

MINUTES OF THE MEETING
APPROPRIATIONS COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

April 10, 1985 a.m.

The meeting of the Appropriations Committee was called to order by Chairman Bardanouve on April 10, 1985 at 8 a.m. in Room 104 of the State Capitol.

ROLL CALL: All members were present except Representative Bradley, who was excused.

(Tape 84:A:000)

Vice Chairman Donaldson read a letter from Senator Dave Fuller, Chairman, Senate Local Government Committee, dated April 1, 1985, regarding HB 75 and HB 614 (EXHIBIT 1). The subject of the letter was salaries of local government officials.

HOUSE JOINT RESOLUTION 54: "A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF JOB TRAINING AND PLACEMENT PROGRAMS TO ATTEMPT TO COORDINATE EFFORTS TO PROVIDE MAXIMUM BENEFIT FOR UNEMPLOYED MONTANANS."

Representative Winslow (048) presented his bill.

Proponents:

Representative Donaldson
Representative Menahan
Representative Moore
Representative Swift

Opponents: None.

Discussion:

Representative Bardanouve (127) asked what power does the state have on these programs, inasmuch as they are federally funded. Representative Winslow said no power over funding, but there could be a Coordinating Council by the state.

Representative Quilici (150) asked if this could be combined with his bill for a study on health insurance for unemployed so there would just be one study. Representative Winslow said he thinks this would be a good idea and he would not object to it because there is only money for about three studies.

E X E C U T I V E A C T I O N

54

Representative Moore made a motion that HJR/DO PASS. A voice vote was taken and the motion carried unanimously.

WATER BONDS REPORT

Larry Fasbender (265), Director, Department of Natural Resources and Conservation, presented a report to the committee titled "Types of Projects Funded by the Water Development Program" (EXHIBIT 2).

Chairman Bardanouve (363) asked Larry Fasbender for his opinion on the best way to approach the support of agriculture with this program. Larry Fasbender referred the committee to Pages 2 and 3 of Exhibit 2. He said, however, he is opposed to earmarking the funds.

Chairman Bardanouve (429) said the Long Range Planning Committee finds it most difficult when money is requested for one project under several bills. Representative Thoft agreed and said he has also received criticism over the interest rates charged... 3 percent. He said the Legislature is either going to have to accept the 3 percent interest rates or do away with the program because people cannot pay the cost of these water projects if the interest rates are higher.

Representative Menahan (462) said a project should benefit the greatest number of people, but projects like the East Bench Project benefits only seven people. He asked if this is fair. Larry Fasbender supports gravity sprinkler systems because it saves electricity which may not be there in abundance in the future. While the benefits are only for a few people in the East Bench Project, there are also benefits to the state of Montana in the reduced consumption of electricity.

Gary Fritz, DNRC, explained the funding sources for three groups of projects (EXHIBIT 3). He said the grants come from the Coal Severance Tax. He said applications are made to DNRC for the funds and DNRC ranks the requests. There have been about 100 in the last two bienniums. From the ranking list, the Legislature decides which projects are to receive funds. He said some of the funding source is also from Resource Indemnity Trust Fund interest (RIT)... 30 percent and a percentage of the Coal Severance Tax goes into a "pot" in the Water Development Special Revenue Account. Any number of things can be done with this ~~money, but the only thing that can be done with this money is to fund the grants for Water Development projects.~~
the things it does is fund the grants for Water Development projects.

Gary Fritz said loans for less than \$200,000 are primarily funded by general obligation bonds and these loans do not represent subsidies because the loans are made at the same interest rate at which the bonds are sold. This is shown on Exhibit 3.

Loans greater than \$200,000 are financed from the sale of Coal Severance Tax bonds. These bonds are backed by the flow of funds into the Trust Fund. These are the loans for rural domestic water systems for large agricultural projects like the East Bench project. These projects are not ranked because they are loans and there is plenty of bonding authority for all the

project applications received. DNRC makes certain the projects are technically feasible and financially feasible at the interest rate suggested by DNRC. These are the projects involving subsidies. The East Bench project is now recommended at a 3 percent interest rate, so the bonds are sold at a certain interest rate and the loans are made at a rate below the rate of the bond sale and this represents the subsidy. The subsidy is made up from the funds flowing into the Coal Tax Trust Fund.

Representative Lory (575) asked if loan interest rate is set at a lower rate than the interest on the bond sale, how is the loss handled. Gary Fritz said there is a Special Account set up before the flow of coal tax monies get into the Trust Fund itself and if there is money needed to pay debt service on those bonds sold and loan repayments are not sufficient to pick this up, the money is taken out of the flow of funds into the corpus of the Trust Fund.

Representative Lory (596) said the Constitution says 50 percent of the Coal Severance Tax has to go into the Trust Fund and he asked how this is handled. Gary Fritz said the Water Development program passed by a 3/4 vote of the Legislature and overrides this 50 percent factor. He said another provision put into the Water Development statute that 15 percent of the interest on the Coal Severance Tax Trust Fund would go back into the Trust Fund to make up for any depletion which might occur due to the Water Development projects.

Representative Peck (650) asked how "agricultural community" vs. "non-agricultural community" is defined. Larry Fasbender said it is arbitrary.

(Tape 84:B:000)

Representative Miller said there should be long-range planning for these projects. Larry Fasbender said DNRC is looking at long-range planning, if DNRC can get legislative guidance on whether the programs should be directed toward agriculture more than cities and towns... the infrastructure. He said perhaps the Legislature wants to fund projects for cities and towns, but DNRC needs some guidance on this problem.

~~Representative Menahan (036) asked about the Milk River Irrigation projects. Larry Fasbender said there are two different projects involved: (1) the attempt to get more water into the Milk River to provide more water for irrigation purposes, (2) the hydro project at Tiber Dam which many people wanted to use to generate revenues to fund the project to transfer water.~~

Representative Bardanoue (045) said one project probably won't go if the other doesn't go. It is hoped now to remove water from the Missouri River and the Milk River is running dry and if Canada takes its share of the water, Montana will be in real trouble. To make it feasible to pump water from the Missouri

into the Milk River watershed would be quite costly. The only solution would be to build, under the federal energy regulation, a hydroelectric project on the Tiber Dam and use any profits from the project to subsidize the pumping costs over the Divide into the Milk River watershed. He said the water users of the Milk River Valley from Havre to Glasgow would control the project. He said the half-a-dozen irrigation districts would be the governmental entity.

Larry Fasbender (089) said the Milk River project has been moved up as a priority area as far as the adjudication process is concerned because of some of the problems in the Milk River. Also, DNRC has made the decision that as soon as the project is decided on, DNRC will attempt to support a project which would provide water for the Milk River area. He said the federal government is dropping out on the funding of these water projects and the Milk River project may well be the last projects with a chance for federal funding.

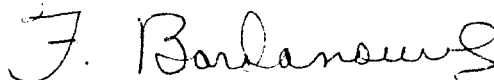
Representative Menahan said he thinks this is the type of project which should be funded over the cities and towns because it is for the good of the most people.

Representative Bardanoue (116) asked why cities can't build water projects and sewer projects without subsidies. Larry Fasbender said it is because the projects have been let go so long and it is very expensive to replace. He said the federal government is no longer providing the funding in these projects, so the cheapest money comes from the state.

Gary Fritz (190) said DNRC has put together a water plan which includes many projects it feels are feasible around the state, including agricultural projects and municipal water projects, but they are not prioritized.

E X E C U T I V E A C T I O N

Representative Menahan (209) made a motion that the Long Range Planning subcommittee review the entire problem. A voice vote was taken and the motion carried unanimously.



FRANCIS BARDANOUVE, Chairman

DAILY ROLL CALL

APPROPRIATIONS COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date April 10, 1985

NAME	PRESENT	ABSENT	EXCUSED
BARDANOUE	X		
DONALDSON	X		
BRADLEY			X
CONNELLY	X		
ERNST	X		
HAND	X		
LORY	X		
MANUEL	X		
MENAHAN	X		
MILLER	X		
MOORE	X		
NATHE	X		
PECK	X		
QUILICI	X		
REHBERG	X		
SPALDIN	X		
SWIFT	X		
THOFT	X		
WALDRON	X		
WINSLOW	X		

STANDING COMMITTEE REPORT

April 10, 1985

MR. SPEAKER

We, your committee on APPROPRIATIONS

having had under consideration HOUSE JOINT RESOLUTION Bill No. 54

First reading copy (White)
color

INTERIM STUDY OF COORDINATION OF JOB TRAINING AND WORK PROGRAMS.

Respectfully report as follows: That HOUSE JOINT RESOLUTION Bill No. 54

DQ. PASS.



The Big Sky Country

EXHIBIT 1
HB 75 & HB 614
4/10/85
Sen. Fuller

MONTANA STATE SENATE

SENATOR DAVID (SPIKE) FULLER

ASST. MAJORITY WHIP

HOME ADDRESS:

1030 SIERRA ROAD WEST
HELENA, MONTANA 59601
HOME PHONE: (406) 458-9194

COMMITTEES:

LOCAL GOVERNMENT, CHRM.
LEGISLATIVE AUDIT
BUSINESS AND INDUSTRY
NATURAL RESOURCES
LONG RANGE PLANNING

April 1, 1985

Francis Bardanouve, Chairman
House Appropriations Committee
Montana House of Representatives
State Capitol Building
Helena, MT 59620

Dear Chairman Bardanouve:

President Norman asked me to respond to your letter of March 23, 1985 regarding HB 614 and HB 75. I apologize for the delay in responding, but you more than anyone are sensitive to the hectic schedule of these recent days.

Your suggestion of reviving HB 75 was of personal interest to me, since I agree that philosophically the issue of local government officials salaries should more appropriately be handled at the local level. Since this bill was heard in my Committee, I am intimately familiar with the issues surrounding HB 75 and it is my judgement that there would have been very limited support for an effort to revive this bill. For your information, the bill was defeated in the Committee by a vote of seven to three. I should explain, however, that this does not necessarily reflect opposition to the concept but rather concern about the legislation as it was written. Additionally, the Adverse Committee Report was adopted by a vote of forty-four to four.

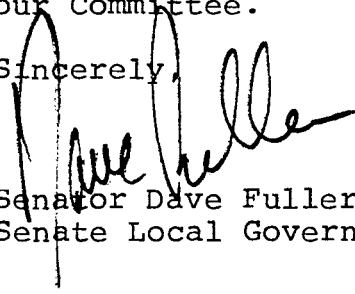
In view of this, and based on conversations with other Senators, I felt that it would have been impossible to resurrect the bill for consideration.

I do not intend to drop this issue and it is my intention to work with local government officials and associates in designing legislation which would be more palatable to those that this type of legislation would affect.

Francis Bardanouve
Page Two
April 1, 1985

It is my hope that during the interim period, I can develop such legislation and have it submitted to the next legislative session. If you would like any additional information regarding this issue, I would be happy to meet with you and the members of your Committee.

Sincerely,



Senator Dave Fuller, Chairman
Senate Local Government Committee

cc: President Norman

DF/cg

TYPES OF PROJECTS FUNDED BY THE
WATER DEVELOPMENT PROGRAM

Recently there has been an expression of legislative concern regarding the direction of the Water Development Program. This concern has centered on the number of domestic water and sewer projects funded by what was initially perceived to be an agricultural program.

As shown in the attached summary, purely agricultural and agricultural-related projects such as streambank stabilization have represented about 38% of the applicants and received about 38% of the funds. However, in one category, loans over \$200,000, purely agricultural projects have requested and received only 12% of the funds while domestic water and sewer projects have shown a greater need in this area.

The Department of Commerce's Infrastructure Study reports that 264 capital project needs totaling \$100 million have been reported by Montana's incorporated cities and towns when asked what their five priority projects were.

~~In addition, 35% of the state's rural water systems are in need of major~~
upgrading to bring them into compliance with the "10" State Water Quality Standards.

These needs coupled with federal cutbacks have resulted in demand for this program.

The department feels that, even with a depressed agricultural economy, there may be opportunity to develop more agricultural projects if more staff time and technical assistance were directed toward these types of project sponsors who typically don't have the experience or resources for project development and financing that the municipal sponsors do. Currently we are spending only four percent for administration of this program so present staff has been able to provide this assistance to a limited degree only. For this reason the department has requested and has preliminary approval for an additional person ~~for this program~~ to be used for project development with emphasis to be put on assessing needs and then developing specific types of projects such as gravity irrigation, automated flood control, and rural water systems.

Initial efforts have shown that there is demand for development in these areas. For example, a joint DNRC/SCS study during the past biennium identified 18,944 acres feasible for conversion to gravity sprinkler systems which would allow operators to avoid increasing power costs.

Options to further support agriculture with this program.

1. Direct the Department by statute:

"The Department is directed to recognize in particular the primary role of agriculture in the state's economy and the needs of its agricultural constituency when it formulates its promotion, assistance, and development programs."

This could be put in the purpose section of the enabling legislation or in the appropriations bill.

2. Adjust the ranking system used to compete for grant funds to further support agricultural projects.
3. Limit the amount of loan authority available for domestic water and sewer projects and rank projects to allow competition for these loans.
4. Adopt criteria for interest rate reductions that recognize the additional needs of agriculture.

Numbers 2, 3, and 4 could be done either by statute or by rule and policy under legislative direction given in number 1.

TYPES OF PROJECTS FUNDED BY THE WATER DEVELOPMENT PROGRAM

FY's 84-85 & 85-87	Strictly Agricultural Projects	Agricultural Related Projects*1	Total Agricultural Projects	Domestic Water and Sewer Projects			Total All Projects
				Agricultural Communities	Non- Agricultural Communities*2	Other	
GRANTS							
Number of Grant Projects Approved by Dept. and % of Total Projects (151)	37(25%)	28(19%)	65(43%)	35(23%)	30(20%)	21(14%)	151(100%)
% of Projects Ranked Between #1 and #50	29	23	52	26	17	5	100
Grant Amount Approved and % of Total Grant Funds	1.6M(24%)	1.55M(23%)	3.1M(47%)	1.4M(21%)	1.16M(18%)	.96M(15%)	6.62M(100%)
LOANS LESS THAN \$200,000							
Number of Loan Projects and % of Total Projects (92)	38(41%)	2(2%)	40(44%)	24(26%)	23(25%)	5(5%)	92(100%)
Loan Amount Approved and % of Total Loan Funds	3.3M(42%)	.31M(4%)	3.61M(46%)	2.1M(27%)	1.5M(19%)	.58M(8%)	7.79M(100%)
LOANS GREATER THAN \$200,000							
Number of Loan Projects and % of Total Projects (56)	7(12%)	1(2%)	8(14%)	28(50%) (4 rural water systems)	20(36%)	0(0%)	56(100%)
Amount Approved and % of Total Loan Funds	7.6M(11%)	17.8M(27%)*3	25.5M(38%)	25.3M(38%)	16.3M(24%)	0(0%)	67M(100%)
Total # of Projects Within Each Category and % of Total Projects (299)	82(27%)	31(10%)	113(38%)	87(29%)	73(24%)	26(9%)	299(100%)

*1 Includes streambank stabilization; studies if agricultural use is an issue; dams if water used for agriculture
*2 Non-Ag communities are large municipal areas and communities not dependent on agriculture for existence (i.e. tourist towns,
*3 Milk River Irrigation Districts; Hydropower at Tiber Dam

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Total # of Projects Within Each Category and % of Total Projects (292)	82(27%)	31(10%)	113(38%)	87(29%)	73(24%)	299(100%)

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