

March 18, 1977

The Natural Resources Committee convened in room 437, on March 18, 1977, at 8:05 a.m., with Chairman Sheldon presiding and all members present (except Reps. Huennekens, excused, and Reps. Burnett and Quilici, absent) for a hearing on the following bills:

HJR 90 REP. MELVIN WILLIAMS, Dist. 70, chief sponsor of this bill, said it was a request to the state of Washington to encourage and permit the construction of appropriate port facilities for unloading crude oil for shipment by pipeline to the northern states, including Montana. Rep. Williams said the majority of the oil used in our oil refineries is imported from Canada and after 1980 that supply will be cut off so this possible supply could be extremely important to our land locked refineries. He said this oil will be shipped by pipeline to the port of loading in Alaska and from there go by boat-- and at present there are no port facilities to unload in Washington.

WARD SHANAHAN, Northern Tier Pipeline, handed to the committee members a graphic copy of the proposed pipelines, exhibit 1. He said it would cost \$1 a barrel less to bring the oil via the northern tier pipeline than to use the existing pipeline to Edmonton and then come down to the northern states. He said he would be glad to answer any questions. Exhibit 2 is a copy of a newspaper article which was passed to the committee.

PETER JACKSON, WETA, said they had been in support of the Northern Tier Pipeline for some time. He said it represents jobs and also represents a good balance of environment and economy.

In closing Rep. Williams emphasized again the extreme need for getting a crude oil supply into the northern tier states.

SB 48 SENATOR WILLIAM MATHERS, Senate District 26, the bill's chief sponsor, said he introduced this bill as a result of his participation on the oversight committee and that committee's study of the uses of the coal moneys. He said this bill substantially changes the renewable resources part of the coal tax pie. He said SB 44 is a companion bill that overhauls the loan program. Senator Mathers mentioned bad debt bonds of the 30s and said we shouldn't bond or indebt the state to carry out these loan programs. He said former Sen. Bertsche authorized him to tell that he is inalienably opposed to seeing the state making loans to individual people. He said this bill establishes that no more farm loans from renewable resources would be made to private individuals. He said now was a good time to cut off this program before it gets started. He said a portion of the renewable resources money would be used for coal related research projects.

TED DONEY, Chief Counsel of the Department of Natural Resources, spoke in opposition, and a copy of his statements is exhibit 3. Exhibit 4 is a brochure telling about the Renewable Resources Program. He also said there is a need to put money from a nonrenewable resource into a renewable resource--and why not do something valuable with the money. He said this is something we shouldn't discard in two years before we see how it is going to go. He said he hoped SB 48 would be shot full of holes and the committee would give it a decent burial.

BOB BIGGERSTAFF, MT Assn. of Conservation Districts, spoke in opposition. He said the way he understands the bill is that the districts would apply to get the loans and the farmers come to them--he didn't like this idea.

PAT SMITH, Northern Plains Resource Council, spoke in opposition. He said this bill is premature as the renewable resource program has not been granted time to prove itself. He said without the bonding provision the Board of Natural Resources would have only about 5 million as compared to 32 million with the provision. He said this would limit the effectiveness of the program. He said farmers and ranchers are faced with high interests and short pay back periods at the regular loaning agencies--and if they ever needed assistance they do now. He said the developing of more water resource programs through this program could be valuable in case of a drought. He said judging from the number of applications there is widespread support for this program. He felt this is one of the most positive, innovative programs the legislature has done.

PHIL TAWNEY, Environmental Information Center, said they are trying hard to avoid being labeled antidevelopment. He said this program is one of those programs that will benefit the state of Montana and agriculture. He said Montana has always been short of investment capital--using the coal tax in this way could change that, and not only benefit the individual farmers but the local small town communities as well. He said if we want to maintain an agricultural economy we have to put something on the line. In reply to the idea that private institutions should take care of investment needs, he said the reason for the program is that financial institutions are not lending to the people who need the money--one of the crucial problems in this state and over the country is that young farmers are not getting the help they need from private lending institutions. He said he hoped the committee would kill the bill and make sure the state is not capital short like it has always been.

PETER JACKSON, speaking for himself, said he opposed the bill. He said he is one of those people who applied for a loan. He said with the new sprinkler systems a farmer is able to irrigate twice as much. He said his banker recommended to him that he apply for a loan. He said with this program they will be able to get going on range management, also.

TOM FOEFF, Trout Farmer from Livingston, felt the renewable resource program could be a good way for a farmer to get started in the trout business and have a year around income.

J. T. HAMM, East Helena, representing self, opposed the bill. He said sprinkler systems will bring a direct tax return to the state. He mentioned sprinkler systems are not energy intensive--they use only about 4 3/4 kilowatts per acre of water.

REP. ESTHER BENGTON spoke in opposition. She said this is a valuable and innovative program. She passed a map showing the location of some of the proposed projects. She read from several letters refuting that all lending agencies oppose the renewable resources program. She felt research in the coal area should be done on the federal level and renewable resource money should not be channeled into coal utilization studies.

In closing Senator Mathers said the legislature needs to look closely before moving full bore into the program. He said let's be careful how we utilize this coal tax money. He said he would hate to sit on the board which decides who gets the loans and who doesn't. He said of the 38 applications all but a few are for sprinkler systems--he questioned singling out one segment of the economy--what about timber, mining, etc. He suggested the committee look through the rules and regulations of the DNR applying to this program. He left a copy of these with the committee. He said he was not here to criticize the DNR but because of problems seen by the oversight committee with this program.

During questions it was asked how the board would give equitable treatment in deciding who gets the loans. Harvey Thompson, Loan Officer, DNR, said he didn't anticipate any problems. Rep. Hirsch questioned if this was based on the ability to repay, the small farmer would still not be helped. Mr. Thompson said both the ability to repay and the project would be checked. In response to a question Mr. Tawney said criteria can be worked out on the equity question and he didn't feel that should be used as an argument that it won't work. Senator Mathers suggested looking into a similar program in Wyoming to see who got the loans--mostly the big farming corporations. Rep. Hurwitz mentioned that if farmers get an equitable price for their products they have no problem getting loans.

SJR 42 SENATOR HAROLD DOVER, Senate District 24, the bill's chief sponsor, said this resolution addresses itself to two of our big problems today--a surplus of grain and a shortage of fuel. He said it has to do with the conversion of wheat and barley into ethyl alcohol, an energy source with valuable byproducts. A copy of his testimony is exhibit 5 and part of the minutes. A copy of suggested amendments is exhibit 6 and part of the minutes. The amendments change the thrust to looking at the economics of using this energy rather than research into the energy itself --which has already been done; and would change the Western Governor's Energy Conference (since it will soon end) to the Old West Regional Commission. Exhibit 7 is a copy of a newspaper article dealing with this which Senator Dover left with the committee. He introduced the following proponent.

DR. KEN GORING, Professor from MSU in Bozeman, said he was a retired dean of their graduate school, at present doing research on syrup from grains at the school--working for \$230 a month because he likes what he is doing. He said the research has been done--the resolution would be to see if it is economically feasible to pursue it further. He said the reason for the requested funding is for researchers to visit other places--much information you can get indirectly which isn't available directly. He said this is not a new process--used back in the 30s. His notes which contain information on expected cost, products, etc., is attached to the minutes and is exhibit 8.

During questions Rep. Hurwitz asked if the cost would be favorable. Dr. Goring responded if you can sell the gluten for 50 cents a pound (which market would soon be saturated if several plants used wheat) it would still be questionable at today's prices. However, if the price of gas goes up considerably this could change and he didn't think we should just wait for this to happen but check out the possibilities.

Rep. Cooney said he would like to see this kind of study and asked if the private industry were doing any study in this area. Dr. Goring said there wasn't any private study on the economics of this now. Senator Dover said Nebraska is going ahead on this and they are seeking other states to cooperate with them in this program. He said since the committee is interested he would see about getting a figure on the cost. In response to a question Dr. Goring gave a rough estimate of the cost--\$25,000 (\$1500 for travel, \$7500 for a PhD applicant to do the needed research, and then administrative costs).

Meeting adjourned at 10 a.m.

Respectfully submitted,


ARTHUR H. SHELDEN, Chairman

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