would be raised through reduced maintenance costs associated with the reconstruction.

Comparison Rates for Other Projects

| Lower Yellowstone | $21 | Fort Shaw | $16 |
|-------------------|-----|-----------|
| Buffalo Rapids    | $23 | E. Bench  | $12 |
EXHIBIT 10
DATE 2-5-93

Summary of Loan Application
Huntley Project Irrigation District
Dam and Main Canal
Reconstruction & Betterment Program

Loan requested from funds of the
Water Development & Renewable Resources Program
State of Montana
Department of Natural Resources & Conservation
RECOMMENDATION

DNRC recommends a $1,393,467 loan at a 3 percent interest rate with a 20-year repayment term. This amount is sufficient to fund project construction along with a reserve account. If determined that tax-exempt bonds can be sold only if the water users association forms a governmental entity—such as an irrigation district or water district—the loan will be made to the governmental entity once it is created.

If an environmental assessment is necessary in conjunction with the permitting process, the opportunity for public comment on the proposed project, feasible alternatives, and mitigation measures recommended to reduce impacts to acceptable levels should be included in the review. The environmental assessment would be used to select this project’s recommended alternative.

PROJECT NO. 4

APPLICANT NAME  TIN CUP WATER COMPANY
PROJECT NAME  Tin Cup Lake Dam Restoration Project
AMOUNT REQUESTED  $273,742 LOAN
OTHER FUNDING SOURCES  $ 7,000 (Tin Cup Water Company)
TOTAL PROJECT COST  $280,742

PROJECT ABSTRACT  (Prepared and submitted by applicant)

Under the National Dam Inspection Act (Public Law 92-367), the Tin Cup Lake Dam has been designated as "high-hazard" by the U.S. Army Corps of Engineers, the U.S. Forest Service, and DNRC.

Presently located downstream of the Tin Cup Lake Dam are at least four residences; a business; several private, county, and state roads, bridges, and utilities; and several hundred acres of agricultural and ranch land. The Corps, the Forest Service, and DNRC consider the downstream hazard potential to be high in the event of a sudden dam failure. The possibility of a loss of life also is considered high.

The Tin Cup Lake Dam restoration project’s primary purpose is to bring the designated "high-hazard" dam into compliance with current state and federal dam safety standards.

Public benefits attributed to the Tin Cup Lake Dam include (1) agriculture irrigation, (2) groundwater recharge, (3) flood control, (4) controlling and maintaining instream flows for fisheries, (5) enhancement of area public recreation opportunities, and (6) improving water quality by controlling streambank erosion and stream sedimentation on and along the Tin Cup Creek Reservoir.

Water conservation and the subsequent, multiple water use are the real measures of a water development project’s worth. The Tin Cup Lake Dam restoration project offers Montana the opportunity to provide a financing mechanism for preserving an existing resource that has been and will continue to be used and enjoyed by thousands of Montanans.
The Tin Cup Lake Dam is located at the headwaters of Tin Cup Creek near the Montana-Idaho border approximately 14 miles south and west of Darby. The dam is located in Ravalli County and lies entirely within the Selway-Bitterroot wilderness area of the Bitterroot National Forest.

Since Tin Cup Lake Dam was completed in 1906, it has been modified several times throughout the years. The dam’s earth and rock fill embankment is 25 feet high and 437 feet long, and its crest width is between 10 and 17 feet. The dam’s active storage capacity at normal pool level is 2,420 acre-feet, and the total storage capacity—to the overtopping dam crest elevation—is 2,800 acre-feet.

The Tin Cup Lake Dam’s primary purpose is to store water above the lake level and supplement the natural creek water supply during the late summer season. Nearly 1,300 acres of land are irrigated by the dam’s water.

An engineering study completed by the U.S. Army Corps of Engineers in 1981 classified the dam as high-hazard.

The project sponsor proposes raising the dam crest’s height to allow routing the probable maximum flood, increasing the spillway capacity, reshaping and armoring both the upstream and downstream slopes of the dam, and rehabilitating the inlet and outlet controls to the dam. This approach is reasonable and is supported by DNRC’s Dam Safety Section. The proposal appropriately includes several design alternative concepts that were evaluated during the preliminary engineering phase.

The proposal identifies the permits necessary for completion of the project. Because the dam is located on Forest Service property, care must be taken to ensure that all applicable Forest Service rules and regulations are strictly followed.

The costs presented in the proposal appear adequate, although they are slightly higher than the costs of other projects of this type. Most of the higher costs, however, can be attributed to having to complete the work within a wilderness area and the resultant restriction placed on the work.

The proposal states that the water company members’ “willingness-to-pay” is between $15 and $17 per acre, plus the current $7.02 per year operation and maintenance assessment.

DNRC’s project review values only those benefits described by statute. Public benefits are found in projects that support the State Water Plan; promote reserved water rights; conserve, manage, or protect water resources; exhibit broad citizen support and public use; display tangible benefits; or replace benefits—economic or otherwise—currently derived from Montana’s mineral resources.

The project’s final product will be a rehabilitated irrigation facility that meets today’s engineering standards. The facility will be a safe structure, free of expensive structural maintenance for several years. The structure will be stable and safe during the maximum credible earthquake and probable maximum flood design level established by federal and state requirements.
Fifty-two Tin Cup Lake Dam water users will benefit directly by having a safe, reliable irrigation water source.

ENVIRONMENTAL ASSESSMENT

The proposed project will cause considerable disturbances from access and rehabilitation work on Tin Cup Lake located about eight miles within the Selway-Bitterroot Wilderness area. The project would produce both beneficial and adverse effects from rehabilitation work proposed to bring the dam into compliance with dam safety standards. The significance of these effects is not fully known and would require an additional review to evaluate their severity and magnitude and the need for mitigation measures. The Forest Service likely will require preparation of an environmental document before approving activities to reconstruct and rehabilitate Tin Cup Lake's facilities.

RECOMMENDATION

DNRC recommends a $303,240 loan at a 3 percent interest rate for a 30-year term. The loan amount may be adjusted upward to provide any additional funds necessary to complete an environmental review.

DNRC funding is contingent on the sponsor forming a public entity such as an irrigation district or a water district. Funding also is contingent on fulfillment of MEPA requirements that may include completion of an environmental review by the U.S. Forest Service to evaluate the impacts of proposed activities, alternative to completing the needed repairs and investigating measures that may be necessary to reduce adverse impacts to acceptable levels.
TIN CUP LAKE DAM
RESTORATION PROJECT

INFORMATION PACKET

JANUARY 1993

TIN CUP WATER COMPANY
P.O. Box 292
Darby, Montana 59829
Operational History:

The Tin Cup Lake Dam is located at the headwaters of Tin Cup Creek near the Montana-Idaho border approximately 14 miles south and west of Darby, Montana. The dam is located in Township 2 North, Range 23 West, Sections 1 & 12, Principle Meridian Montana, Ravalli County and is within the Selway-Bitterroot Wilderness Area of the Bitterroot National Forest. Access to the site is via Forest Service Trail no. 96.

Tin Cup Lake Dam is owned by the Tin Cup Water Company (incorporated November 7, 1952), an organization of local farmers and ranchers.

The drainage basin above the Tin Cup reservoir contains approximately 4,000 acres (6.3 square miles). Elevations range from 6,295 feet at the reservoir to approximately 9,200 feet at the basin divide. Distances from the reservoir to the divide range from about 4,000 feet to the northwest to about 13,000 feet to the south.

The basin lies in a high mountain, deep snowpack area. Most the precipitation (60 to 70 percent) occurs as snow, with normal annual precipitation estimated at 90 inches. Snow accumulation normally begins in October and continues until melting begins in late April and early May, with the peak runoff occurring during late May and June. Estimated average annual runoff is 15,000 acre-feet, with about 75 percent of this runoff occurring during spring snow melt.

November to June runoff from the basin above the Tin Cup Lake Dam recedes to about 1 to 1-1/2 inches per month, with spring rains and snow melt causing the inflow to increase to an estimated peak of about 250 cubic feet per second (cfs).

There are no stream gaging stations in the vicinity of the project site nor are any stations maintained in nearby watersheds having similar characteristics.

The dam-site is in Zone 2 of the Seismic Risk Probability Map of the United States which is based on the known distribution of damaging earthquakes and the consideration of major geologic structures believed to be associated with earthquake activity. According to this reference, Zone 2 could experience moderate damage corresponding to an intensity of VII on the Modified Mercalli Intensity Scale.

The active storage capacity of the dam at normal pool level is 2,420 acre-feet. The total storage capacity, to the overtopping dam crest elevation, is 2,800 acre-feet. The Tin Cup Lake Dam has a hydraulic height of 25 feet.

The primary purpose for the Tin Cup Lake Dam is to store water above the lake level and supplement the natural Creek water supply during the late summer season. Approximately
1,300 acres are currently irrigated by Water Company members. Supplementary benefits related to the dam's existence are 1) flood control, 2) ground water recharge, 3) the enhancement of the creek fisheries and public recreation opportunities, and 4) improved water quality by controlling stream-bank erosion and stream sedimentation.

While the dam is owned by the Tin Cup Water Company, it is located on public lands administered by the U.S. Forest Service. Use of National Forest lands for irrigation purposes is regulated through a Special Use Permit process.

The U.S. Forest Service Special Use Permit policy, regarding dams located on National Forest lands, specifically states that all dam structures be maintained to standards ensuring safe and satisfactory performance or the dam will be withdrawn from service. Permitted dams in the Bitterroot National Forest are inspected for operation and maintenance deficiencies at frequencies related to their size and storage capacity. Designated high hazard dams are typically inspected annually.

The Special Use Permit for dams in Wilderness Areas are a special case insofar at maintenance, repairs, and reconstruction activities are concerned. Requirements of the Wilderness Act and regulations derived from the Act must be met in maintaining and operating these dams. Basically, this means that protection of the Wilderness resource must be a prime consideration when making plans to perform routine maintenance as well as major repairs to a Wilderness dam.

The Forest Service regulations allow the maintenance and restoration of irrigation reservoirs within Wilderness Areas "when they are needed in the public interest". The high hazard designation of the Tin Cup Lake Dam classifies the dam as one that requires immediate restoration to protect the public safety.

Design and Construction History:

The original dam construction was done under a Special Use Permit issued by the Forest Service to the Tin Cup Water User's Association, dated August 3, 1906. File data indicates that the structure was 300 feet long and 20 feet high and consisted of a rock fill with dry rubble masonry on the downstream face and earth fill on the upstream face.

In 1915, a temporary stop-log control section was placed in the spillway, which was replaced by a more permanent installation in about 1917.

In 1932, the dam crest was raised 4 to 5 feet, with additional earth fill placed upstream to flatten the slope to about 2:1. The stop-log support guides in the spillway were extended.

In 1946, repairs and additional rubble masonry materials were made to the upstream face and additional rubble masonry materials were added.

In 1947, a new headgate was installed.

In 1952, repairs and additional rubble masonry materials were made to the downstream face.
In 1961, the outlet conduit was extended 28 feet and the downstream face re-shaped near the outlet works.

In 1963, 1964 and again in 1968, a small dozer was used to clean up debris and to place additional fill material and rock armor on the dike crest and upstream face.

In 1969, the tower and walkway structure was replaced.

In 1990, the inlet crib structure was reconstructed and a new flume headgate was installed.

In 1991, concrete repairs were made to the stone and mortar box culvert within the dike.

At the present time, the dam is 25 feet high. It has a crest width between 10 and 17 feet and a length of 437 feet at the crest. Based on file records and personal observations of local residents, the dike consists of an earth fill on the downstream side and a rock fill on the upstream side. The structure contains approximately 18,000 cubic yards of material.

The spillway, located at the west abutment, consists of a rectangular channel 4 feet and 36 feet wide. The spillway is partially constructed on solid rock with the remainder lined with mortared rock. The spillway has a partial stone & mortar and concrete control section and is protected by two log booms.

The outlet pipe consists of a mortar and stone box culvert 2 feet high x 3 feet wide x 75 feet long with a 28 feet long 50 inch x 31 inch corrugated metal pipe arch extension at the outlet end. Outlet control is through a slide gate mounted on a log crib and tower structure located at the inlet end.

Technical Alternatives:

Computer flood models and routing programs indicate that the dam spillway will not pass the probable maximum flood (PMF) of 7,400 cfs without over-topping the dam. Based on criteria in the U.S. Army Corp of Engineers "Recommended Guidelines for Safety Inspection of Dams", and a site inspection in 1981, the Corp of Engineers has classified this dam as intermediate in size. Basically, due to the fact that at least three residences, as well as miscellaneous roads, bridges, utilities, and some agricultural land, could be affected by a sudden breach of the dam, the Corps of Engineers has indicated that the downstream hazard potential below the Tin Cup Lake Dam is high.

Both the U.S. Forest Service and the Montana Department of Natural Resources and Conservation have also rated the Tin Cup Lake Dam as having a high hazard potential due to the possibility of loss of life in the event of a sudden dam failure.

Four specific components of the Tin Cup Lake Dam have been identified by the U.S. Forest Service, who administers the dam safety standards, and the Tin Cup Water Company, the dam owners, as requiring restoration. They are 1) the dike crest height, 2) the spillway capacity, 3) the upstream and downstream face slopes and 4) the inlet/outlet controls structures.
# Tin Cup Lake Dam

## Pertinent Data

### General

<table>
<thead>
<tr>
<th>Description</th>
<th>Information</th>
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<tbody>
<tr>
<td>Federal ID Number</td>
<td>MT 850</td>
</tr>
<tr>
<td>Location</td>
<td>Section 1, T2N, R23W, MPM; about 14 miles south and west of Darby, MT</td>
</tr>
<tr>
<td>County, State</td>
<td>Ravalli County, Montana</td>
</tr>
<tr>
<td>Owner and Operator</td>
<td>Tin Cup Water Company</td>
</tr>
<tr>
<td>Purpose</td>
<td>Irrigation water supply</td>
</tr>
<tr>
<td>Watershed</td>
<td>Tin Cup Creek</td>
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<tr>
<td>Drainage Area</td>
<td>6.3 square miles</td>
</tr>
<tr>
<td>Hazard Potential</td>
<td>Category 1 (High)</td>
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<td>Size Classification</td>
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### Reservoir

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<tr>
<td>Surface Area at Normal Pool</td>
<td>Level Elevation 6294.7 feet (see note on page viii)</td>
</tr>
<tr>
<td></td>
<td>102.5 acres</td>
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<td>Dead Storage Below Outlet</td>
<td>Invert Elevation 6278.7 feet</td>
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<tr>
<td>Active Storage to Normal Pool</td>
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<td></td>
<td>2420 acre-feet</td>
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<td>Flood Surcharge Storage to First Overtopping Dam Crest Elevation</td>
<td>6298.4 feet</td>
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<td></td>
<td>380 acre-feet</td>
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<tr>
<td>Total Storage (not including dead storage) to First Overtopping Dam Crest Elevation</td>
<td>6298.4 feet</td>
</tr>
<tr>
<td></td>
<td>2800 acre-feet</td>
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</table>
Total Storage (not including dead storage) to Dam Crest Design Elevation 6299.7 feet

2960 acre-feet

**OUTLET WORKS**

Gate
Slide gate and log crib at the inlet end

Control
Manual operator mounted on a timber walkway

Pipe
Approximately 75 feet of 24-inch by 36-inch box culvert, constructed of mortared rock and concrete, and 28 feet of 50-inch by 31-inch corrugated aluminum arch pipe at the outlet end.

Capacity

<table>
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<tr>
<th>To Normal Pool Level</th>
<th>Elevation 6294.7 feet</th>
<th>145 cubic feet per second</th>
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<tbody>
<tr>
<td>To First Overtopping Dam Crest Elevation 6298.4</td>
<td>159 cubic feet per second</td>
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</table>

**SPILLWAY**

Type
Unregulated, trapezoidal rock spillway with concrete sill which acts as the crest.

Crest Elevation
6294.7 feet

Crest Width
36 feet

Side Slopes
1V on .25H

Spillway Capacity to First Overtopping Dam Crest Elevation (6298.4 feet)
821 cubic feet per second
### Tin Cup Lake Dam - Pertinent Data (cont.)

<table>
<thead>
<tr>
<th>Type</th>
<th>Earth and rock fill</th>
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<tbody>
<tr>
<td>Structural Height</td>
<td>Approximately 25 feet</td>
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<tr>
<td>Hydraulic Height</td>
<td>25 feet</td>
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<tr>
<td>Design Crest Control Elevation</td>
<td>6299.7 feet</td>
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<tr>
<td>Existing First Overtopping Dam Crest Elevation</td>
<td>6298.4 feet</td>
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<tr>
<td>Crest Length</td>
<td>Approximately 484 feet</td>
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<tr>
<td>Design Dam Crest Width</td>
<td>17 feet</td>
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<tr>
<td>Existing Dam Crest Width</td>
<td>Varies from 9 to 15 feet</td>
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<tr>
<td>Design Upstream Dam Slope</td>
<td>1V on 1.65H</td>
</tr>
<tr>
<td>Existing Downstream Dam Slope</td>
<td>Varies from 1V on 1.4H to 1V on 2.2H</td>
</tr>
</tbody>
</table>

(1) Data summary from COE 1981 Phase I Study Document
TIN CUP LAKE DAM RENOVATION PROJECT

REQUIRED EQUIPMENT LISTING

1. CAT D6D - Track Loader, width/length 9'4"/15'10", weight = 40,000 lbs.
   * Used to remove, transport, place and compact the fill and rip-rap material.

2. CAT 225B - Excavator/backhoe, width/length 10'0"/32'3", weight = 60,000 lbs.
   * Used to excavate rip-rap & fill, widen spillway and pull the new outlet pipe through the existing pipe.

3. Bell 204 and/or Hughes 500 Helicopter

   Maximum lifting capacity 3,000 lbs. (@7,000 ft.)

   * Use to transport all other miscellaneous equipment (fuel, generators, pumps, concrete, forms, pipe, pipe splicer/welder, base camp) and people.
PROJECT NO. 3

APPLICANT NAME: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, ENGINEERING BUREAU

PROJECT NAME: North Fork of the Smith River Dam Rehabilitation

AMOUNT REQUESTED: $1,024,000 LOAN

OTHER FUNDING SOURCES:
- $275,000 (DNRC - WRD Fund)
- $150,000 (Department of Fish, Wildlife and Parks)

TOTAL PROJECT COST: $1,449,000

AMOUNT RECOMMENDED: $1,393,467

PROJECT ABSTRACT (Prepared and submitted by applicant)

The North Fork of the Smith River Dam needs rehabilitation to correct dam safety concerns. The dam, constructed in 1936, impounds Sutherlin Reservoir and is located about 10 miles east of White Sulphur Springs in Meagher County. It measures 84 feet high and 1,300 feet long, and the impounded reservoir stores 11,500 acre-feet at the spillway crest (with flashboards). The water is used to irrigate 11,000 acres of project land and also provides considerable recreation use.

The Corps of Engineers inspected the dam in 1980 under the National Dam Inspection Program, P.L 92-367. The dam was determined to be high-hazard, which means that its failure could cause the loss of life. The Corps declared the dam as unsafe because of an inadequate spillway capacity to meet present dam safety standards. In 1989, DNRC contracted with HKM Associates, an engineering consultant, to conduct a feasibility study to upgrade the dam’s safety so that it complies with present dam safety standards and the Montana Dam Safety Act. The preferred alternative involves increasing the reservoir storage by raising the spillway crest by 1.7 feet, constructing an auxiliary spillway to pass the appropriate spillway design flood, and raising the dam crest by 5 feet. These safety improvements will bring the dam into compliance with present dam safety standards and provide a minimum pool for fish, wildlife, and recreation.

TECHNICAL ASSESSMENT (Prepared by DNRC)

The North Fork of the Smith River Dam was classified as a "high-hazard" dam after an inspection was completed by the U.S. Army Corps of Engineers in 1980. The inspection indicated that the dam’s spillway capacity was inadequate for passing the probable maximum flood.

The North Fork of the Smith River Dam is owned by the state of Montana and operated and maintained by the Smith River Water Users Association through water purchase contracts with the state. The dam provides irrigation water to 11,000 acres of land.

During the spring of 1989, DNRC contracted with an engineering consultant to complete a feasibility study for upgrading the dam to meet current dam safety standards. The feasibility study has not been completed.
DNRC has selected an approach to rehabilitate the structure by using preliminary design, cost, and benefit data. The selected approach would meet criteria set forth in dam safety standards and most likely is the best alternative. Other alternatives are available, however, and a preferred alternative should not be selected until the feasibility study is completed.

All the project's administrative details have not been adequately addressed in the application. If additional water is to be stored—as proposed—water rights may have to be obtained. The environmental concerns of appropriate agencies also will have to be addressed. However, this type of coordination is premature until the final alternative is selected.

FINANCIAL ASSESSMENT

While the cost estimate for the selected alternative appears appropriate, it would be beneficial if cost estimates for the other proposed alternatives were also available. This would ensure that the least-cost alternative was selected.

The water users do not have any current debt repayment obligations and pay $.40 per share per year in operation and maintenance fees. (Note: One share per acre of irrigated land).

A financial analysis completed for the project did not indicate any "payment capacity" for the service area's producers. According to the applicant, an assessment of $4.75 per acre-foot would be fair and equitable. The water users have not agreed to this figure, however. The recommended amount is $8.51 per acre per year.

BENEFIT ASSESSMENT

DNRC's project review values only those benefits described by statute. Public benefits are found in projects that support the State Water Plan; promote reserved water rights; conserve, manage, or protect water resources; exhibit broad citizen support and public use; display tangible benefits; or replace benefits—economic or otherwise—currently derived from Montana's mineral resources.

The benefits attributable to this project include a dam that is safe and one that meets applicable dam safety regulations. The project also will ensure a continuous source of stored water to use for irrigating the area's agricultural land and will provide significant recreational benefits.

ENVIRONMENTAL ASSESSMENT

The project's short-term environmental effects are those generally associated with construction. The increase in noise, air, and water pollution can be reduced with appropriate construction practices.

The longer-term environmental effects will depend on the selected alternative. The proposed alternative will result in the inundation of more land. Some cultural resources have been identified in the area and will have to be explored further. The project has the potential to create more recreational opportunities and an improved fish and wildlife habitat. An environmental assessment likely will have to be completed for this project.
RECOMMENDATION

DNRC recommends a $1,393,467 loan at a 3 percent interest rate with a 20-year repayment term. This amount is sufficient to fund project construction along with a reserve account. If determined that tax-exempt bonds can be sold only if the water users association forms a governmental entity—such as an irrigation district or water district—the loan will be made to the governmental entity once it is created.

If an environmental assessment is necessary in conjunction with the permitting process, the opportunity for public comment on the proposed project, feasible alternatives, and mitigation measures recommended to reduce impacts to acceptable levels should be included in the review. The environmental assessment would be used to select this project’s recommended alternative.

PROJECT NO. 4

APPLICANT NAME TIN CUP WATER COMPANY

PROJECT NAME Tin Cup Lake Dam Restoration Project

AMOUNT REQUESTED $273,742 LOAN

OTHER FUNDING SOURCES $ 7,000 (Tin Cup Water Company)

TOTAL PROJECT COST $280,742

PROJECT ABSTRACT (Prepared and submitted by applicant)

Under the National Dam Inspection Act (Public Law 92-367), the Tin Cup Lake Dam has been designated as “high-hazard” by the U.S. Army Corps of Engineers, the U.S. Forest Service, and DNRC.

Presently located downstream of the Tin Cup lake Dam are at least four residences; a business; several private, county, and state roads, bridges, and utilities; and several hundred acres of agricultural and ranch land. The Corps, the Forest Service, and DNRC consider the downstream hazard potential to be high in the event of a sudden dam failure. The possibility of a loss of life also is considered high.

The Tin Cup Lake Dam restoration project’s primary purpose is to bring the designated “high-hazard” dam into compliance with current state and federal dam safety standards.

Public benefits attributed to the Tin Cup Lake Dam include (1) agriculture irrigation, (2) groundwater recharge, (3) flood control, (4) controlling and maintaining instream flows for fisheries, (5) enhancement of area public recreation opportunities, and (6) improving water quality by controlling streambank erosion and stream sedimentation on and along the Tin Cup Creek Reservoir.

Water conservation and the subsequent, multiple water use are the real measures of a water development project’s worth. The Tin Cup Lake Dam restoration project offers Montana the opportunity to provide a financing mechanism for preserving an existing resource that has been and will continue to be used and enjoyed by thousands of Montanans.
APPLICANT NAME: Governor/Lieutenant Governor's Offices

PROJECT/ACTIVITY NAME: The Montana Office of Public Policy Dispute Resolution

AMOUNT REQUESTED: $ 127,667

OTHER FUNDING SOURCES AND AMOUNTS:

National Institute for Dispute Resolution $ 50,000
Western Governors’ Association $ 40,000

TOTAL PROJECT COST: $ 217,667

PROJECT ABSTRACT (Prepared and submitted by applicant)

The State of Montana is confronted with a variety of contentious and protracted natural resource disputes, such as allocating and managing water, balancing multiple uses of public lands, and maintaining the stability of resource-dependent communities. These disputes, which typically involve competing interests, multiple jurisdictions, and complex subject matter, are becoming more difficult to resolve in the traditional legislative, administrative, and judicial arenas.

In response to this emerging gridlock, many policymakers, government leaders, private businesses, and nongovernmental organizations are recognizing the need for more collaborative, time-saving, and cost-effective approaches to resolve these "public disputes." Although there have been some isolated experiments in Montana with the use of consensus-building processes, there is currently no institution or focal point for consensus-building and dispute resolution activities within the state.

In light of the need for such services, the Governor/Lieutenant Governor’s Offices propose to establish the Montana Office of Public Policy Dispute Resolution. The purpose of the office is to help the state, upon the request of affected interests, resolve contentious natural resource issues. The office will build on existing dispute resolution efforts and promote consensus-based approaches to resolving natural resource issues. It will provide a variety of services, including consultation, training, and mediation. As a neutral forum designed to resolve complex, multi-party natural resource issues, the office will not approve or disapprove of any outcome that is reached through a consensus process facilitated by the office.
The office will be a two-year pilot project that will focus on natural resource agencies and issues. After the two-year pilot project, the office will begin to address the full range of contentious public policy issues in the state. The office will be staffed by an executive director and governed by a broad-based, public/private advisory council appointed by the Governor/Lieutenant Governor.

The office will also participate in a larger effort, initiated by Governor Stan Stephens and Governor George Sinner, to create a regional program for dispute resolution and consensus building. The States of Montana, North Dakota, South Dakota, Wyoming, and Idaho and the Provinces of Alberta, Saskatchewan, and Manitoba are currently working with the National Institute for Dispute Resolution (NIDR) and the Western Governors' Association (WGA) to create this regional program. NIDR has already committed $50,000 to the regional program, while WGA is expected to commit another $40,000 by fall of 1992.

The ultimate objective of both the Montana office and the regional initiative is to evolve into a public/private, nonprofit corporation. This objective is designed to maintain the long-term credibility of the office and to reduce its dependence on state government.

TECHNICAL ASSESSMENT (Prepared by DNRC)

Montanans are interested in protecting the environmental quality of the state; however, the livelihoods of many Montanans are dependent on traditional resource industries--mining, oil and gas, grazing, logging, and agriculture. A polarization of people on both sides of issues emerges from attempts to sustain both the economy and the environment. The consequence, which is partly fueled by the contrast between urban and rural values, is a fierce and widening battle over the appropriate use of the state's natural resources. The ongoing debates over wilderness protection, logging quotas, instream flow protection, water quality protection, reintroduction of wolves, and bison management reflect the range and intensity of disputes over natural resources.

Formal mechanisms for dispute resolution--legislative, administrative, and judicial--are increasingly unable to provide satisfactory resolutions to these issues. As a consequence, trust and confidence in government are eroding, community relations are strained, economic and ecological values are threatened, and mutually acceptable management solutions remain unidentified and unimplemented. The use of consensus-building approaches can be achieved by working to improve relationships among interest groups and government, enhancing the flow of information about policies and problems, creating opportunities for involvement in governmental processes, improving communications, mediating specific disputes, and training in negotiation and conflict resolution. A focal point for collaboration, discussion, and information would be very valuable.

Worth pointing out, however, is the program's association with the Governor/Lieutenant Governor's Offices. No doubt this would benefit the program by giving it higher visibility
and greater access to governmental agencies. However, to actually mediate disputes, the mediator must be perceived by the involved parties as neutral and impartial. For many larger public policy disputes in the state, a mediator attached to the Governor/Lieutenant Governor's Offices would not be acceptable to all parties. There is also danger that the program (and thus the mediation process) would be seen by people as just another area of state government to have to contend with, instead of being allowed to make decisions for themselves.

These concerns could be offset by clarifying the function of the office. The strength of this office would be in educating, exchanging information, and acting as a catalyst for using alternative dispute resolution. Actual mediation of disputes would likely be limited to smaller disputes, local issues, instances where mainly governmental agencies are involved, and cases where the parties do not perceive that the state has an interest in the outcome of the dispute. Clarification of the functions of the office would assist in accomplishing its goals and avoiding misconceptions and false expectations.

**FINANCIAL ASSESSMENT**

The two-year RDGP budget of $127,667 is broken into the following categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages, fringe (executive director)</td>
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<td>Contracted services (training)</td>
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<tr>
<td>Supplies and materials</td>
<td>$1,500</td>
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<td>Communications</td>
<td>$2,760</td>
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<td>$10,587</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$2,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$127,667</strong></td>
</tr>
</tbody>
</table>

The office would charge fees for many of its services and would attempt to raise non-state-funds for its continuation after the initial two-year period. Compared to other regional dispute offices, the salary figures are reasonable for the work to be performed.

**ENVIRONMENTAL EVALUATION**

The creation and operation of the Office of Public Policy Dispute Resolution would not directly impact the environment. Any environmental effects, either beneficial or adverse, would result indirectly or cumulatively as a result of actions taken to develop resources in accordance with mediation outcomes.

**PUBLIC BENEFITS ASSESSMENT**

The use of collaborative, consensus-building approaches to resolve natural resource issues would provide a variety of benefits to the public. Consensus building requires voluntary, informal, face-to-face interaction among all affected interests. The
participants design the dispute resolution process, jointly define problems, and seek "mutual gain" rather than "win-lose" solutions. They develop ownership to both the process and its outcome, and thereby have a vested interest in implementation.

Alternative, consensus-building approaches are designed to supplement, not replace, existing decision-making and dispute resolution processes. The goal is to create a comprehensive decision-making system with complementary dispute resolution methods. This approach to resolving natural resource and other "public disputes" in Montana may lead to more viable agreements, increase public participation in decision-making, improve community relations, and improve trust and confidence in government.

RECOMMENDATION

A grant of up to $127,667 is recommended for this project, contingent upon DNRC approval of the project scope of work and budget.

- 4 -

APPLICANT NAME : Town of Walkerville

PROJECT/ACTIVITY NAME : Walkerville Reclamation Project

AMOUNT REQUESTED : $ 75,569

OTHER FUNDING SOURCES AND AMOUNTS :

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<td>ARCO</td>
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<td>New Butte Mining</td>
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<td>Butte-Silver Bow Government</td>
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</table>

TOTAL PROJECT COST : $ 98,769

PROJECT ABSTRACT (Prepared and submitted by applicant)

From 1881 until 1959, the area around the Town of Walkerville was the site of virtually continuous mining and milling activity. The Alice Mine was primarily mined for silver, and the amalgamation process utilized large amounts of mercury. The waste materials from the mining, milling, and amalgamation processes were consolidated in dump areas, which are found throughout the community.
June 5, 1992

Lieutenant Governor Dennis Rehberg
Room 207
State Capitol
Helena, MT 59620-1901

Dear Dennis:

As the Attorney General for the State of Montana, I am engaged in a variety of efforts to resolve public disputes. While litigation is an important mechanism in a comprehensive dispute resolution system, it is adversarial by definition and should be considered a last resort.

Your proposal to create The Montana Office of Public Policy Dispute Resolution will provide an alternative to adversarial approaches to dispute resolution. I support the creation of the office. It will compliment our efforts to resolve disputes through negotiation and other collaborative approaches. I commend Governor Stan Stephens, you, and your staff for pushing this agenda forward.

Sincerely,

Marc Racicot
Attorney General
May 15, 1992

Lt. Governor Dennis Rehberg
Room 207, State Capitol
Helena, MT  59620-1901

Dear Lt. Governor:

I would like to commend you and Governor Stan Stephens for taking the initiative to create a dispute resolution office in the State of Montana. The proposal to create the office illustrates your combined vision and leadership to improve the ability of government to better serve the needs of the state.

As the Director of the Department of Natural Resources and Conservation, I have had the opportunity to oversee the development of the Montana state water plan. Through this consensus building process, which includes all affected interests in the state's water resources community, we have developed consensus legislation on such issues as water storage and drought management. The consensus process is currently being used in several watersheds throughout the state, and is increasingly hailed as an effective forum for resolving water resource issues.

The state water planning process illustrates the potential of consensus-based approaches to help resolve some of the state's natural resource problems. The Energy Division within my Department is currently exploring the possibility of such a process to help resolve issues over energy policy. The combination of services that would be provided by the dispute resolution office, including consultation, training, and mediation, would surely benefit several programs within the Department of Natural Resources and Conservation.

I support your proposal to the Department of Natural Resources and Conservation for a Reclamation and Development Grant to create The Montana Office of Public Policy Dispute Resolution. We look forward to working with the office and taking advantage of its services.

Sincerely,

Karen Barclay Fagg
Director
Dear Dennis:

I am writing in support of the application for a Reclamation and Development Grant to create an Office of Public Policy Dispute Resolution. Our department currently uses several consultants for advanced dispute resolution and citizen participation. We are also training many of our personnel to improve their skills in this area because of the close contact we have with the public and the often divergent opinions about the use of the resources we manage.

Creating training opportunities and increasing awareness of dispute resolution as a tool for agencies and the public is a valuable goal. The climate for conflict needs to be changed if government is to address increasing demands with limited resources. People need to develop both the skills to identify and resolve conflicts and make a commitment to constructive negotiating.

Sincerely,

K. L. Cool
Director
June 8, 1992

Dennis R. Rehberg
Lieutenant Governor
State Capitol
Helena, MT 59620

Dear Dennis,

The Department of Livestock supports your efforts to establish the Montana Office of Public Policy Dispute Resolution. The department agrees that a commitment to resolve natural resource efforts cannot be over emphasized. Additionally, your goal to make the transition to becoming a private non-profit entity in two years to maintain credibility is quite appropriate.

As you are aware, the Department of Livestock is currently involved in the Section 8 mediation process between livestock producers and public entities that allow grazing. Although the Section 8 process scope is not as encompassing as your proposed office of dispute resolution, it has shown itself to be worthy of the efforts already expended by Department of Livestock. The objectives of the Section 8 process mirror those of yours, as it uses negotiation, facilitation and mediation in resolving multi-party issues.

The department wishes you success in this endeavor, and if we can be of any assistance, please contact me at 444-2023.

Best regards,

Wm. S. Fraser, Executive Secretary
To the Board of Livestock
June 24, 1992

Lt. Governor Dennis Rehberg
State Capitol, Room 207
Helena, MT 59620

Dear Lt. Governor Rehberg:

After reviewing several drafts of your proposal to establish the Montana Office of Public Policy Dispute Resolution, I am writing to express my support for that effort. The need for such an office has become increasingly apparent. As you are well aware, natural resource issues in Montana are highly controversial and relationships between the various stakeholders are often polarized. A dispute resolution office such as the one you propose could play a pivotal role in helping the state to overcome the resulting gridlock, to the benefit of all Montanans.

I firmly believe that good public policy stems from informed discussion and collaborative, face-to-face efforts to address the interests of each affected party. Beyond the benefits of resolving particular issues, an Office of Public Policy Dispute Resolution could contribute a small, but significant, first step toward a broader goal of developing a common vision and direction for the state -- a step that I believe is essential if Montana is to flourish into the 21st Century.

I endorse your application to the Department of Natural Resources and Conservation for a Reclamation and Development Grant to fund a dispute resolution office that is politically independent, and look forward to working with you in the future.

Sincerely,

Deborah B. Schmidt
Executive Director
Honorable Dennis Rehberg  
Lieutenant Governor  
State of Montana  
Room 207  
State Capitol  
Helena, MT 59620-1901

Dear Mr. Rehberg:

This is in response to Dr. Matthew J. McKinney's letter of May 29, 1992, concerning a proposal to create the Montana Office of Public Policy Dispute Resolution. Conflicts over the natural resources of Montana will continue to occur as the values, demographics, and economics of the population changes. I commend you for proposing a possible solution for resolving these conflicts.

I appreciate your efforts and time in designing this two-year project. As you are aware, we have attempted conflict resolution on a number of projects here in the Region and are interested in your efforts.

Although we are unable to commit any funds in support of this project, we would welcome the opportunity to offer technical assistance and experience. Please keep my office aware of the progress of this proposal and let us know how we can offer assistance.

Sincerely,

[Signature]

DAVID F. JOLLY  
Regional Forester
June 15, 1992

Honorable Dennis Rehberg
Lieutenant Governor, State of Montana
Room 207, State Capitol
Helena, MT 59620-1901

Dear Lt. Governor Rehberg:

I support your proposal to the Montana Dept. of Natural Resources and Conservation for a Reclamation and Development Grant to create a Montana Office of Public Policy Dispute Resolution.

There is a growing realization that existing government decision-making processes cannot resolve differences that are basically philosophical or economic in context. Furthermore, the changing economics and demographics in many portions of the state have helped create an atmosphere that is amenable to such new dispute resolution approaches as that described in this grant application.

Many difficult-to-resolve conflicts exist regarding present and future management of our public lands. Increasingly citizens on all sides of these conflicts are displeased with the ways that we in the public sector try to resolve them. A public policy dispute resolution center, could in specific instances, be an effective alternative to the expensive gridlock that increasingly encompasses such decision making.

Success of this project will depend to a large degree on maintaining a strict sense of neutrality regarding the outcome of conflicts the Office agrees to try to resolve. It will also depend on the professional skill and perseverance needed to demonstrate success.

I commend both you and Governor Stephens for providing the leadership needed to establish a Public Policy Dispute Resolution Center for Montana.

Sincerely,

H. Gilbert Lusk
Superintendent

cc: Ray Beck, Montana Dept. Natural Resources & Conservation
20 May 1992

Dennis R. Rehberg
Lieutenant Governor
State of Montana
Helena, MT 59620

Dear Dennis,

Your proposal for an Office of Public Policy Dispute Resolution has recently come to my attention. I want to take this opportunity to lend my support to the idea. Frankly, the gridlock that now confronts us in making sensible policy decisions often has severe repercussions in the economy. This, in turn, affects higher education. Disputes over the use of natural resources head the list of major policy issues. Creating a framework for breaking the policy impasse strikes me as the only sensible way to forge ahead.

The University of Montana has several areas of interest to complement the proposed program. Faculty members in the Schools of Law, Business Administration, and Forestry, and the College of Arts and Sciences currently maintain teaching and research programs in the areas of negotiations and dispute resolution. Graduate students enrolled in these programs can assist your work while gaining needed experience. At the same time, faculty members will undertake research projects to examine and evaluate consensus-building, decision-making techniques.

We may also find it possible to raise private funds to support a Center for Natural Resource Dispute Resolution and complement your proposed office. We have, of course, an excellent national reputation in the field of Forestry education and such a center will complement and enlarge the University capacity for natural resource policy analysis.

We will also help as we can in designing and teaching training seminars for State employees and students. A wide range of local problems examined within a dispute resolution context will provide the content. As examples, some universities at the forefront of the dispute resolution field have provided students extensive training in mediation. Trained seniors in each student living residence then serve as official mediators. Other students have the responsibility of mediating local but off-campus disputes. Such examples constitute a few of the benefits of your proposal.
In short, the University of Montana supports your effort to create the office of dispute resolution. We will do what we can to help to assure the success of the program.

Sincerely,

George M. Dennison
President

GMD/dd
DENLET.513

c:  M. Burke, Dean, School of Law
    J. Flightner, Dean, College of Arts and Sciences
    S. Frissell, Dean, School of Forestry
    L. Gianchetta, Dean, School of Business Administration
    D. Jackson, Professor, School of Forestry
    R. Kindrick, Provost and Vice President for Academic Affairs
June 1, 1992

The Honorable Dennis R. Rehberg
Lieutenant Governor
Capitol Station
Helena, MT 59620

Dear Governor Rehberg:

I have had the opportunity of reviewing your proposal for a Reclamation and Development Grant from the Department of Natural Resources and Conservation to create the Montana Office of Public Policy Dispute Resolution (Office). I have been a practitioner of environmental dispute resolution in Montana's private sector since 1988. From 1974 to 1988, I was an employee of state government including ten years serving Lt. Governor and then Governor Ted Schwinden. I offer you the following comments on the proposal based upon my private sector and state government experience.

First, and foremost, I support creation of the Office. Second, I agree with comments made by Professor Lawrence E. Susskind at the 1992 Mansfield Conference that the Office could best further alternative dispute resolution by acting primarily as an advocate and clearing house for this approach to problem solving. Montanans need to hear that there are in fact practical alternatives to expensive, hurtful and often futile battles in contested case proceedings before regulatory agencies and/or the courts. By being a vocal advocate for collaborative processes which build consensus, by documenting case studies, by offering training in dispute resolution, and by maintaining lists of mediators/facilitators, the Office would provide a significant stimulus for reducing conflict and gridlock in environmental and ultimately other areas of disputes between people and thereby contribute directly to improving Montana's economy and quality of life.

I also share Professor's Susskind's lack of enthusiasm for institutionalizing alternative dispute resolution through the Office or another mechanism. I do not understand how one could compile lists of "qualified" practitioners of dispute resolution without an involved public process to establish what those qualifications are. Because collaborative approaches to problem solving is relatively new, I am concerned that empowering some governmental entity to set qualifications would create an unnecessary closed shop and likely have a chilling effect on the increased use of the approach to problem solving we seek to promote. We need support, visibility, and educational opportunities, not licensing and bureaucracy. Rather than a list
of "qualified" practitioners, the Office should simply maintain a list of practitioners, together with their self-described experience and qualifications which those seeking mediation or facilitation assistance would be free to evaluate.

An absolute criterion for mediators/facilitators is perceived neutrality. The proposal includes in the responsibilities of the Office Executive Director facilitating or mediating "as many alternative dispute resolution processes as possible during the two-year pilot project." I am concerned that a mediator/facilitator who serves at the pleasure of a partisan, elected official and who is advised by a committee whose members are both appointed by the same partisan, elected official and who are permitted to be advocates in processes managed by the Office would not be perceived as neutral. I suggest, therefore, that the Executive Director and any other employee of the Office not serve as a mediator or facilitator. If the Executive Director accomplishes the other tasks set forth for this position in the proposal, then he or she will make major contributions to alternative dispute resolution.

In closing, I reiterate that I support the primary emphasis of this proposal, creating an office in state government that can advocate, publicize, and act as a clearing house and an educator on behalf of alternative dispute resolution. I suggest two modifications that will strengthen the proposal. First, eliminate references to compiling lists of "qualified" dispute resolution practitioners. Such references at least imply that the Office will be setting standards for mediators/facilitators that will likely spawn unnecessary controversy and may inhibit rather than encourage the effort. Second, leave the actual mediation or facilitation to people who do not serve at the pleasure of an elected official.

Thank you for your efforts to increase collaborative, consensus-based dispute resolution in Montana.

Sincerely,

Gerald Mueller
August 24, 1992

Lt. Governor Dennis Rehberg
Room 207, State Capitol
Helena, MT 59620-1901

Dear Lt. Governor:

The Dispute Resolution Committee of the State Bar of Montana enthusiastically endorses creation of the Montana Office of Public Policy Dispute Resolution. The efforts in this area are commendable.

With the increased attention given to various dispute resolution procedures and programs not only in government but in the courts, private business and the public, creation of this program is timely.

The specific promotion of the use of consensus based approaches to resolving natural resource issues by providing consultation, training and mediation services is especially significant. Both the public and private sectors in Montana and this region will appreciate the contribution such an office can make in the natural resources arena.

Creation of a regional dispute resolution program in the northern Intermountain and Great Plains region is likewise an exciting prospect putting Montana and the surrounding states in the forefront of a nationwide movement towards utilizing dispute resolution approaches to reach consensus. Challenges in the natural resources area present opportunities for your proposals.

The Committee wholeheartedly endorses your efforts. We will inform other committees within the State Bar of Montana of the proposals and encourage them to offer appropriate endorsement.

Please feel free to contact me at any time if our committee can assist in any way.

Sincerely,

G. THOMAS BIGLEN
Chairman, Montana State Bar
Dispute Resolution Committee

G. Thomas Biglen
Christopher L. Manos
Dear Lt. Governor,

I have become aware that your office is taking the initiative to create a dispute resolution office in the State of Montana, as well as working on a larger effort to create a regional dispute resolution program in the northern Intermountain and Great Plains region. I heartedly endorse your efforts.

As an attorney and private practicioner of mediation I have utilized dispute resolution approaches during the last several years to achieve consensus in a variety of conflicts including natural resource and public policy areas. My own direct involvement in organizing grassroots programs in Gallatin County demonstrates the need and interest from the public in these approaches. The effectiveness of such dispute resolution programs is demonstrated by the satisfaction expressed by the participants.

Moving into the 21st century those challenges in the natural resource and environmental areas specifically present potential for consensus based approaches as embodied in your proposals. The creation of an office in the state and regionally to provide consultation, training and mediation services is visionary.

I look forward to the establishment of these programs in the near future.

Sincerely,

CHRISTOPHER L. MANOS
May 15, 1992

Lt. Governor Dennis Rehberg
Room 207, State Capitol
Helena MT 59620-1901

Dear Lt. Governor:

The National Institute for Dispute Resolution ("NIDR"), is a non-profit grant-maker, advocate, and adviser. NIDR fosters the development, validation, and public acceptance of innovative techniques to resolve disputes. In the sphere of public policy, NIDR has been instrumental in the creation of eight Statewide Offices of Mediation throughout the country.

NIDR is encouraged by your efforts and leadership and those of Governor Stan Stephens to create a dispute resolution center in Montana. Your vision for a regional, international dispute resolution program in the Northern Intermountain and Great Plains region is particularly impressive. We have been working closely with Dr. Matthew McKinney during the past six months to devise a program that will best meet the needs of Montana and the region. Based on the proposal which was recently developed in Bismarck, North Dakota, the Institute is seriously considering committing fifty thousand dollars ($50,000) toward the creation of the regional dispute resolution program, in June, 1992.

The grant would require matching funds from each participating state. Your proposal to the Department of Natural Resources and Conservation for a Reclamation and Development Grant to help create the Montana Office of Public Policy Dispute Resolution, is critical for the success of the regional initiative. If we may be of any assistance to you, please do not hesitate to contact us.

Recent events around the country have underscored the challenge facing state governments - large complex disputes must be managed or resolved in ways that demonstrate efficient, workable and equitable public policy. Uncontrolled conflict ultimately distorts the public interest. Establishing the Montana Office of Public Policy Dispute Resolution would be a major step in the right direction.
May 15, 1992
Lt. Governor Dennis Rehberg
Page 2

We are confident that the architects of this regional initiative such as Dr. McKinney, Larry Spears, Dick Gross and others, possess the necessary expertise, enthusiasm, and commitment to achieve the goals of this important project.

We look forward to working with all of you in the future.

Sincerely,

Thomas A. Fee
Acting President
EXHIBIT 16
DATE 2-5-93

APPLICANT NAME: Montana Department of Health and Environmental Sciences/Water Quality Bureau

PROJECT/ACTIVITY NAME: Nonpoint Source Pollution Control in Montana

AMOUNT REQUESTED: $300,000

OTHER FUNDING SOURCES AND AMOUNTS:

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<td>Private Foundation</td>
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<tr>
<td>Conservation Districts</td>
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TOTAL PROJECT COST: $2,009,482

PROJECT ABSTRACT (Prepared and submitted by applicant)

Montana has over 175,000 miles of intermittent and perennial streams (only two states have more), nearly three-quarters of a million acres of lakes (only five states have more), and two million acres of wetlands. The quality of Montana's waters is substantially impacted by nonpoint source pollution (NPSP). NPSP results from diffuse discharge normally associated with agriculture, silviculture, mining, hydromodification, construction activities, and urban runoff. According to the 1990 305(b) Report, on "Montana Water Quality", NPS pollution accounts for over 90 percent of the total water pollution in Montana. The report further states that 25 percent of Montana's perennial streams and 75 percent of its lakes are impaired from NPS pollution. EPA has reported Montana to have more miles of polluted streams than any other state in the nation except Oregon (1990 National Water Quality Inventory).

The enactment of Section 319 of the Federal Water Quality Act (WQA) of 1987 authorized financial assistance to states to help them implement NPS pollution control programs. In order to be eligible for financial assistance on a 60 percent federal-40 percent state match, the Water Quality Bureau of DHES developed a State Assessment Report (1988) and a State NPS Management Plan (1990) that outlines strategies on how Montana could best address its NPS problems.

In recent years there have been an increasing number of requests from landowners,
irrigation districts, conservation districts, etc., asking for assistance to assess NPS pollution in their local water bodies and to plan and implement "Best Management Practices" (BMPs). Montana's NPS Management Plan emphasizes the need for technical and financial assistance to help land users voluntarily implement BMPs. There exists a Montana NPS Task Force comprised of 37 members representing state and federal agriculture, silviculture, and resource extraction. This task force oversees the NPS program, targeting high priority projects throughout the state.

The funds requested in this proposal are crucial to the success of an effective NPS program in Montana. These funds would serve as leverage for federal 319 matching funds and private contributions. Examples of projects that are pending include:

1. Water quality assessment of the irrigation drain water/tailwater - the Fort Shaw and the Buffalo Rapids Irrigation Districts
2. Watershed planning/implementation of BMPs - Big Otter Creek, Deep Creek, Careless Creek, Smith River, and Nevada Creek
3. Demonstration projects showing new BMP technology - the Little Powder River and the Ruby River
4. Nonpoint water body assessment - 340 streams in Montana

This list is just a representative sample of the water quality project assistance that local groups are requesting. If the state matching funds are not available, federal funding for NPS pollution control will be difficult to obtain. With adequate state funding to leverage available federal and local monies, the Water Quality Bureau would be in a proactive position to help Montana residents solve their water quality problems.

TECHNICAL ASSESSMENT (Prepared by DNRC)

The problem and need have been thoroughly assessed and documented in *Montana Water Quality, Montana 305(b) Report, 1990* and *Montana Nonpoint Source Assessment Report, DHES/Water Quality Bureau, August 1988*. The applicant has developed a well-reasoned, achievable strategy for dealing with the identified nonpoint source pollution problems, as outlined in *State of Montana, Nonpoint Source Management Plan, DHES/Water Quality Bureau, 1990*.

The existing nonpoint program utilizing RDGP funds has been funded since July 1989. The nonpoint source program in Montana has had federal funding since late 1989. On-site work on the first demonstration projects began in the summer of 1990. The Otter Creek project in Sweet Grass County and the East Spring Creek project in Flathead County are nearing completion. BMP installation began in 1990 on Otter Creek, and preliminary monitoring results have already shown a substantial drop in sediment
production. Although the application does not provide detail describing the technical aspects of the selected projects, the methods used to develop, administer, and implement demonstration projects seem to be working well.

Projects currently being considered for prioritization as watershed/demonstration projects are:

- Big Otter Creek - Judith Basin and Cascade Counties
- Deep Creek - Broadwater County
- Careless Creek - Musselshell County
- Nevada Creek - Powell County
- Smith River - Meagher County
- Little Powder River - Powder River County

The alternative of a regulatory program was briefly discussed. It is stated in the application that a regulatory approach would not be widely accepted, nor would it provide positive results compared to the voluntary program. No data are given as to how the applicant arrived at this conclusion. A cost/benefit comparison between a regulatory and a nonregulatory program would provide some data useful in evaluating the alternatives. A possible combination of regulatory and voluntary nonpoint source pollution control practices could be explored. Practices that would reduce costs for the landowner, such as irrigation scheduling, would more likely be voluntarily applied. Practices that would place additional costs (time, money, loss of flexibility, etc.) on the landowner, such as fencing riparian areas, may have to be mandated.

FINANCIAL ASSESSMENT

The RDGP budget summary is shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD salaries and wages</td>
<td>$25,000</td>
</tr>
<tr>
<td>CD employee benefits</td>
<td>$5,000</td>
</tr>
<tr>
<td>Contracted services</td>
<td>$270,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$300,000</strong></td>
</tr>
</tbody>
</table>

Landowners must contribute 25 percent of the funding for demonstration projects; this contribution can be in the form of labor and in-kind services. Costs of the demonstration projects were based on the average cost of projects currently on-line, rather than on engineering estimates of the costs of the six proposed projects.

NPS is receiving a significant amount of funding from the EPA. DHES must secure a 40 percent match to be eligible for EPA funds.

RDGP has already funded two nonpoint source pollution control grants, one for $262,573 in 1989 and another for $146,620 in 1991. The nonpoint program is behind schedule in
using the grant funds obtained so far. Currently only the 1989 grant is under contract, and only $11,470 of these funds has been disbursed. The 1991 grant money was scheduled to be used from May 1990 to December 1991, but this grant is not yet under contract. The Water Quality Bureau plans to spend the current grant application money from July 1993 to June 1995. It appears that the bureau may have some difficulty in meeting this schedule.

ENVIRONMENTAL EVALUATION

The beneficial or adverse impacts that will occur are dependent on the individual projects funded through the NPS program.

If best management practices are applied on a widespread basis, it is expected that the reduction of soil erosion and improvement of water quality would be significant in the long term. Additional benefits could be realized through improved wildlife habitat, decreased water treatment costs, and improved land and water management. Short-term water quality, noise, and dust problems could result from installation of certain structures such as headgates or riprap.

PUBLIC BENEFITS ASSESSMENT

The agricultural watershed/demonstration projects implemented under the program would reduce erosion and sedimentation and minimize property damage, susceptibility of adjacent lands to flooding, and damage to irrigation structures and equipment. Public health, safety, and welfare would be improved, especially with regard to drinking water supplies. Nonpoint source pollution control measures should reduce pathogens in surface waters, decrease bioaccumulation of metals and pesticides in tissues of fish and other organisms consumed by humans, and lower the amount of nitrates that can cause infant health problems. Also, eutrophication of water bodies from excessive nutrient discharge would be reduced. Benefits would be primarily site-specific on the water body or stream selected, but would also accrue to downstream users to some extent. Statewide benefits of water quality improvement would be gained if best management practices are eventually applied voluntarily on a widespread basis.

Typically, local contractors would be hired to complete the designed project plan, creating some local and short-term labor and material needs. Improved water quality is important to Montana’s growing tourism and recreation industries. When best management practices are applied, they can help reduce loss of agricultural ground due to erosion and flooding.

This project would implement demonstration projects on up to six (6) severely impacted streams. The actual number of stream miles to be cleaned up by the project is small in comparison to the number of miles affected by nonpoint source pollution. The
remainder of streams affected are left to be treated on a voluntary basis. In some instances BMPs may qualify for federal cost-share programs such as USDA Great Plains Contracts. However, in some cases BMPs must be entirely paid for by the landowners. Any widespread effect on water quality will depend on the success of the demonstration projects and efforts of the conservation districts, Water Quality Bureau, and DNRC in convincing landowners to install or implement best management practices. The likelihood of the voluntary implementation of these practices could be explored through polls, questionnaires, interviews with landowners, research of existing information, and public forums.

RECOMMENDATION

A grant of up to $300,000 is recommended for this project, contingent upon DNRC approval of the project scope of work and budget.

APPLICANT NAME: Montana Bureau of Mines and Geology (MBMG)

PROJECT/ACTIVITY NAME: Acid Mine Drainage Prevention, Control, and Treatment Technology Development for the Stockett/Sand Coulee Area

AMOUNT REQUESTED: $ 297,245

OTHER FUNDING SOURCES AND AMOUNTS:

Project Sponsor
Department of State Lands

$ 101,638
$ 28,429

TOTAL PROJECT COST: $ 427,312

PROJECT ABSTRACT (Prepared and submitted by applicant)

Millions of dollars have been spent trying to remediate acid mine drainage in the Stockett/Sand Coulee coal field a few miles south of Great Falls. To date, the techniques used have focused on managing and containing mine waters, rather than designing technologies that would prevent acid mine drainage. Consequently, acidic drainage from abandoned underground coal mines continues to degrade surface water and groundwater resources in the area. Possible prevention techniques must be evaluated and documented to ensure that future control and remediation are effective and efficient.
PRIORITYIZATION CRITERIA FOR WATER QUALITY PROJECTS

WATERSHED: ___________________________ Date ________

Watershed/Stream Assessment completed? ______________

Is the waterbody listed in the current Montana 305(b) Water Quality Report? ______________

RATING CATEGORIES

<table>
<thead>
<tr>
<th>I. Severity and extent of the water quality impact to beneficial uses</th>
<th>MAXIMUM RATING</th>
<th>TOTAL</th>
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<tbody>
<tr>
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</table>

| II. Anticipated public benefit | 40 |
| III. Feasibility assessment   | 60 |

TOTAL

**************************************************************************************

I. SEVERITY AND EXTENT OF THE WATER QUALITY IMPACT TO BENEFICIAL USES

A. Types of Waterbody: Ground 6 ______ Surface 6 ______

B. Impaired uses:

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<tr>
<th>Drinking Water</th>
<th>Fish &amp; Aquatic Life</th>
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<table>
<thead>
<tr>
<th>Recreation</th>
<th>Agriculture</th>
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<table>
<thead>
<tr>
<th>Wildlife</th>
<th>Industrial</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

C. Degree of Impairment (known or suspected) - Refer to parameter definitions - page 3:

<table>
<thead>
<tr>
<th>Presence</th>
<th>Severity (0-3)</th>
<th>Degree</th>
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<tbody>
<tr>
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<td></td>
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<tr>
<td>Pesticides</td>
<td>4 X</td>
<td></td>
</tr>
<tr>
<td>Dewatering</td>
<td>4 X</td>
<td></td>
</tr>
<tr>
<td>Bacteria</td>
<td>2 X</td>
<td></td>
</tr>
<tr>
<td>Sediment</td>
<td>2 X</td>
<td></td>
</tr>
<tr>
<td>Habitat Alteration</td>
<td>2 X</td>
<td></td>
</tr>
<tr>
<td>Nutrients</td>
<td>2 X</td>
<td></td>
</tr>
<tr>
<td>Salt</td>
<td>1 X</td>
<td></td>
</tr>
<tr>
<td>Temperature</td>
<td>1 X</td>
<td></td>
</tr>
</tbody>
</table>

Subtotal: ________
II. ANTICIPATED PUBLIC BENEFIT

A. NPS problem in the watershed is a common problem in Montana, and results of this project are likely to have a high demonstration, technology transfer, and/or education value to other watersheds in the state: (0-10)

B. Protects ecologically sensitive waters, such as public water supply watersheds/aquifers, wetlands, wild and scenic rivers, fish species of special concern, and exceptional sport fisheries: (0-10)

C. Expected improvement in the quality and value of the waterbody following implementation: (0-10)

D. Addresses the NPS problem through a watershed planning approach, incorporating off-stream land management in the overall project: (0-10)

Subtotal: __________

III. FEASIBILITY ASSESSMENT

A. Solutions proposed to address NPS problems in the watershed are feasible to achieve desired water quality improvements: (0-15)

B. Local sponsors have the ability and interest to effectively administer a water quality project, including the capability to plan and coordinate project activities and to monitor success in meeting project objectives: (0-15)

C. Responsible landowners are willing and financially able to proceed with a water quality project. There is commitment on the landowners part to invest their own resources in the project and perform long-term maintenance on the installed BMPs: (0-15)

D. Coordination with local, State, Federal agencies and other organizations with interest in the waterbody has been done during the initial assessment, and will likely continue through the life of the project: (0-15)

Subtotal: __________
PRIORITIZATION GUIDANCE

RATING PROCESS

All ratings will be done by a technical review team to be assigned by the NPS Watershed Committee. This team will consist of people who have a knowledge of the hydrologic unit and can provide an unbiased, fair rating. The prioritization will be based on available information and will be updated as additional technical information is gathered (Category I and II) and/or the local involvement/commitment changes (Category III).

DEFINITIONS OF PARAMETERS LISTED IN CATEGORY I, SECTION C.

Severity Levels (0 - 3):

0 - Not Applicable                      2 - Medium Severity
1 - Low Severity                        3 - High Severity

Toxics - Inorganic metals (lead, zinc, copper, cadmium, barium, selenium, arsenic, etc.), volatile organic chemicals (solvents, gasoline additives, etc.), cyanide, and petroleum products.

Pesticides - Insecticides, herbicides, rodenticides, fungicides, any substance or mixture of substances intended for preventing, destroying, controlling, repelling, altering life processes, or mitigating any insects, rodents, nematodes, fungi, weeds, and other forms of plant or animal life.

Dewatering - Removal of water from a waterbody resulting in an impairment.

Bacteria - Aerobic and facultatively anaerobic bacteria that may cause bacterial diseases in humans and other animals. Total coliforms, fecal coliforms, fecal streptococci, and enterococci are most commonly used as indicators of pathogenic organisms.

Sediment - Mineral or organic solid material that moves either as suspended material or as bedload.

Habitat Alteration - Stream channel, riparian zone, and watershed upland characteristics that influence aquatic life and streambank stability (spawning beds, pools and riffles, canopy cover, etc.).

Nutrients - The nutrients of primary concern are nitrogen and phosphorus, more specifically their organic and inorganic forms (ammonium, nitrate, nitrite, phosphate, etc.).

Salt - Dissolved ions in the water. The principal anions include carbonates, and chlorides. The principal cations are sodium, potassium, calcium, and magnesium.

Temperature - Stream temperatures that reflect the inputs of solar radiation and air temperature. Streambank vegetation and dewatering may have a significant influence on water temperature.
RECOMMENDATION

A grant of up to $75,569 is recommended for this project, contingent upon DNRC approval of project scope of work and budget.

- 5 -

APPLICANT NAME: Montana Department of State Lands (DSL)

PROJECT/ACTIVITY NAME: Well Assessment and Abandonment-Oil and Gas

AMOUNT REQUESTED: $211,800

OTHER FUNDING SOURCES AND AMOUNTS:

Project Sponsor $6,089

TOTAL PROJECT COST: $217,889

PROJECT ABSTRACT (Prepared and submitted by applicant)

The well assessment project will be conducted in Section 36 of Township 35 North, Range 2 West. This tract of land is located 1 mile east of the Town of Oilmont. Currently, several wells are emitting hydrogen sulfide gas. A common scene near the wells is to find a ring of native animals that have perished as a result of the gas. This gas poses a threat to domestic livestock, as well as human life. Additionally, the wells in this section and within Toole County have corrosion problems. This means that the casing is deteriorated and will allow commingling of water with the producing zones and vice versa. Montana statute requires the prevention of this commingling and preventing the contamination of aquifers as well as preventing the contamination of oil and gas zones. The project is intended to plug these problem wells. The project can be completed in three months' time.

TECHNICAL ASSESSMENT (Prepared by DNRC)

Completion of this project would allow the Department of State Lands (DSL) to assess the condition of existing well bores in Section 36 (which is state-owned), properly abandon those wells that are in unsatisfactory condition (because of leaks, corrosion, defective casing, etc.) or no longer producible, and cap those wells that are capable of future production. MCA 82-11-123 requires preventing the escape of oil and/or gas from one stratum into another and preventing the intrusion of water into oil and/or gas strata. The law also requires restoration of the surface to its previous grade and productive capability after a well is plugged and necessary measures to prevent adverse
hydrogeological effects from such well or hole. The requirements of MCA 82-11-123 would be satisfied if hole-specific conditions and associated impacts (past or potential) are assessed and the project results in the permanent remedy of each impact. Depending on the severity and extent of contamination, soil and water analyses may be required.

DSL has furnished a legal opinion concluding that the State of Montana is potentially liable for defective operation of its oil and gas leases and that the responsible oil and gas operator (due to bankruptcy) is very unlikely to have assets necessary to plug the wells. DSL needs to pursue this matter thoroughly and take whatever measures are necessary and provided by law to recover any RDGP funds expended for this project.

FINANCIAL ASSESSMENT

The budget is reasonable and well documented for this type of project. The actual cost will be determined during the bid process. Unknown or unforeseeable hole conditions on a particular well hole may increase plugging costs and result in fewer holes actually being plugged. The funds will be used as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract engineer/site inspector</td>
<td>$18,200</td>
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<tr>
<td>Plugging contractor</td>
<td>$126,500</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>$49,500</td>
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<tr>
<td>Contingency</td>
<td>$17,600</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$211,800</strong></td>
</tr>
</tbody>
</table>

DSL is contributing $6,089 for project coordination and oversight. DSL indicates that no funds for plugging are available to it other than from RDGP.

ENVIRONMENTAL EVALUATION

The proposed project would include remediation and cleanup efforts at twenty-six gas or oil well sites within the Kevin-Sunburst Field. Activities at the sites would require disturbance to enter and plug the wells and to reclaim each location. These adverse impacts would be short-term, depending on whether the methods and procedures used reflect conditions present at each site. For example, the extent of soil contamination from oil or gas at each site is unknown presently and could affect the success of reclamation by limiting the degree of revegetation possible. Cleanup measures should address whether removal of contaminated soil would be necessary in order to ensure revegetation success and eliminate surface water and groundwater pollution sources at these sites. The project should result in long-term beneficial impacts at these sites if reclamation is successful.

As a condition of funding if this project is approved, DNRC would require a more detailed description of the measures and, if necessary, a reclamation plan for each site.
The information should address the method for and level of desired surface cleanup and reclamation to be achieved at each site.

PUBLIC BENEFITS ASSESSMENT

In addition to improving the soil, air, and water resources, successful completion of this project would improve agriculture and oil production on state-owned lands. This would be of significant benefit to the school trust fund. Potential state liability may also be reduced.

RECOMMENDATIONS

A grant of up to $211,800 is recommended for this project, subject to the following contingencies.

1. DNRC must approve the project scope of work and budget.

2. DSL must characterize soil, water, and vegetative conditions at each well bore and develop, if necessary, site-specific plans for that well that ensure long-term, comprehensive reclamation.

3. As provided by law, DSL must diligently investigate (not less than yearly) the potential for recovering RDGP funds expended for this project from potentially responsible parties, and must submit to DNRC a report of these investigations outlining the steps taken to recover project costs. If costs are recovered for this project, DSL must reimburse DNRC the full amount, including any amount for damages or penalties, it may receive.
### House of Representatives

**Visitor Register**

**Long Range Planning**  
**SUBCOMMITTEE**  
**DATE 2/5/83**

**DEPARTMENT(S)**  
**DIVISION**

<table>
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<tr>
<td><strong>NAME</strong></td>
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</tr>
<tr>
<td>Judy Erickson</td>
<td>CPAC</td>
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<tr>
<td>Colleen Payne</td>
<td>Mt. Arts Council</td>
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<td>Allison Finney</td>
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<td>Bill Forrest</td>
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<td>Debbie Schloegji</td>
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<td>Jeannie Eaton</td>
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<td>Jack W. Mitchell</td>
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<tr>
<td>Katrina Richford</td>
<td>Very Special Arts MT</td>
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<td>Jack M. Platt</td>
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<td>JR Hansen</td>
<td>MWRDA support, Hamilton, MT</td>
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<td>David M. McLain</td>
<td>Town of Ennis</td>
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<td>Richard Barr</td>
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**Please leave prepared testimony with Secretary. Witness statement forms are available if you care to submit written testimony.**
<table>
<thead>
<tr>
<th>NAME</th>
<th>REPRESENTING</th>
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<tbody>
<tr>
<td>Wayne Whitman</td>
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<td>Pamela Allison</td>
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<td>Pete J. Bortoliro</td>
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<td>Gary Pressly</td>
<td>Woody print</td>
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<td>Forrest Even</td>
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<tr>
<td>Lori Sian</td>
<td>Pompeys Pillar, Mt.</td>
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<td>Paula L. Parsons</td>
<td>Ballantine, Mt.</td>
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<td>Vi Larson</td>
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<td>Steven L. Sian</td>
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<tr>
<td>Jason Thom</td>
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<tr>
<td>John Delco</td>
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<td>Murray M. Miller</td>
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<td>Kay Bank</td>
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<tr>
<td>Mike Volinsky</td>
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