

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By Chairperson Connelly, on January 26, 1989, at
8:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Claudia Montagne, Secretary; Carroll South,
Staff Researcher, Legislative Fiscal Analyst's Office

Announcements/Discussion: None

CULTURAL AND AESTHETICS GRANT PROGRAM

Tape 21:A:000

DAVID NELSON, Montana Arts Council (MAC), said that they had reviewed the changes in the legislation recommended at the previous meeting of the committee, specifically those recommended for page 5 and 6. After reviewing the wording, and realizing that the intent was to insure that no one would make unfair profit from a grant, MAC felt that the wording should remain as it was drafted in the bill, since the contingency covers the issue more directly. REP. BARDANOUVE had initially raised the issue, and agreed with the solution.

Motion: REP. THOFT moved that the bill be returned to the Legislative Council for redrafting, with the wording on pages 5 and 6 returned to its original form, and SEN. MANNING seconded.

Vote: The motion CARRIED unanimously.

WATER DEVELOPMENT AND RENEWABLE RESOURCE
DEVELOPMENT GRANT PROGRAMS

Tape 21:A:041

DAVE DARBY, Interim Director of the Department of Natural Resources and Conservation (DNRC), addressed the amount of money available for these grant programs. He stated that based upon their current estimates for revenue, there would be \$57,000 available for the Water Development Grants, and from the Resource Indemnity Trust (RIT) monies, for the Reclamation and Development grants, there would be \$1,700,000, which represented less than half of what was available during the last biennium. The

Renewable Resource Development Grant Program was healthy because of the change in the percentage of the amount that went into that program, and because that fund had not been raided for the operational costs of state government. He stated a concern about having a viable amount of grant monies for these programs.

MR. DARBY said that they were trying to work out a compromise with the Budget Office and the Legislative Fiscal Analyst's Office to put on the table some revised funding regarding what would go into operational expenses, and what would be available for grants. The numbers the department was trying to shoot for were \$400,000 for the Water Development Grant program, and \$2,000,000 in the RIT program. The department felt that it could live with the smaller Water Development Grant program for this biennium because the Renewable Resource Program was healthy, and the two could be considered in combination. MR. DARBY said that they were trying to come up with a sound grant program without contributing to the problems of the general fund. He said that he wanted the committee to be aware of the attempts by DNRC to work out an alternate funding proposal to present to the Subcommittee on Natural Resources, one that would be acceptable to the LFA and the Budget Office and one that would allow the Long Range Planning Committee reasonable programs in these areas.

REP. BARDANOUVE (21:A:097) asked about how the department was arriving at its figures, and asked if he agreed with the amounts that would be available in these accounts, regardless of where it would be used. MR. DARBY said that the department was in agreement with the amounts in the Resource Indemnity Trust Account within \$100,000 of the LFA figures, and they were working with them to try to pin down the carryover.

GARY FRITZ (21:A:132), Water Resources Division Administrator, introduced CARALEE CHENEY, Bureau Chief of the Water Development Bureau, and gave an overview of the Water Development and Renewable Resource Development Programs. He said that the WATER DEVELOPMENT GRANT PROGRAM was passed by statute in 1981, and involved grants, public and private loans. The types of projects were steam stabilization, dam rehabilitation and ground water projects. Grant limitations were \$100,000 per project, because of the competition for grant moneys and the reduction in the size of the fund account.

MR. FRITZ said that the program was funded by a combination of Coal Severance Tax and Resource Indemnity Trust (RIT) interest, and had averaged about \$1,500,000 in projects per biennium for the past several years. The funds had diminished over the years because the legislature had used those monies for general fund replacement and the operation of state agencies, and because of the decline in revenues. For the upcoming biennium, prior to the compromise attempt, the department had projected approximately \$50,000 in this program.

MR. FRITZ went through the source of this account, as set forth in EXHIBIT 1, and said that they anticipate \$6,300,000 in the

account in the next biennium. This money would be spent on the Water Development Grant Program (\$57,000), the State Owned Water Projects Rehabilitation (\$775,000), Operations of the Water Resources Division in the department (\$3,000,000), Water Courts (\$900,000), and the Bond Debt Service (\$1,200,000).

MR. FRITZ reviewed the remainder of EXHIBIT 1, which contained a history of the grant programs, and referred to the grant applications contained in EXHIBIT 2, the book entitled Renewable Resource and Water Development Programs. His presentation followed the outline he submitted, EXHIBIT 3.

MR. FRITZ said that another part of the Water Development Program was the COAL SEVERANCE TAX LOAN PROGRAM. He stated that there were the public loans, which included those made for less than \$200,000, funded by general obligation bond proceeds, and those made for more than \$200,000, funded by proceeds from the Coal Severance Tax bonding authority. He stated that there was no interest subsidy on the loans granted for less than \$200,000. He said the Coal Severance Tax provides a subsidy for loans over \$200,000 at amounts determined by the committee, a subsidy which totaled \$600,000 per year. Over time, the borrowers would be totally repaying the loans, and the net effect in the long run would be no subsidy from the Coal Severance Tax Trust. He said that the bonding authority would be reduced accordingly as the Coal Severance Tax rate dropped, because bond documents sold required two times coverage. \$19,000,000 in loans were being recommended to this legislature.

REP. BARDANOUVE (21:A:304) asked about the variable interest rate on some of the loans that Mr. Fritz mentioned, and MR. FRITZ replied that the variable rate had remained constant since the bonds were sold. REP. THOFT stated that there was a bill specifying that just the people benefited by a project would be encumbered, and asked what impact this would have on the program. MR. FRITZ said that it would have no impact on their ability to make loans. REP. THOFT asked that he receive a review of the loan program and how it was working.

MR. FRITZ (21:A:356) reviewed the private loan program, which was not reviewed by the legislature, and consisted of loans made by proceeds from the general obligation bonds. He said that the department had a \$10,000,000 authority, and to date had sold \$4,700,000 worth of bonds in loans to 55 people. He said that most of the projects were irrigation projects.

MR. FRITZ continued with the RENEWABLE RESOURCE DEVELOPMENT PROGRAM, which had operated since 1979, and included grants and loans. He said that the grants were to public entities only and were capped at \$100,000 each, MR. FRITZ said that they had traditionally been funded by Coal Severance Tax, but that last session additional revenue had come from 8% of the RIT interest income.

MR. FRITZ (21:A:423) described the process, which was the same for all three programs. Applications were submitted in the spring and were ranked in-house, with conditions and recommendations added. These recommended projects were then submitted to the Governor, and based on these recommendations, a program was submitted to this committee. The committee then put together a bill containing all of these projects, to be run through the legislative process. Bills for these programs had been drafted, and the department suggested that these then be committee bills.

REP. THOFT asked why all the sources of funds were not combined into one program, and MR. FRITZ said that the department would not have any problems with this. He added that all of the Water Development Projects would be eligible under the Renewable Resource Development Program, with the exception of the private applicants. If these accounts were combined, a provision for private applicants would have to be prepared, and legislation would be required to do that.

MR. FRITZ (21:A:484) introduced a slide show covering projects funded in the past, as well as applications that the committee would be reviewing. These slides and descriptions included the Water Development Program (WD), the Renewable Resource Development Program (RRD), the Coal Severance Tax Loan Program and the Reclamation and Development Grant Program.

DALY DITCHES IRRIGATION DISTRICT, RANKING 1, (21:B:088),
Republican West Diversion Replacement.

LES LINENDALL, a member of the Daly Ditches Irrigation District and resident of Hamilton, testified for the project as set forth in EXHIBIT 4.

SEN. HIMSL asked why the Daly Ditch had not been maintained, having had requests for this project every biennium. MR. LINENDALL said that he had been on the board for only 4 years. He did note that when the state had it, there were difficulties getting the money to maintain it and it gradually went into disrepair. SEN. HIMSL asked if this amount would stabilize the west structure, and MR. LINENDALL said yes.

REP. BARDANOUVE said that he had seen the same pictures for the past 8 years, and MR. LINENDALL said that each year new planking had been installed. However, he said that there was a tremendous amount of water that came through the diversion. He added that Forrest Berg, a civil engineer with the Soil Conservation Service, was available for technical questions. REP. BARDANOUVE reminded Mr. Hopkins that when they had taken over the project, they had been given the money they requested, but that it seemed like the project was never finished. He asked if the irrigation company could do the work, and what amount the irrigation district was putting into this project. MR. LINENDALL replied that they were asking for \$100,000 in grants from the Water Development Program, and to the EDA for additional help. The

total cost of the project would include the east side repairs as well and would amount to \$219,000. The cost carried by the irrigation district would be \$36,000. REP. BARDANOUVE asked if they would be back in two years for the east side, and MR. LINENDALL said possibly. REP. BARDANOUVE said that he sounded like MacArthur, "I shall return."

ED HOPKINS (21:B:360) testified that he had been on the board for many years, including the years that the state ran the project. He said that the state lost \$800,000 on the project, and that the last time they performed any improvements was 25 years ago. He said that the irrigation district had put \$35,000 of its own money on the east side (new decking and rock). REP. BARDANOUVE countered, stating that the state had maintained it some, and MR. HOPKINS replied that the state had maintained parts of the project but not the river diversions. He said that the river diversions had been in better shape before the state took it over.

REP. BARDANOUVE asked how much the district was assessing itself for this project, and MR. LINENDALL said that no additional assessment had been levied yet.

STAN BRADSHAW (21:B:410), Montana State Council and Bitterroot Chapter of Trout Unlimited, testified in support of the project. He said that the danger of failure was severe, and could have a significant impact on the fishery in that area. Recreational and agricultural interests in the area had put much effort and money into the maintenance and enhancement of the fishery. He stated that this repair was consistent with the elevated recognition of that fishery as perceived by the community and the state.

PRAIRIE COUNTY CONSERVATION DISTRICT, RANKING 4, (21:B:462),
Watershed Demonstration/Management Practices.

SEN. GERRY DEVLIN, Senate District 13, testified for the project, stating that Irvin Heidle would hopefully be in to testify for the project. He said that he knew the area, and understood that the irrigators along the Powder River needed some technical advice regarding management practices. He said that many of the irrigators in the area had just started, and did not have the expertise that they should have. This project could head off a disaster at a later date, he said. Testimony was submitted on behalf of the Prairie County Conservation District, EXHIBIT 5.

REP. BARDANOUVE asked if, when they pumped, there was a return flow for waste water back into the river. SEN. DEVLIN said yes, and that with a little education, the irrigators could cut down on the erosion and the return of silt to the river.

REP. THOFT asked if this project had not been funded before, and MS CHENEY said that two projects had been funded previously, but they had been for different aspects, and would not have overlapped with this project.

REP. BARDANOUE asked if any of these landowners made payments to any organized irrigation district, and SEN. DEVLIN said he didn't think so.

REP. TOM ZOOK (21:B:588), House District 25, Custer and Prairie County, testified that he supported the ranking of this water management project and said that it was a demonstration project with potential wide spread benefits.

REP. BETTY LOU KASTEN, House District 28, testified that she supported this demonstration project, which would aid and improve agricultural practices and water quality.

REP. BARDANOUE asked what Montana State University's contribution was to this project, and JIM BAUDER answered that they would provide physical facilities, as well as technical expertise on project design, project implementation and direction. REP. THOFT asked if the people who benefit from this project would be putting any money into this, and it was answered that Mr. Heidle from the Conservation District could reply to that question when he arrived.

JO BRUNNER, Executive Secretary, Montana Water Users Association, supported the application, stating that it was a comprehensive project, especially with regards to return flows. She stated that it would benefit others, since there was very little data on this. She said that anytime an irrigation district could improve its efficiency and lessen its contamination with fertilizer or sediment, that would be beneficial to the resource.

JIM BAUDER (21:B:719), Extension Specialist at Montana State University, distributed a handout, EXHIBIT 6, in order to demonstrate the significance of the impacts of this project. He said that even though the project focused on Powder River, it had application to a wide number of rivers in Montana. He discussed the impacts of salinity on alfalfa productivity and ground water quality and its relationship to standing water on a field.

MONTANA RURAL WATER SYSTEM, RANKING 2, (22:A:098), Water System Technical Advisor.

DAVE JONES, President of the Montana Rural Water Organization, testified that there had been a steadily growing need for an additional circuit rider. He said that they were funded by the Environmental Protection Agency's National Rural Water Assistance, and had applied for monies from this program for the past two bienniums.

RAY WADSWORTH, Program Manager for MRWS since 1979, testified as set forth in EXHIBIT 7. SEN. HIMSL asked if they had utilized the resources of National Rural Water, and MR. WADSWORTH said that they had received \$100,000 in federal funds over the past 10 years. He added that they served Kalispell and all of Montana except the 6 large cities.

ARNOLD PETERSON (22:A:234), a member of the Montana Rural Water System (MRWS) and representing the North Havre County Water District, stated that he had a small water district on the Milk River which served 43 ranches and the air base, and that they needed these people for additional technical assistance.

DAN KEIL, representing the Tiber County Water District, serving 5 counties east of Conrad, said that he had served as president of Montana Rural Water System, and at the present time, was the national director on the board of National Rural Water Association. He said that Montana was one of 37 states belonging to the NRWA. He spoke of the funding history for the organization, and stated that they were not able to charge for these services. He also said that without an additional circuit rider they would not be able to perform the services requested of them by their members. He urged the committee's support for the grant application.

BEAVERHEAD AND MILE HIGH CONSERVATION DISTRICTS, RANKING 3,
(22:A:283), Big Hole River Channel Stabilization.

REP. CHUCK SWYSGOOD, House District 73, Beaverhead County, testified on behalf of the applicants, and said that the purpose of the project was to divide flow in two channels of the Big Hole River in a stable, near permanent condition to the benefit of many of the users. He continued to describe the project, its history, and reiterated the need for it as set forth in EXHIBIT 2. He said that the project was supported by all 3 county governments in the area (Silver Bow, Beaverhead, and Madison), the landowners and residents.

REP. THOFT asked if there were any local contributions of funds, and REP. SWYSGOOD replied that there had been local contributions in the amount of \$5,000. REP. SWYSGOOD said that it was his assumption that whatever level of funding approved by the committee would be accepted, and that the difference would be made up by the residents and landowners. REP. THOFT asked Rep. Swysgood to find out their capability to cooperate financially, and REP. SWYSGOOD agreed to do this and return when executive action would be taken on the project.

STAN BRADSHAW (22:A:429), Montana State Council and Butte Chapter of Trout Unlimited, said that they strongly supported this project. He said that the Butte Chapter had put money and manpower into the threatened access sites on the Big Hole, and that the Melrose Access site was particularly important. These were threatened by the channelization, he said, and added that the Department of Fish Wildlife and Parks had contributed. He said that he would check with the Butte Chapter of Trout Unlimited for contributions to this project.

DAVE MOSS, Beaverhead County, urged support for the project, stating that it was important to the fishery, which in turn stabilized the economy of Melrose, and that the movement of the river to the west endangered the bridge and roadway.

PEARL McCULLOUGH, rancher, said that her ranch and water supply were affected by the movement of the river to the west. She represented three other ranchers in the same area who were unable to attend. She encouraged support for the project. REP. THOFT (22:A:549) asked if they paid any assessment for the water, and asked how many acres were affected. MS McCULLOUGH said no, but that they would be soon. She said that there were 3,000 acres affected between the three ranches. REP. BARDANOUVE asked what became of the water in the other channel, and MS McCULLOUGH said that it goes on down the slough to two other ranches and then recombines with the river by Glen. REP. SWYSGOOD said that irrigators who had relied on water from the east channel were losing their water as it diverted to the west channel. On the west channel, flooding was occurring. He added that landowners on both channels supported the project.

PAUL KNIGHTING (22:A:660), Silver Bow County, a representative of the Mile High Conservation District spoke, stating that they fully approved of the project and would support it financially.

STAN BRADSHAW stated that the Skyline Sportsmen and the Georgetown Chapter of Trout Unlimited wished to go on record as willing to contribute to this particular project.

PEGGY HAAGLUND, Montana Association of Conservation Districts, went on record at this time in support of all Water Development Projects and Renewable Resource Development Projects submitted by conservation districts as set forth in EXHIBIT 8.

SEN. HIMSL (22:B:003) asked for information regarding the need for approval to perform these changes on the river, and Dick Oswald, Department of Fish, Wildlife and Parks, spoke that he was involved in the 310 permitting process, together with the Conservation District and the applicant. He said that he would routinely approve construction of this nature. He said that it was more complicated than dumping rocks into the river, and that there would be extensive planning and review. He described the technical aspects and procedures that would be followed for this project.

REP. SWYSGOOD supplied the committee with a copy of the full grant application, EXHIBIT 9.

REP. CONNELLY announced that Mr. Irvin Heidle, who had planned to testify on project 4 for Prairie County had missed his flight, and had left his telephone number for any committee member to call regarding the project.

Motion: REP. THOFT moved the request for the two committee bills for the Water Development Grant and the Renewable Resource Development Grant Programs, and SEN. MANNING seconded.

Vote: The motion CARRIED unanimously.

ADJOURNMENT

Adjournment At: 10:40 a.m.



REP. CONNELLY, Chairperson

MEC/cm

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Long Range Planning

DATE

[illegible]

EXHIBIT 1
DATE 1-26-89
HB W.D. & R.R.
Programs

COAL SEVERANCE TAX

EXHIBIT _____
DATE _____
HR _____

