

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

March 6, 1985

The meeting of the Long-Range Planning Subcommittee was called to order by Chairman Robert Thoft on March 6, 1985 in Room 420 of the State Capitol.

ROLL CALL: All members were present.

DEPARTMENT OF FISH, WILDLIFE AND PARKS, COAL TAX PARK ACQUISITIONS

Kleffner/Child Ranch, Helena: Senator Fuller (69:A:006) gave members a letter from the Support Committee for the Kleffner/Child Historical Ranch (EXHIBIT 1). Senator Fuller said he suggests the committee recommend purchasing the ranch on an installment basis. He introduced Mr. Ted Doney to explain the installment concept.

Ted Doney (69:A:027), lobbyist, Kleffner/Child Ranch, said he has researched the installment concept and he feels the Legislature could purchase the property by using this method. He said Mr. Kleffner will accept an installment purchase providing there is a contract which will bind the Legislature to the eventual purchase. Mr. Doney said the Legislature can obligate the state under a contract which will create a vested right that cannot be taken away by subsequent Legislatures. This can be done by directing the Department of Fish, Wildlife and Parks (FW&P) to enter into a contract with Mr. Kleffner for the purchase of the property at a set price.

Chairman Thoft (69:A:042) asked Mr. Flynn to respond on this proposal. James Flynn (69:A:045), Director, FW&P said he does not know about the ability of one Legislature to bind future ones. He said the contract idea is not unprecedented because FW&P did do this sort of thing with the Lake Elmo acquisition. He said he becomes concerned when the department becomes involved in making deals for property today which is not actually purchased until later. He again used the Lake Elmo project as an example. He said FW&P is being sued by the person who entered into a contract with the state for the purchase of the second phase of Lake Elmo. Mr. Flynn said he does not wish to speak against the Kleffner proposal, but feels the project should be purchased today and not through an installment contract which might complicate the future.

Senator Fuller (69:A:067) said if the state were to enter into a contract with Mr. Kleffner for \$931,000, Mr. Kleffner would donate \$231,000 to a maintenance trust. Only \$500,000 of the \$931,000 would need to be appropriated this session. The remaining balance may be reduced if ASARCO buys 25 to 40 acres north of the buildings and if more private donations are raised. Senator Fuller said maintenance is a key issue this year with the budget, and the agricultural museum

could be self supporting. Each person could be charged a \$1.00 entrance fee which should raise \$50,000/year, which is what FW&P has estimated it will cost to maintain the ranch. He said he agrees the ranch is not in the same agricultural setting as Fort Benton. But the site does have significance historically and architecturally. Senator Fuller said it will be a good site for future centennial activities, for more storage space for the Historical Society and for fishing access. The ranch has alot of potential and this will not be developed overnight. Senator Fuller said there needs to be planning for the future and best use of the site.

Chairman Thoft said he is uncertain as to the legality of one legislature binding another. Representative Bardanouve (69:A:122) said he believes the proposal has interesting aspects, but the price worries him.

Senator Van Valkenburg (69:A:129) said he has not done any legal research on the issue of binding future Legislatures, but he does feel the state can enter into a contract with Mr. Kleffner and be bound by the contract for the purchase at a future date. He said the state will be getting an asset which can be retained or sold. Senator Van Valkenburg said the lake Elmo litigation should not scare the Legislature because the State of Montana is sued all the time and will continue to be sued until the end of time. He also said he sees its main value, as an agricultural museum, as being in a populated area. Senator Van Valkenburg said in an urban area more people will view the agricultural history of Montana and benefit from this. In the long run agriculture itself will benefit because more people will be educated about it.

Representative Bardanouve (69:A:162) said the contract idea does not worry him, but the Fort Benton proposal does have some aspects which are better. He said he agrees that Helena has a more favorable population base for a museum.

Chairman Thoft (69:A:186) said he supports the Fort Benton project even though it will not have the flow of people through it that the Helena one will. He said the area of Fort Benton is appropriate for an agricultural museum and the people in that community have put a tremendous amount of money and effort into their project. He said he feels they are demonstrating their good faith by doing this. Representative Bardanouve (69:A:194) said the Fort Benton Community does seem to be more involved than the Helena community.

Senator Tveit (69:A:199) said the museum at Fort Benton will also tie into the state park which is already there.

Senator Fuller (69:A:220) said there is alot of community interest in the Kleffner Ranch. He said if both proposals are to materialize

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there should not a duplication of effort. He said he did not want these two proposals to compete with each other.

Representative Bardanouve said the proposed site in Fort Benton has no real historical value and the Kleffner Ranch does.

Senator Tveit (69:A:245) asked what the additional acreage at the Kleffner Ranch can be used for. Senator Fuller said the reason the installment plan intrigued him, is because it will allow time for the planning of the extra acreage. He also said ASARCO wants to buy some of the land as a buffer zone.

Representative Ernst (69:A:268) said he wishes both of these projects could be funded from sources other than the State.

Chairman Thoft (69:A:338) asked if the ranch is in a contaminated area or a Superfund cleanup area. Don Hyyppa (69:A:339), Administrator, Parks Division, FW&P said the ranch is within the boundaries of a study area and it is his understanding it is within an area which has been shown to have some levels of contamination.

Representative Ernst (69:A:348) asked if some of the acreage can be subdivided. Senator Fuller said the 40 acres to the north could be removed up to the county line, but this will cause problems with fishing access. To the south there are 20 acres between the ranch house and a subdivision. Senator Fuller said he thought there should at least be a corridor here to serve as a buffer zone. Representative Ernst (69:A:363) said if Mr. Kleffner can subdivide the land this will reduce the cost to the state. He said the \$931,000 is a scary figure to him.

Chairman Thoft (69:A:368) said he also feels the price is too high and he has not lost sight of the fact that FW&P needs the coal tax monies to do maintenance on existing parks. He said if the committee takes \$931,000 out of trust earnings it will destroy House Bill 2. Senator Van Valkenburg said this is all the more reason to talk about an installment plan because \$931,000 will not have to be taken out of the coal tax money.

Jim Flynn (69:A:380) said he met with the Natural Resources Subcommittee dealing with the FW&P operating budget. He said the Legislative Fiscal Analyst's Office has suggested to the subcommittee to reduce the Park Division's budget by \$200,000 which is the only General Fund money in the budget.

Mr. Flynn asked the Natural Resources Subcommittee to take one of the following actions on the Park Division's budget:

- 1) not to accept the Fiscal Analyst's suggestion;
- 2) to close nine existing state park sites; or
- 3) if House Bill 2 passes, take \$200,000 from coal tax money and maintain the current level of the budget.

Natural Resources voted to accept the third option, assuming House Bill 2 will pass.

During discussion Chairman Thoft suggested that FW&P work with Mr. Kleffner on a park proposal for the next session (69:A:424 and 69:A:503).

Senator Tveit (69:A:438) asked Mr. Flynn if the existing park structure will be in trouble if money continues to be spent on items other than maintenance. Mr. Flynn said at the outset of the Legislature, the department took the stand that existing state parks need maintenance. Now with the operating and maintenance budget being squeezed more and more, any acquisitions will take funding from maintenance is responsible. This decision was made in June of 1984 prior to receiving any of the park acquisition proposals.

Senator Van Valkenburg (69:A:519) said if FW&P works with Mr. Kleffner on a proposal for the 1987 Legislature, the committee needs to at least commit to an option to buy the proposal that is derived from these negotiations. Otherwise, all Mr. Kleffner gets from the negotiations is a two year delay in the decision making process.

Chairman Thoft (69:A:529) said Mr. Kleffner does have the option of selling the property to any willing buyer who comes along in the meantime. He said he did not think the committee is being responsible if it closes 9 existing parks just to buy another.

EXECUTIVE ACTION

Representative Bardanouve (69:A:581) said, out of respect for Senator Fuller, he will make a motion to recommend the purchase of the Kleffner Ranch as a state park. Chairman Thoft (69:A:582) called for a roll call vote. The motion failed due to a tie vote.

Senator Fuller (69:A:671) said he can recommend to Mr. Kleffner that the park proposal be done on a reduced basis and with a contract. Chairman Thoft (69:A:684) said the courtesy of reconsidering the committee's decision can be extended to Mr. Kleffner.

Representative Bardanouve (69:B:004) said he does not believe FW&P will close nine parks. Mr. Flynn said the department realized their position on park maintenance would be hard to maintain because of the attractive park proposals before the Legislature.

Chairman Thoft (69:B:114) asked members how they feel about Senator Fuller trying to reduce the proposal by working with FW&P. Representative Ernst (69:B:127) said he hates to see Senator Fuller work hard on another proposal just to have a tie vote on the issue. He said it is Senator Fuller's privilege to take a run on the floor with the proposal. Senator Fuller (69:B:135) said it is not his intention to go to the floor with the proposal. Senator Tveit also said he does not want Mr. Kleffner to work further on a proposal only to be turned down again.

DEPARTMENT OF FISH, WILDLIFE AND PARKS, CAPITAL CONSTRUCTION PROGRAM

EXECUTIVE ACTION

Relocate Sign Shop from Whitehall to Helena: Representative Ernst made a motion to (69:B:161) approve the sign shop project. The motion passed unanimously.

Improvement Projects for Spring Meadow, Les Mason, Glen Lake and Lake Elmo:

Senator Van Valkenburg (69:B:179) asked if the amount of money requested for Les Mason (\$180,000) and Spring Meadow (\$62,500) is really needed to make the improvements. Don Hyyppa (69:B:191) explained what type of improvements will be done at Les Mason Park. He said the department recommends the work be done all at once for proper management of the area. The work can be done in phases, but the department does not want to recommend this. Senator Van Valkenburg (69:B:215) asked what has been done in the past in regard to similar instances. Mr. Hyyppa said projects have been done in both ways and it is most cost effective to do it all at once. He said the department has been criticized in the past about opening sites before they are properly prepared to handle the public. Senator Van Valkenburg said it appears there will be a first class job done on this project when there is talk of reduced expenditures for maintenance elsewhere. Mr. Hyyppa said he does not want the committee to think the Les Mason project is a cadillac approach because it really is not.

Senator Van Valkenburg (69:B:300) made a motion to approve the expenditures as proposed, from the Coal Tax and the Land and Water Conservation Fund, for the Spring Meadow, Les Mason, Glen Lake and Lake Elmo improvement projects. The motion passed unanimously.

Agricultural Museum, Fort Benton Proposal: Chairman Thoft (69:B:387) asked if there is \$35,000 available in the Cultural and Aesthetic Program. Madalyn Quinlan (69:B:389) said yes, if the Kleffner Ranch is not acquired. Senator Fuller said he is working on another alternative for the Kleffner Ranch. He said the Cultural and Aesthetic grant can be used to coordinate the Kleffner proposal for the future and he feels it is crazy to just give Fort Benton the \$35,000.

Chairman Thoft (69:B:408) said the Fort Benton Community can provide matching funds for the \$35,000 and he does not feel it is any more crazy to give it to Fort Benton than to the Kleffner Ranch. Senator Fuller (69:B:412) said he respectfully disagrees. He worked very hard on his grant application to the Cultural and Aesthetic Program and went through the process. He said he does not think it is fair to give money to Fort Benton when they came in with a proposal at the last minute and did not go through the process.

Ms. Quinlan (69:B:425) said there is a balance in the Park Acquisition Trust to fund Fort Benton. Senator Van Valkenburg (69:B:430) said depending on the revenue estimate the balance in the Coal Tax Park Acquisition Trust is anywhere from \$55,000 to \$250,000.

Senator Fuller asked the committee to give him more time to come up with another alternative for the Kleffner Ranch to be presented on Friday.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, WATER DEVELOPMENT
GRANTS AND THE COAL TAX LOAN PROGRAM

Chairman Thoft (69:B:466) said the committee had instructed the department to find funding for the Swan River and Prison Sewer Projects and he wondered if it has been done.

Gary Fritz (69:B:466) said the committee had instructed the department of Natural Resources and Conservation (DNRC) said DNRC looked back through all the projects to see if there were any logical cuts which could be made. He said DNRC has come to the conclusion that it is not legitimate for the department to make these kinds of cuts and if the committee wants to do this, it should cut projects out in accordance with the priority listing.

Chairman Thoft (69:B:486) asked how many projects can be funded on the priority list. Mr. Fritz said DNRC had projected funding would go through project 57, but the Legislative Fiscal Analyst is suggesting to the Natural Resources Subcommittee to use \$2,018,000 in Water Development funds to replace General Fund monies in the DNRC budget. If this happens nine projects, plus the Swan River and Prison Projects will be funded from the Water Development Program.

Senator Fuller (69:B:519) asked if Resource INdemnity Trust (RIT) interest earnings can be used to fund agency operations. He said he thought the law passed by the 1983 Session prohibited using RIT funds for operations. Mr. Fritz said the Water Development Program uses 30% of the RIT interest earnings and he is not certain the 1983 law will apply to the 30%. He said Larry Fasbender (Director, DNRC) is opposing the use of Water Development funds for the department budget.

Representative Ernst (69:B:570) said this committee cannot act on the Water Development grants until the Natural Resources Committee makes a decision on using these funds.

There was general agreement among committee members on informing the Natural Resources Subcommittee about the funding of Water Development grants, should funds be taken for DNRC's operational budget.

East Bench Irrigation District/McHessor-Dry Gulch Gravity System, Group A, Project 4: Mr. Fritz (69:B:702) explained the economic benefits for doing this project (EXHIBIT 2).

Chairman Thoft (70:A:020) asked if approving the coal tax subsidy on a 3% loan would be spending the money in a wise manner. Mr. Fritz said DNRC believes this is a good project and the type intended to be funded when the program was developed. He said DNRC feels gravity-fed irrigation projects are the kind which should be subsidized.

Representative Bardanouve (70:A:049) said he is bothered by the wide variation in the information concerning what interest rate the project can support. The Soil Conservation Service (SCS) indicates the project can support an interest rate of 12.6%. Mr. Fritz (70:A:053) said the landowners feel they can pay the 3% rate for thirty years. He said the SCS figures are paper figures which SCS typically comes up with and which he feels are generally overstated. He said he believes the landowners have a better feel for what they can actually pay. Representative Bardanouve said an important part of the formula (the SCS figures) should not be disregarded. He said he thinks there should be a compromise between the interest rates.

Chairman Thoft (70:A:076) said he knows \$34.64 is a high price to pay for water and anything higher is not feasible. He said he does not believe the SCS figures are credible.

Senator Van Valkenburg (70:A:094) said the 3% loan will give the applicants a 7 point subsidy and that is higher than what anyone else is receiving.

Representative Bardanouve (70:A:099) asked how much the interest subsidy will be over a 30 year period. Caralee Cheney (70:A:102), Chief, Water Development Bureau, DNRC said at a 3% interest rate for a 30 year period the subsidy will be \$1,078,550. Representative Bardanouve asked if this will benefit only 7 farmers. Ms. Cheney said yes.

Mr. Fritz (70:A:108) said the secondary benefits of the project are about \$360,000 per year. This is money which reverberates through the local economy. He said for every \$1.00 of direct benefits the community receives \$2.00 of secondary economic benefits.

Senator Fuller (70:A:130) asked what is the average amount of money a farmer can pay for a project of this sort. Ms. Cheney said the statewide average water cost, for irrigation districts, is \$14.50/acre/year. Senator Fuller asked if these applicants feel they can afford \$34.64/acre/year. Mr. Fritz said they feel they can because, with power costs/acre, they are now paying more than the statewide average.

Senator Tveit asked if the irrigation system will be a total gravity system. Mr. Fritz said yes.

Chairman Thoft asked what the power costs per acre are. Mr. Fritz said they are \$20.00/acre now and next year they will go to \$26.00/acre.

Chairman Thoft (70:A:236) asked how much of the loan program monies have been devoted to agricultural projects. Ms. Cheney said \$2.25 million out of \$10 million went to ag projects in the 1983 Session or about 1/4 of the total. This time \$2.0 million out of \$51.0 million will be devoted to agricultural projects.

EXECUTIVE ACTION

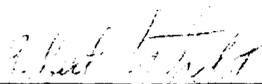
Senator Fuller (70:A:279) made a motion to approve the East Bench project (McHessor-Dry Gulch Gravity System) for a loan at a 3% interest rate for a 30 year period. Chairman Thoft (70:A:289) asked for a roll call vote. The motion passed.

There was general discussion on the loan program (70:A:300 to 70:A:372).

Mr. Fritz (70:A:374) said DNRC has been thinking about issuing variable rate bonds rather than fixed rate bonds. If this is done the bond interest rate will be in the neighborhood of 5 percent. He said the interest rates on the loan program are on the fixed interest rate of the bonds and not on the variable interest rate.

Representative Bardanouve (70:A:384) asked why the variable rates are so low. Ms. Cheney said variable rate bonds have a very short recall period, and therefore, a low interest rate. The risk involved is that they can be recalled at any time, but history shows this does not happen and they act as long-term financing. She said if the variable rate were to increase the bonds could be changed to long-term financing.

There being no further business before the subcommittee the meeting was adjourned at 10:05 a.m.



ROBERT THOFT, Chairman

THE KLEFFNER/CHILD HISTORICAL RANCH

(Proposed State Park - Agricultural Heritage Museum)

3-6-85
Fuller

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March 4, 1985

SUPPORT COMMITTEE

- Hal Stearns, Chairman
Helena
 - Clark Pyfer, Vice Chairman
East Helena
 - Basil Andrikopoulos
Billings
 - Payton Terry
Glasgow
 - Forrest "Buck" Boles
Helena
 - Jack & Vivian Paladin
Helena
 - James Lucas
Miles City
 - John & Jean Baucus
Helena
 - Mrs. Charles A. Bovey
Great Falls
 - Mrs. A. T. (Margaret) Hibbard
Helena
 - Al Donohue
Great Falls
 - Kevin Olson
East Helena
 - Walter Johnson
Bell
 - Ernestine Dornier
East Helena
 - Thomas L. Judge
Helena
 - Jack Van Voast
Turner
 - Harold Tutvidt
Kalispell
 - Kenneth M. Kelly
Helena
- (partial list of Committee)

To: Subcommittee on Long-Range Planning
 Representative Thoft, Chairman Senator VanValkenburg
 Representative Ernst Senator Fuller
 Representative Bardanoue Senator Tviet

From: Support Committee, Kleffner/Child Historical Ranch
 Hal Stearns, Chairman

On behalf of the Support Committee for the Kleffner/Child Historical Ranch, we would like to register our enthusiastic support for the acquisition by the State of Montana of the Kleffner/Child Ranch as a state park and agricultural heritage museum.

The members of our Support Committee come from a wide range of interests, and from all across Montana. We are very proud to be part of this unique project. We believe the Kleffner/Child Ranch would be a most noteworthy addition to the state park system. Not only are the buildings and history of the Ranch unique, but Montana would, for the first time, own and manage a facility that could be utilized to demonstrate Montana's agricultural heritage. The site could be used for other activities as well, such as the center for Montana's upcoming centennial. The potentials are almost unlimited.

Many individuals and interests have already been contacted to attract outside sources of funding to assist the state should the Ranch be acquired. For instance, Burlington Northern has been enthusiastic about providing a small grant of funds to aid in planning the use of the facility; an additional \$100,000 has been applied for from BN to contribute to a permanent trust fund that would be used for maintenance of the Ranch. In addition, Mountain Bell will likely provide a small grant to assist in the project, and we are contacting a variety of other potential sources.

It is our belief that maintenance of the Ranch must be assured. Paul and Thelma Kleffner have committed to contribute \$231,000 to a permanent trust fund for maintenance if the property is acquired at the appraised price. Further, the Kleffners will donate most of the antiques and items of historical interest now on the Ranch property to the project. These antiques are not included in the appraised price. Funds from the sale of the antiques could also be set aside for maintenance.

We are most enthusiastic about this project, and stand ready to assist the state in whatever way we can to ensure that the Ranch will be managed and maintained in a proper manner.

3/5/85

3-6-85

DNRC

EAST BENCH IRRIGATION DISTRICT
MCHESOR-DRY GULCH PROJECT

Repayment Capacity

Claimed by landowners <u>O & M savings</u>	SCS Increased production <u>O & M savings</u>	With secondary economic <u>benefits considered</u>
\$53,907/yr \$20.37/Ac/yr	\$171,000/yr \$64.62/Ac/yr	\$360,000/yr \$136.05/Ac/yr

Required
Interest
Rate

1.3% for 30 yrs less than 0% for 20 yrs	12.6% for 30 yrs 11.5% for 20 yrs
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Other Options

<u>Interest Rate</u>	<u>Term</u>	<u>Annual Loan Repayment</u>	<u>Loan Repayment per Acre/yr</u>	<u>Cost of Water</u>	<u>Total Cost per Acre</u>
0%	20 yrs	\$65,846	\$24.88	\$9.25	\$34.13
3%	20 yrs	\$88,542	\$33.46	\$9.25	\$42.71
3%	30 yrs	\$67,207	\$25.39	\$9.25	\$34.64
4%	30 yrs	\$76,179	\$28.79	\$9.25	\$38.04

