

MINUTES OF THE MEETING
NATURAL RESOURCES SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the Natural Resources Subcommittee was called to order by Chairman Swift on January 29, 1987 at 8:10 a.m. in Room 317 of the State Capitol.

ROLL CALL: All members were present except Sen. Boylan who was excused. Also in attendance were Carl Schweitzer of the LFA, Karen Vollstedt of OBPP, and Denise Thompson, secretary.

(47:A:020)

HB 275:

Rep. Rapp-Svrcek, Dist 51, Thompson Falls who sponsored the bill stated that this was an appropriation measure to purchase discounted certificates of deposit under the Agricultural Production Loan Linked Deposit Program. The appropriation amount involved would be \$500,000 each year of the biennium. The purpose of the program is an agricultural assistance program that was set up in the special session last year. The money is used by the Board of Investments to buy down interest rates of banks so that the banks can then lower the interest rates to their agricultural borrowers.

PROPONENTS:

(47:A:050) Sen. Ted Neuman, Senate District 21, said he was in support of this bill. Sen. Neuman stated he didn't feel that the full \$50 million would be used and therefore the \$500,000 figure may be less. The past six months the program was in effect it was not utilized to its fullest potential because the lenders felt the spread allowed them was too small to cover their operating. So in the legislation that re-authorizes this program now, they have increased that spread to 3 percent. Many operators stated the reason they could not use the loans was because the length of time was too short. They had a six month lending period last March. The new bill has been extended to a one year loan, which should allow adequate time to market their crops and repay those loans.

He urged the committee to act favorably on the recommendation and at least hold the bill in the committee until the

session continues on and there is a better idea where the state is financially.

(47:A:108) Mr. Roy Patte, President of the Montana Peoples Action and also a farmer in Ryegate, Montana spoke in support of the bill. He stated that this program has been relatively new, as time goes on and with the knowledge that now exists of the financial assistance it can provide local farmers and ranchers, the lower interest rates to pay back loans. It is a benefit to our ranchers and farmers as a whole. The Loan Linked Deposit Program is, and can be, a very effective program for farm operations as well as a good investment for the state.

(47:A:163) Mr. Keith Kelly, Director, Department of Agriculture, stated he supported the bill. Studies now indicate Montana's adverse economic conditions in agriculture and other industries have not yet bottomed out and may not for some time to come. High interest rates are one of the primary factors contributing to the cash flow problems facing the farmers and ranchers. This program provides relief from high interest rates for some of the state's producers. It could make the difference as to whether or not a farmer or rancher is able to continue in agriculture.

(47:A:180) Shirley Ball, representing women involved in farm economics (LIFE), stated they were in support of HB 275 and urge the committee's support. She said she does her banking in Glasgow. There are two banks in Glasgow that participated in this program. They voluntarily went into the program, reviewed their own loans and applied it to the people that would qualify and helped them. It's not a lot of money but when you have no money, it does help.

(47:A:198) Terry Carmonde representing Montana's Farmer's Union. They support the bill realizing the financial bind the legislature is in and they asked if they couldn't act right now, that they hold the bill until the financial picture clears up a little bit.

Mary Key, Montana Peoples Action from Musselshell Chapter. For a producer that has nothing, \$50,000 can mean the difference between survival and failure. She urged that the funding be continued so that these people in agriculture can be helped.

(47:A:228) Joann Voice, representing the Montana Peoples Action from Ryegate also spoke in favor of HB 275. She stated that the banks in her area are not utilizing the bank lending. Perhaps this will help them realize that it is available and it will help the lenders.

Meg Nelson, Northern Plains Resource Council was in support of HB 275. She stated the council had some concerns about the program last year, stating the banks did not utilize the program because funds were required to be purchased in order to provide an absolute backing for the loans. The Governor's Council on Economic Development revised this program. They think there will be more usage of the program. They believe that, given the current agricultural credit situation, the appropriation of this program is critical in order to help the producers. Although the money does help the producers, it also helps others because it circulates through the economy.

OPPONENTS: (47:A:251)

There were no opponents to the bill.

Rep. Rapp-Svrcek closed on the bill by asking the committee to look upon this program not necessarily as a loan or an appropriation but as a long-term investment. It will do a little but it will do something to help stabilize the agricultural sector in the state. As the agricultural sector improves, the state also improves as a whole.

QUESTIONS:

Rep. Manuel asked where the other bill was that this is tied to. Sen. Neuman stated he was carrying the other bill being SB 46 and it passed second reading in the Senate yesterday. Sen. Smith asked why isn't the bill going through the regular legislative process.

(47:A:371) Rep. Manuel expressed concern that the committee was not familiar with the Senate Bill and he thought it needed reviewed. The committee was being asked to take action on a bill when they don't even know what the other part (SB 46) was about.

Rep. Devlin asked why the bill didn't start in the house and include the appropriation in that same bill. Sen. Neuman stated that he had no real explanation other than this was a bill that he supported in the interim agriculture committee and this has happened in a number of other cases and he didn't see a problem. He did not expect to see this process to work the way it is. He felt it would be in the full appropriations like it had been in the past.

Sen. Story stated we are asking the Board of Investments to eat 4.5 percent of the interest rate. Sen. Neuman stated the Board of Investments was investing this money in short term 5.9 interest investment right now and right now they are eating approximately 1 percent.

Rep. Spaeth said the bill could be held until the other Senate Bill was heard and then put the two together and take appropriate action at that time. Sen. Neuman stated he hoped that is exactly what they would do.

Sen. Smith again expressed concern with the process but said he most certainly favored the bill. He just didn't want it to be killed because it was not following the proper procedures.

The hearing was closed on HB 275.

HB 40: (47:A:641)

Rep. Bill Glaser, HD 98, presented HB 40 saying it was an effort on his part to make it possible to get quality grain to be delivered to a customer. It is a tool to deliver grain in the condition it leaves the granary. It is just a vehicle to set priorities in an attempt to get the grain delivered in the condition it leaves in. He felt that there should be no fiscal note required.

Terry Carmonde of the Farmers Union stated support for the bill.

(47:B:051) Monty Molentees of the Northern Plains Resource Council also stated support of the bill. He stated it was important to have a tool to try to get grain delivered in a supreme condition.

Rep. Glaser closed on the bill stating that the Great Falls Grain people should be directed to spend their monies in a way to assist in the delivery of quality grain.

QUESTIONS: (47:B:171)

Rep. Manuel asked Rep. Glaser where the funding for this would come from. Rep. Glaser replied the grain markets should be able to do it by using existing channels. The department stated there would be start up costs and then revenue to take care of the additional handling that would be required to assure the grain remains quality instead of being mixed. Rep. Glaser stated he didn't have any idea of how that would be funded.

(47:B:680) Sen. Smith moved that no action be taken by the subcommittee and that it be referred to the proper committee.

Sen. Smith revoked the motion.

(48:A:008) Sen. Smith moved the bill should be taken back to the House and leave them to take action on it.

(48:A:019)Rep. Devlin made a substitute motion to move the bill with no recommendation to the full appropriations committee. Sen. Smith called the question. The motion CARRIED unanimously.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION: (48:A:026)

Water Development: Gary Fritz, Administrator, Water Resources Division, began by answering questions from January 28, 1987 meeting.

1. In reference to Rep. Swift's question regarding the adjudication of water rights. He stated that approximately 128,000 applications have been verified in varied degrees.

2. In reference to Rep. Devlin's question regarding the original filing fees on applications and the disposition of that money, Mr. Fritz stated that the fees were \$40 per claim up to a maximum of \$480 per basin. The windfall went to the federal government, because they had 60,000 claims, yet they only paid about \$480 per water basin. There were \$3.7 million collected revenues. The department used \$2.9 million in their portion of the adjudication program; the Water Rights Compact Commission used about \$375,000 and the Water Court used \$375,000. Early on the department was doing the bulk of the work. They still do most of the work although the Water Court, now that they are putting out decrees, are doing more work than they were earlier on.

3. In reference to Rep. Swift's question that since the program is stalled now, what kinds of work the department is doing in the adjudication program. He stated they are basically providing assistance to the Water Court and doing post-decree field investigations and when conferences are being held, after the conferences, they need the department to do additional work with the claimants and take a closer look at the claims.

(48:A:080) Mr. Fritz stated that in February 1986, there was a stipulation that the department had to sign with the Water Court which states the department would have to restructure and reformulate the process they use to examine these claims before any more decrees could be issued. That is another thing they have been doing.

They are still organizing their adjudication materials. They do a lot of examinations on aerial photography, they have been sectionalising these.

4. Another question was regarding flood plain designations and how many of those have been done and about how

far along they are in that process. He said 65 communities have had flood plains designated for them, 15 more are now in the process which means about 90 percent of the designations that need to be done not counting the streams but 90 percent of the communities.

Sen. Smith asked if they are still holding hearings as often as they had in the past. Mr. Fritz stated yes, they are on a regular schedule. Sen. Smith expressed concern with the amount of money that costs and suggested that they only hold meetings when it is absolutely necessary and that if they followed this process, they could save the state money.

Water Development Program: (48:A:153)

Mr. Fritz referred to charts under the INTRO tab in Exhibit (blue book presented by the DNRC on January 28th to the committee. This is tabbed Wtr Devel Pgm for easier reference. Mr. Fritz also presented a table which indicates where the Water Development Program funding comes from and how the money is used (Exhibit 2). He stated that the funding comes from a number of sources: 1) Project Revenues; 2) Loan Repayment; 3) RIT; 4) Coal Severance Tax; and 5) WD Interest. The money is expended to: 1) Water Courts; 2) Centralized Services Division; 3) DNRC Operations; 4) Project Rehab. and 5) Bond Debt. He gave the amounts listed on the table.

He stated in order of priority, the Water Development Grants get the amount of money that is left after all other monies have been distributed.

(48:A:287) Rep. Manuel asked about the collateral used for loans. Mr. Fasbender, Director, DNRC, stated that are they had changed, because of the change in circumstances and the devaluation of land, they now require a higher level of equity on the part of the people that are getting the loans. That is consistent with what is happening in the entire banking community. Previously the value of the land was very high. It is devalued, they don't know where it is so in order to protect their security in the loans, they have increased the amount of security that is necessary in order to collateralize those loans.

(48:A:411) Water Reservation Development - FTE who is a person who helps the conservation districts implement their water reservations. The person helps people in the Lower Yellowstone area.

Agricultural Promotion Program - This program helps agricultural development. One of the ways they do this is to identify as many irrigators as they could in the state and

sent out letters to about 10,000 irrigators informing them of the program and telling them how they could take advantage of the program itself. Most of the time is spent with irrigation sponsors.

Renewable Resources Development Program - This program gets its funding from coal severance tax which is used for grants. RRD grant monies are allocated on a category basis; 15 percent to timber stand improvement, 40 percent to water development, 15 percent to ag land improvement, 10 percent to conservation districts for water reservations and 20 percent to other categories. Another 15 percent goes to the Range Land Loan Program administered by the conservation districts.

RIT Program - \$6.7 million in grants. The funding from interest on mine land. The grants are again funded with the money that is left after everything else is taken out.

Mr. Fasbender spoke in reference to the RIT monies lawsuit stating the suit was not remanded back to the district court to get a finding of fact on how the money is actually is expended. It really did not attack the use of funds as far as they were expended in the last biennium, it does raise the question as to whether it can be used for general fund replacement in this biennium.

(48:B:042) Water Management Programs - These include: 1) a water leasing program; 2) water reservation program; 3) state water plan program; 4) interstate international water allocation program; 5) weather modification; and 6) the Board of Water Well Contracts.

1. The water well leasing program provides that the department can lease water from federal and state reservoirs.

2. Water reservation program directed the department to help conservation districts.

3. Water Planning Programs - He first stated that they have not done any river basin planning and do not intend to do any planning.

- a. developing revised water planning procedures that water committee has approved and recommended to us. Under that procedure, they have set up a state water plan advisory council that includes directors of several departments, four legislators, and a couple private people.

- b. an on-the-ground application of the state water plan is what they have been doing on the Milk River Project.

1. St. Mary's Channel which would be bringing the level up to 800 CFS.

2. Initiate RV Project Upgrade facilities in the basin.

3. HB 680 also directed the department to maintain a centralized water data system, they are not handling this themselves but are coordinating with the state library and the natural resources information center to actually meet that mandate as given to them by the legislature.

c. Hydro power-FERC regulates hydro power development throughout the country. Mr. Fritz stated that FERC actually allocates water. The state believes that to be a state prerogative and not something the federal government should be preempting state authority with. Montana is the leading state in the west in trying to get FERC law changed and rules changed so that the state has the authority to make those water allocation decisions and other decisions on how hydro power is licensed. They have done a lot of work with FERC and intervening on power projects that have gone before FERC.

(48:B:162) Mr. Fasbender stated they are attempting to get the Federal Power Act changed. They have gotten the attention of FERC. They are soliciting the help from the legislature to help try to get more influence on some people in Congress.

Mr. Fritz stated they also administer the Weather Modification Act.

MODS

(48:B:275) Mr. Fritz went through the modifications with the committee.

1. Missouri River Program- (Page three program 24 in blue book). The budget would not be sufficient to handle the entire balance of basin but would be enough to prepare applications for conservation districts from Canyon Ferry Dam down to Fort Peck Dam.

Another change that would have to be made to the law would be to extend the deadline for board action and for the submission of applications to the Board of Natural Resources. The biennium total for this modification would be \$348,000 which includes providing assistance to 13 conservation districts so they can submit water reservation

applications to the Board of Natural Resources, as well as for nine municipalities.

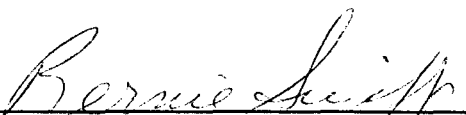
2. RIT Monies - this process would identify how much irrigation is really feasible and might be necessary above that wild and scenic river stretch. This should be used by the compact commission to negotiate with BLM as to what the water right is for that wild and scenic river.

3. Dam Safety Program - The act passed in the last session of the legislature was to ensure that high hazard dams are constructed and operated in a safe manner. This money would be used to perform about 15 hazard classifications next biennium, six construction permit applications, six construction inspections, two operation permit reviews and two complaints from water users on any one stream.

Sen. Smith asked where and who are building these dams. Mr. Fritz stated after the flood on the high line, some existing dams need to be repaired. This biennium they have done about 18 hazard classifications on dams, 50 acre feet or larger. Nine of those require major repair. Most of those are on the highline. Also, nine are high hazard and next biennium they will be coming back to have their plans reviewed by the department for construction.

ADJOURNMENT:

There being no further discussion, the meeting adjourned.


Rep. Bernie Swift, Chairman

DAILY ROLL CALL

NATURAL RESOURCES

SUBCOMMITTEE

DATE 1/29/87

NAME	PRESENT	ABSENT	EXCUSED
Senator Boylan			✓ <i>SA</i>
Representative Devlin	✓		
Representative Manuel	✓		
Senator Smith	✓		
Representative Spaeth	✓		
Senator Story	✓		
Representative Swift	✓		

HB-275

Room 317

Y29

Mr. Chairman - members of the Board - Ladies & gentlemen

Sam (Ray Bette) President of M.P.A. former
from Baygate, Mont.

~~Chairman~~

a large number of Farmers and Ranchers asked for legislative
assistance in the special session last year -

ag counselling and Link Deposit were two requests that
were drafted then provided assistance to a number
of farmers and Ranchers.

we know for a fact that farmers & Ranchers can work
flo at a lower interest rate. I have this same
experience as I borrow from F.H.A. It is not easier
to pay 6% ~~rate~~ and repay the principle quicker

about 5 or 6 bank used the program last year. It
was new and as you know any new program takes
time to get any new program going.

Why put state money in our state for investment
when it will do the most good and return on state
money rather than in New York or California at 5% or
less.

Link Deposits ~~is~~ is critical to our economic
state condition as well as the country and local level.

Mont bank would rather loan to individuals for
car loans at 13-14%. This does not help the economy
as a whole but car dealers and banks socially alone.

The whole program can succeed if the state pushes
over the commercial lenders to use the program to the advantage of

Loan Linked Deposit Program. ~~it~~ is a and can be a very
effective program for farm operation and a good investment for
the S. ~~with~~ highly support HB-275

Ray Patti

NPA, ~~the~~ President

farmer - Pygote, Mont.



TED SCHWINDEN
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
AGRICULTURE/LIVESTOCK BLDG.
CAPITOL STATION
HELENA, MONTANA 59620-0201

TELEPHONE:
AREA CODE 406
444-3144

KEITH KELLY
DIRECTOR

TESTIMONY OF MONTANA DEPARTMENT OF AGRICULTURE
FOR THE HOUSE APPROPRIATIONS NATURAL RESOURCES SUBCOMMITTEE
ON HOUSE BILL 275
THURSDAY, JANUARY 29, 1987
HELENA, MONTANA

Chairman Swift and members of the Committee. The Montana Department of Agriculture supports House Bill 275 providing an appropriation for the continuation of the Agricultural Loan Linked Deposit Program.

The problems facing our state's agricultural industry have not disappeared. Studies now indicate that Montana's adverse economic conditions in agriculture and other industry have not yet bottomed out and may not for sometime to come.

High interest rates are one of the primary factors contributing to the cashflow problems facing our farmers and ranchers. The Agricultural Loan Linked Deposit Program will provide relief from high interest rates for some of our state's producers. The availability of the lower interest rate financing may make the difference as to whether or not a farmer or rancher is able to continue in agriculture.

House Bill 275 also addresses concerns that have been noted by lenders around the state and the Governor's Council on Economic Development.

For these reasons the Montana Department of Agriculture supports House Bill 275.

Water Development Program
Projected Cash Flow for the
Water Development Special Revenue Account
1988-1989 Biennium

*Income

Project Revenues	\$ 440,000	Similar to FY 86-87
Loan Repayment	729,772	(9/86)
RIT	4,110,900	Gov. Office Projection (1/87)
Coal Severance Tax	770,494	(1/87) (377,584 + 392,910)
WD Interest	<u>100,000</u>	(1/87)
Total	\$6,151,166	

Expenditures

Water Courts	\$1,080,000	Similar to FY 86-87
Centralized Services Division	200,000	Similar to FY 86-87
DNRC Operations	2,047,000	Governor's Budget
Project Rehab.	800,000	Similar to FY 86-87
Bond Debt	<u>1,187,315</u>	Similar to FY 86-87
Total	\$5,314,315	

Available for Grants	\$ 836,851
Emergency Grants	- 125,000
RRD Earmarked for Water	+ <u>170,200</u>
Total	\$ 881,151

*Assumes no carryover from FY 87

Effective 1/28/87

VISITOR'S REGISTER

Natural Resources

SUBCOMMITTEE

AGENCY (S) _____

DATE 1/29/87

DEPARTMENT _____

HB 275

NAME	REPRESENTING	SUP-PORT	OP-POSE
Terry Combs	Art Farmer W	✓	
Joseph Moore	Montana Peoples Action	✓	
Ray Gatte	✓	✓	
Susan Gatte	✓	✓	
Jan Voice	✓	✓	
Mary Lee	✓	✓	
Tyler Urban	Northern Plains Resource Council W		
Ralph Peck	Montana Dept of Agriculture	✓	
Mike MURPHY	" " "	✓	
Shirley Ball	W.I.E.	✓	
Charlotte Marshall	✓	✓	
Robert Webb	NPRC	✓	
John ARMSTRONG	DNRC	✓	
Larry Tashenda	DNRC	✓	
Jan Jamison	DNRC	✓	
Gary Fritz	DNRC	✓	

Budget Hearing

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.