

MINUTES OF THE MEETING
LONG-RANGE PLANNING SUBCOMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 22, 1985

The meeting of the Long-Range Planning Subcommittee was called to order by Chairman Robert Thoft on February 22, 1985 at 7:49 a.m. in Room 420 of the State Capitol.

ROLL CALL: All members were present.

EXECUTIVE ACTION

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, WATER DEVELOPMENT PROGRAM:

Caralee Cheney (65:B:003), Chief, Water Development Bureau, Department of Natural Resources and Conservation (DNRC) explained the User Rate Chart for the Coal Tax Loan Program projects (See Exhibit 11, 21-21-85).

Senator Van Valkenburg (65:B:050) asked what the monthly user rate would be for the Evergreen Sewer District if its interest rate were 3 points below the bond rate instead of 4 points below it. Ms. Cheney said it is now at 4 points below the bond rate and the user rates are \$14.92 per month. At 3 points below the bond rate, the user fee becomes \$17.00 per month for the first 7 years and for the remaining 13 years it goes up another \$2.00 to \$3.00. Senator Van Valkenburg (65:B:073) asked what percentage the new figures are of the state average. Ms. Cheney said they are 210% to 215% higher than the state average.

Senator Van Valkenburg (65:B:130) made a motion to adopt a cutoff, with respect to the interest subsidy in the Coal Tax Loan Program that will provide for an interest rate of 4 points below the bond rate, for all projects that have a monthly user rate which is higher than 225% of the state average user rate, for the first seven years.

(Due to a tape malfunction Tape 65, Side B, is only recorded to number 150.)

The motion passed unanimously (66:A:003).

East Bench Irrigation District, McHessor-Dry Gulch, Group A, Project 4

Caralee Cheney (66:A:010) said if the interest rate on this project is reduced to 3% the user rate will be

\$33.46 per acre for a 20 year loan. If the interest rate is 3% for a 30 year term the user rate will be \$25.39 per acre. She said this will offset power costs, but the water cost is \$9.25 per acre. Senator Van Valkenburg asked if this rate applies to a loan with an interest rate of 3% for the entire duration of the loan. Ms. Cheney said yes. She said the grant equivalent or subsidy will increase to \$1,323,920 on a 3% loan for 20 years and it will be \$1,078,550 on a 3% loan for 30 years. She said the second figure is less because the applicant will pay more interest over the life of the 30 year loan.

Representative Ernst asked what the value of irrigated land is in this area. Ms. Cheney estimated it to be \$1,300 to \$1,500 an acre.

Representative Ernst (66:A:119) asked, if this session gave loans at 3%, will a precedent for the following session be set. Ms. Cheney said applicants could have expectations of getting a 3% loan in the 1987 Session.

Representative Bardanouve (66:A:183) said he wonders if the committee will be doing Montana any service by funding projects which are not feasible.

Representative Ernst asked what amount of income an irrigated acre will produce in this area. Ms. Cheney said she did not know. Senator Tveit said the land is already irrigated by sprinklers and changing to a gravity-fed system is not going to increase the production of the land.

Representative Ernst (66:A:245) said if power costs continue to rise, the land owners will be forced to quit sprinkler irrigation and then the income generated from the land is totally lost because it is not irrigated.

Representative Bardanouve (66:A:269) said only seven family farms will benefit from this project. He said this project will give \$1,000,000 in interest subsidy to only seven families.

Chairman Thoft said he believes this is the only real rural water project in the program and it is not feasible unless it gets the 3% loan.

Gary Fritz (66:A:311) said the project will not be built at the interest rate the department is recommending.

Representative Bardanouve (66:A:315) said he would like to accept DNRC's recommendations and if the applicants still want to complete the project they can. He said he does not think the committee should encourage projects which are not economically feasible. Chairman Thoft said that type of action by this committee will in essence kill the project.

Senator Van Valkenburg said he is not certain production will increase enough to generate more income in the area. In order to justify this kind of a subsidy the project will have to show an increase in productive capabilities. Senator Tveit said he does not believe there will be a significant increase in production since the land is already irrigated.

Gary Fritz (66:A:442) said he personally likes gravity-fed irrigation projects because they do eliminate expensive pumping costs. He said he thinks these types of projects are ones DNRC should be pushing because they wean irrigating districts away from power costs.

Representative Bardanouve said everyone like the concept, but can DNRC recommend projects which are dollar poor and cannot pencil out. Mr. Fritz said it all depends on what you define as pencil out. Is a 4% subsidy O.K. or no subsidy at all. Mr. Fritz said some municipalities are also receiving interest subsidy loans because the projects are more financially feasible with the subsidy. He said presently municipalities are better able to pay back loans and the agricultural industry is not. He said the question is how much of a subsidy is the Legislature willing to provide in order to make larger agricultural projects feasible. He said his personal prejudices run toward agricultural projects and gravity-fed irrigation systems. He would like to see East Bench funded at a level which makes it feasible.

Representative Bardanouve (66:A:530) made a motion to leave the East Bench Irrigation District, McHessor-Dry Gulch Project as it was originally recommended in Group A, which is at an interest rate of 4 points below the bond rate for the first 7 years and at the bond rate for the last 13 years.

Senator Tveit asked if the minimum amount needed for the project is \$1.3 million. Ms. Cheney said yes.

Chairman Thoft (66:A:580) reminded the committee that if the motion passes they are done considering the project, if it does not pass they can give the project

further consideration. Chairman Thoft (66:A:589) called for a roll call vote. The motion failed.

Chairman Thoft (66:A:610) asked Mr. Fritz if DNRC is willing to do more research on the project. Mr. Fritz said an economic analysis should probably be done on the project. This type of analysis will consider the effects of the project on the local economy, employment, environment, etc. He said DNRC will do this kind of analysis.

Senator Van Valkenburg (66:A:691) explained the motion he made yesterday on the Coal Tax Loan Program. He withdrew this motion (66:A:698).

Senator Van Valkenburg (66:A:699) made a motion to approve the Coal Tax Loan Program, subject to the motion passed earlier today on the interest subsidy cutoff, and leaving out the East Bench Irrigation Project (Group A, Project 4, McHessor-Dry Gulch) until the committee receives additional information from DNRC on it. The motion passed unanimously (66:B:001).

Representative Bardanouve (66:B:103) said he thinks the subcommittee should appropriate some of the Water Development Program funds for use on the Prison Sewer Project and the Swan River Sewer Project.

Senator Van Valkenburg (66:B:112) asked if there are any statutory deadlines for project applications and is the committee playing havoc with the application process if it considers projects not reviewed through the process. Mr. Fritz (66:B:118) said it was a major concern of the last Legislature that projects were being considered after the session had begun and without the department's review. He said Representative Bardanouve submitted a bill last session which required departmental review of projects before they came to the Legislature. DNRC has always used this bill as legislative intent to encourage project applicants to submit their proposals by the deadline. Mr. Fritz said there is no provision which prohibits the Legislature from reviewing projects which did not go through the review process.

Representative Bardanouve (66:B:135) said these projects were not proposed at the last minute, but were elsewhere in the budget.

Mr. Fritz (66:B:145) explained the funding sources for the Renewable Resource Development Program, Water Development Program and the Resource Indemnity Trust to

the committee. He used a handout from the February 15, 1985 meeting (See Exhibit 7, 2-15-85).

Senator Van Valkenburg (66:B:204) asked how much money is needed for the Prison and Swan River Sewer Projects. Madalyn Quinlan (66:B:245) said the prison request is for an additonal \$68,500 and the Swan River request is for \$444,100.

Representative Ernst (66:B:344) suggested the committee scan the water development projects and decide if there are projects it does not want to recommend for funding. General discussion followed concerning this suggestion.

MSU, Impacts of Small Hydropower on Trout, Project 17

Chairman Thoft (66:B:463) said he is concerned about this project and asked Ms. Cheney if DNRC feels this is a good project. Ms. Cheney said the lack of this information is effecting the Federal Energy Regulatory Commission process. The Department of Fish, Wildlife and Parks is taking a conservative stand on how much water can be diverted in the winter becuase they do not have enough information on the subject.

Chairman Thoft said the variation of water flow in the winter has to be a judgment made on-site. Ms. Cheney said the project will be done at three different sites. Chairman Thoft said he wonders if they can come up with specific recommendations becuase of the variance between sites.

Senator Tveit (66:B:491) asked if there are alot of hydropower projects being developed. Ms. Cheney said there is one project being funded through the Water Development Program. She did not think there are alot of them being developed. Representative Bardanouve said he thinks if House Bill 694 passes there will not be any hydropower development.

Representative Bardanouve (66:B:512) made a motion to delete Project 17, (MSU, Impacts of Small Hydropower on Trout) from recommended funding. The motion passed unanimously.

Fort Belknap Indian Community, Groundwater Study, Project 33

Senator Tveit (66:B:542) moved that Project 33 (Fort Belknap Indian Community, Groundwater Study) be recommended for zero funding. The motion passed. Representative Bardanouve voted no on this motion.

MSU, Hydrological Assessment of Pony and Crow Creek,
Project 7

Senator Tveit (66:B:575) asked Ms. Cheney to explain this project. Ms. Cheney explained the project which is on page 29 of the program book.

Senator Fuller (66:B:598) asked if this project wouldn't be more appropriately funded from Coal Impact Funds. Ms. Cheney said the project is related to coal impact, but she does not know if the applicants have been to the Coal Board.

Senator Fuller (66:B:611) moved that Project 7 (MSU, Hydrological Assessment of Pony and Crow Creek) be deleted from recommended funding and the applicants encouraged to make an application with the Coal Board for impact money. The motion passed unanimously.

Lewis and Clark/Jefferson Valley Conservation District,
Prickley Pear Stream Stabilization, Project 9

Senator Van Valkenburg (66:B:696) said there seemed to be some testimony to the effect that this project was not needed. Senator Fuller said the controversy was over who should receive the benefits of this project. The land owners at the beginning of the creek or those at the end.

Senator Tveit (67:A:007) made a motion to delete Project 9 (Lewis and Clark/Jefferson Valley Conservation District, Prickley Pear Stream Stabilization) from recommended funding.

Senator Fuller asked Ms. Cheney to explain the project. Ms. Cheney said the stream is heavily impacted by mining and development in the Helena Valley. She said there has been a study done which prioritizes the needs for reclaiming the stream. This project will use this priority list.

Representative Bardanouve (67:A:023) made a substitute motion which reduces recommending funding for Project 9 (Lewis and Clark/Jefferson Valley Conservation District, Prickley Pear Stream Stabilization) to 50 percent of DNRC's original recommendation. Senator Tveit, Chairman Thoft and Representative Bardanouve voted yes. Senator Van Valkenburg, Senator Fuller and Representative Ernst voted no. The motion failed due to a tie vote.

Senator Tveit's original motion also failed. Senator Tveit and Chairman Thoft voted yes on it. Senator Van

Valkenburg, Senator Fuller, Representative Bardanoue and Representative Ernst voted no.

Department of FW&P, Gartside Dam Repair, Project 28

Senator Tveit (67:A:054) said he would like to leave this request at its recommended level because the project is very dependent on the Legacy Program proposal being funded. If the Legacy portion is not funded this money will not do much for the entire project.

MSU, Groundwater Exploration of Bozeman Fan, Project 36

Ms. Cheney (67:A:071) explained this project to the committee. Chairman Thoft wondered if this information is not already available. Ms. Cheney said DNRC sent this application out to other groundwater authorities for their review and they determined there is not enough information on the Bozeman Fan.

Representative Ernst (67:A:092) said he has concern about spending \$57,000 for equipment on the project. Ms. Cheney said DNRC will recommend leasing equipment if it is less expensive. Mr. Fritz said DNRC does have some seismic equipment available. Ms. Cheney said not all of the \$57,000 is for seismic equipment. Representative Ernst (67:A:120) suggested the department see if the project could not be completed with a reduced equipment budget of \$40,000 to \$50,000.

MSU, Southern Ag Research Center, Cablegation Demonstration, Project 39

Ms. Cheney (67:A:128) explained this project. She said she knows the project will not be attempted for the recommended funding of \$10,000.

Senator Van Valkenburg (67:A:136) made a motion to delete Project 39 (MSU, Southern Ag Research Center, Cablegation Demonstration) from funding. The motion passed. Representative Ernst voted no on the motion.

Red Lodge, Park and Irrigation System Development, Project 48

Ms. Cheney (67:A:162) explained this project. Chairman Thoft (67:A:191) asked if the full \$100,000 is needed to get the irrigation system for the park. Ms. Cheney said more than this is needed. She said the applicants also have a project in the Legacy Program.

Senator Tveit (67:A:209) said he thinks recreation projects might not get funding from the Legacy Program.

Representative Bardanouve suggested this project be left in the Water Development Program.

Daniels County Conservation District, Poplar River Monitoring, Project 19

Representative Bardanouve (67:A:227) made a motion to recommend \$90,000 for funding of Project 19 (Daniels County Conservation District, Poplar River Mointoring). He said monitoring of water is an ongoing project.

Chairman Thoft said he also feels the \$99,000 budget is high and he asked Ms. Cheney to explain what the project will do. Ms. Cheney said two test wells are the expensive part of the project. She also said the department reviewed the budget and sent it out for review. DNRC feels the budget is appropriate.

Senator Fuller (67:A:252) said he agreed with Representative Bardanouve because the budget has \$43,192 for salaries alone.

The motion passed unanimously.

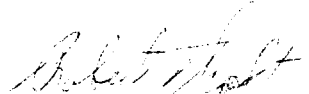
Senator Van Valkenburg (67:A:291) made a motion to approve the recommended funding amounts on all other Water Development projects, through Project 56.

Representative Bardanouve and Chairman Thoft suggested the committee not take action on the remaining projects until DNRC has a chance to review them again and possibly find funding for the Prison and Swan River Sewer Projects. Senator Van Valkenburg (67:A:301) withdrew his motion.

The committee discussed its meeting schedule following the mid-term break.

Madalyn Quinlan (67:A:450) said the committee made \$242,000 available in the Water Development Program with the actions it took today.

There being no further business before the subcommittee the meeting was adjourned at 9:58 a.m.


ROBERT THOFT, Chairman

LONG RANGE PLANNING SUB COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date February 22, 1985

[illegible]

ROLL CALL VOTE

SUBCOMMITTEE LONG RANGE PLANNING

DATE February 22, 1985 BILL NO. Coal Tax Loan Program, DNRC TIME 8:35 a.m.

Program, DNRC

TIME 8:35 a.m.

Water Development
AYE

[illegible]

Janet Pallister
Secretary, Janet Pallister

Robert Thoft
Chairman , Robert Thoft

Motion: To leave the East Bench Irrigation District, McHessor - Dry Gulch

Project as it was originally recommended in Group A, which is at an interest rate of 4 percent below the bond rate for the first 7 years and at the bond rate for the last 13 years.

VISITORS' REGISTER

LONG-RANGE PLANNING SUB COMMITTEEBILL NO. WORK SESSIONDATE FEBRUARY 22, 1985

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Gary Fritz	Helena	X	
Garabed Chery	"	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.