

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER**, on January 28, 1993, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Roger DeBruycker, Chairman (R)
Sen. Cecil Weeding, Vice Chairman (D)
Sen. Gerry Devlin (R)
Sen. Greg Jergeson (D)
Rep. John Johnson (D)
Rep. William Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Terri Perrigo, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Theda Rossberg, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: **DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION**
**Reserved Water Rights Compact
Conservation/Resource Development**

Executive Action: **DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION**
**Reserved Water Rights Compact
Conservation/Resource Dev. Div.**

Roger Lloyd, Legislative Fiscal Analyst, had drafted a memorandum to the Office of Public Instruction concerning 7.00 FTE from that office transferring to the Forestry Division.

REP. WISEMAN asked Mr. Lloyd to get the right amount of the dollar return on those 7.00 FTE. Mr. Lloyd said he took the figures from their audit report but he would visit with the auditors for clarification.

HEARING ON
RESERVED WATER RIGHTS COMPACT COMMISSION

Susan Cottingham, Manager, Reserved Water Rights Compact Commission, gave an overview of the division. EXHIBIT 1

She said in 1991 President Bush authorized \$56.5 million for the repairs on the Tongue River Dam. They are negotiating with the Fort Peck Compact, Rocky Boy, Yellowstone Compact and the Park System. They are negotiating with the Forest Service for federal water rights. Rocky Boy will be our top priority for the next two years.

By statute, the tribes and federal government are required to file claims in water court. However, that is suspended during active negotiations. If they decide that negotiations are not going forward and are terminated, they can certify that to the Montana Water Courts. Then the tribes and the federal agency go through litigation which is handled by the Attorney General's office.

She said **Harley Harris, Assistant Attorney General**, is present at the meeting and will make some comments regarding the litigations.

Mr. Harris said that, in 1991, the Blackfeet Tribe informed the Water Rights Compact that negotiations were no longer in their best interest. Subsequently, the Commission gave the tribe another 30 days to reconsider their decision. Since negotiations had ended, it was turned over to the Water Court. The claims made by the tribe fell on the Attorney General. It is the first time in the history of Water Rights Adjudication that one of these issues has gotten so far along in the process and the first time the Attorney General's office has had to grapple with it.

Their initial step in dealing with this was to consider what manner would be the best for the state to acquire technical research that would be needed for this case. In consultation with the Attorney General, former DNRC Director **Karen Fagg** and the Governor's office, they initiated a variety of proposals from outside consulting firms to produce a report on what needs to be done. The U.S. Government and the indian tribes have some of the most highly regarded national consulting firms operating on their behalf. The only two consultant firms in Montana that had experience in this were already under contract. They were provided with economic reports from Laramie, Wyoming and Fresno, California. The information they provided was that the initial pre-trial would cost the state about \$1.375 million. Therefore, they looked at alternatives. There are four or five more reservations that we still have to deal with. They are trying to build up the expertise within the state.

Ms. Cottingham said this is a new set of responsibilities than when she last appeared before this committee.

SEN. DEVLIN asked how much the extra responsibilities are going to cost.

Ms. Cottingham said, in reviewing that last time, she made the assumption that three staff members were spending about one-third of their time, which amounts to about 1.00 FTE. In general fund and state special revenue it cost about \$44,000 in FY94 and FY95.

SEN. DEVLIN asked how the LFA got \$181,524 from \$133,547 and \$141,890 or \$402,853 up to \$518,639.

Ms. Perrigo said the Compact Commission realized significant vacancy savings. In FY92 they had the pay plan and they got a new computer system. Most of the increase was in Personal Services because of vacancy savings. They took a pretty big hit in the general fund reductions in the Special Session.

Ms. Cottingham said when she became Program Manager, her previous position was not filled. So the bulk of that was vacancy savings.

Ms. Perrigo reviewed the budget differences with the committee.
EXHIBIT 2

She said there was about \$2,732 spent on overtime. Consultant Services is based upon a three-year average.

Before Governor Racicot released his budget, there wasn't much difference between the LFA and the Executive because this program has been typically funded with 35% general fund and 65% RIT funds. Governor Racicot proposed to divert some of the RIT tax proceeds and use 40% in agency operations. That is a difference between the LFA and the Governor's budget because the Governor's budget has this program funded totally with RIT funds. Half of this is the same RIT used, while the other part is the diverted tax proceeds coming in from other proposed legislation.

SEN. DEVLIN asked where that legislation is now.

Ms. Perrigo responded that she was not sure.

Ms. Cottingham said it is currently going through the Legislative Council for introduction in the House and should be ready in about five days.

Ms. Perrigo said they proposed to eliminate a .58 FTE for the 5% reduction which has 35% general fund. In the Executive Budget that position is all RIT funds. That position is eliminated unless this committee takes action to reinstate it.

Florine Smith, Office of Budget Program and Planning, referring

to overtime, said that the Executive includes the actual expenditure of \$1,433 each year. In Consultant Services the Executive has included \$20,000 each year. In FY92 their actual expenditures were \$13,000. This agency did not request a modification to restore the 5% FTE reduction.

Ms. Cottingham said the analyst pretty well explained the budget differences. She said that all of the divisions in DNRC took the 5% vacancy reductions. They began the FY91 biennium with 13.00 FTE and gave up 1.00 FTE.

Because of the Fair Labor Standards Act, there are 5.00 more FTE eligible for overtime.

The Consultant Services is the hardest to budget. They have a contract with an attorney in Washington who was instrumental in getting the \$56.5 million for the Northern Cheyenne Tribes.

CHAIRMAN DEBRUYCKER said that, in order to reach the target, this department has to take \$1,687,000 reduction and the subcommittee must work towards that goal.

SEN. DEVLIN asked how much of Personal Services was due to the pay plan.

Tape 1, A.

Ms. Perrigo said they used \$.60 cents in FY91 and \$.60 cents at the beginning of FY93. It would be about \$15,000 per year.

Ms. Cottingham said in FY92 there was 5.00 vacant FTE and they weren't up to full staff until FY93. The Compact Commission transferred \$48,000 to DNRC to help with the layoffs. Those positions are all filled now and there haven't been any vacancies for about a year.

SEN. DEVLIN said he has a problem using more RIT than what is right.

Ms. Perrigo said that problem will continue in a lot of the agencies. FY92 was not a typical year. There were a lot of positions held open, particularly where departments depend on a lot of general fund.

SEN. WEEDING asked whether the Tongue River Dam rehabilitation is fully funded.

Ms. Cottingham said Congress has authorized \$56.5 million. DNRC is handling all the other details. There still needs to be an Environmental Impact Statement. The requirement of legislation is that the Compact be finalized in the Water Courts before any money is appropriated for actual construction. The work is just now beginning on the Tongue River Dam. They are hoping to finalize the Compact by FY96 and FY97.

SEN. WEEDING said it was his understanding that this had been cleared up during the last session.

Ms. Cottingham said every Compact has to go through a final decree through the Water Court. There may be some legislation addressing the filing of late claims. They hope that could be handled in a two-year time frame.

SEN. DEVLIN said DNRC gave up all the filing fees on late claims that were disallowed by the courts and that money went into the general fund. He wondered whether the legislature would have to come up with that money again depending upon the decision on late claims. He asked how much is being spent now on consulting services.

Ms. Perrigo said last year they spent a little over \$13,000. Traditionally they have spent about \$20,000.

EXECUTIVE ACTION
RESERVED WATER RIGHTS COMPACT COMMISSION

Ms. Smith said she would get the FTE vacancy figures for the committee.

Personal Services:

Motion/Vote: SEN. WEEDING moved to approve the Executive for (\$18,026) in FY94 and (\$18,677) in FY95 for Personal Services. Motion CARRIED 5-1 with SEN. JERGESON voting no.

Overtime:

Motion: SEN. DEVLIN moved to approve the Executive for (\$1,709) each year of the biennium for Overtime.

Discussion:

SEN. JERGESON said he opposed that because somehow they are going to have to pay for increased services because they are expected to do more.

Vote: Motion FAILED 3 - 3.

Consultant Services:

Motion: SEN. JERGESON moved to approve the Executive for \$8,625 each year of the biennium for Consultant Services.

Discussion:

SEN. WEEDING said when the cost of negotiating the Compacts Water Rights are compared, the State is better off.

Vote: Motion FAILED 3 - 3.

Funding Issue:

Ms. Perrigo said this is the first of three departments in this agency where the committee will be dealing with the funding issue. The department's target is \$1.68 million, computed on calculations based on the LFA's current level. When the LFA put this budget together, they did not continue the RIT funding switches from the Special Session and used general fund instead. This was done because there is always an effort to use more RIT funds instead of general fund. This committee has traditionally refused to use RIT funds to replace general fund in agency operations.

If this committee decides to go with Governor Racicot's recommendation and use RIT funds instead of general fund, it would basically bottom out the Grant program.

CHAIRMAN DEBRUYCKER said it was his understanding that, regardless of whether it is RIT or general fund or other funding, the cuts are supposed to be made and not through funding switches.

Ms. Perrigo said that is also her understanding.

Ms. Smith said this is similar to the situation in Department of Lands and Reclamation. The committee went with general fund, with language should the legislation pass. She said the committee might want to consider that when addressing other departments.

SEN. WEEDING asked whether, if LC1404 passes, they would be undermining some of the programs that are already funded with RIT funds.

Ms. Perrigo said they would be adding to it. The programs wouldn't have any more general fund.

SEN. WEEDING asked whether the LFA current level is different from the Executive in the Grant Program because of the funding switch.

Ms. Perrigo said those funding switches were done because of the Special Session but they were mostly Water Development and Reclamation. They were shifted from general fund to RIT funds.

Mr. Simonich stated that the department receives part of its funding through RIT funds from the interest income. The money that is left over goes into the grant and loan programs. What Governor Racicot is trying to do with his proposed funding switch is to divert money before it goes into the fund and make it available up front and elevate the priorities of the Grant and Loan Program.

Motion/Vote: SEN. JERGESON moved to approve the funding with general fund contingent upon passage of LC1401. Motion CARRIED

unanimously.

Wayne Wetzel, Deputy Director of Department of Natural Resources and Conservation, said the reason for the big differences between the target and the current level of 1992 and 1993 appropriation is that the department tried to come up with all the creative ways it could to substitute other funds for general fund. The LFA has restored all those general funds. The department accomplished that by making a lot of transfers, one-time switches; now they have a bigger target to meet than any other division. They have reduced the general fund so they now have a low general fund in the target and a high LFA level that comes up to almost 20 percent of the department. Now to come up with \$1.7 million cut is an absolute disincentive to do that. They would have been better off to spend all their general fund and not do anything. They are not trying to shove the burden onto other agencies, but \$1.7 million is somewhat of a manufactured number. They have spent a lot of time trying to keep their program going; but if the numbers are right, the committee will be taking 20 percent of the general fund. It seems that the more they try to help, the more they get hurt by it.

CHAIRMAN DEBRUYCKER said he understood what Mr. Wetzel was saying; however, it is not just general fund the committee is trying to cut -- it is spending as well.

Mr. Wetzel said they would have no complaints as long as all the funds and all the agencies are treated evenly. They will take the cuts along with everyone else.

SEN. DEVLIN stated that the committee is down to the point where it will have to cut programs. They have cut and cut and asked the department for more.

Tape 2, A.

Mr. Simonich said that the department realizes there is a crunch here and that programs have to be cut. By this time next week, he has to submit to the committee a list of where they think the proposed cuts will come and what their lowest priorities are. They will do that as honestly as they can. They also want to know what the implications will be to the program eliminated and what the statutes call for.

SEN. DEVLIN said that, when the list is submitted, the department should identify statutory duties that may be affected.

Mr. Simonich said they will come up with proposals and statutes that may have to be changed.

Ms. Perrigo said the LFA will try to put something together, probably a one-page sheet with a table that shows statutory changes with a description so this committee will have something to work with. The question is whether the subcommittee is going to wait for all this information and call the divisions back in.

SEN. DEVLIN asked whether the other subcommittees have gone through most of their budgets and not taken Executive Action yet.

Ms. Perrigo said the information is coming in and they are trying to pull all the information together.

SEN. WEEDING said it seems the subcommittee should request some direction from the chairmen of the Finance and Claims and Appropriations committee so that all subcommittees are operating alike.

REP. WISEMAN asked why this subcommittee is taking Executive Action. He suggested that perhaps that should wait.

SEN. DEVLIN said the idea was to have the hearings fresh in members' minds when they go through the budget. It has always been that way.

HEARING ON
CONSERVATION AND RESOURCE DEVELOPMENT BUREAU

Ray Beck, Administrator, Conservation and Resource Development Bureau, gave an overview of this bureau.

Conservation Districts Bureau: EXHIBIT 3 & 3A.

He said the Conservation Districts Bureau is responsible under state law (76-15-101 through 810) to assist Montana's 59 conservation districts and 30 state grazing districts.

Resource Development Bureau: EXHIBIT 4 and 4A

Mr. Beck reviewed this bureau with the committee. He said the different programs within this bureau are: A. Water Development Program, B. Reclamation and Development Grants Program, C. State Revolving Fund and D. Water Reservations.

Other programs involved are: the Clean Coal Technology Program and the Treasure State Endowment Program.

Tape 2, B.

CHAIRMAN DEBRUYCKER asked if the bureau goes through the Board of Investments when they sell bonds.

Mr. Beck said they are given that authority by law. Some are backed by the Coal Severance Tax. They sell their own bonds. They work with the Bond Counsel and the Board of Examiners who give final approval.

He said that, because of FTE cuts, they have been reduced to 12.5 FTE.

Ken Minnie, President of the State Association of RC&D, gave a

brief overview of the State Association.

He said RC&D is one program with local control. Each RC&D area is comprised of people from conservation districts, school board people, county commissioners and anyone who is interested in working in this area. Those people from the cities recognize leaders who would become involved in their area.

Each town or city has a member sitting on the RC&D Committee. The leadership operates strictly on the local level. There are three things that make the RC&D effort work: 1) local control of the local counties, 2) full or part-time coordinators to do the paperwork and 3) a state coordinator who works with the Association.

The funding is shared by Soil Conservation Services for the money it takes to operate. These are grass roots efforts which are important to the future of Montana. The State Association encourages support of the RC&D efforts and Mr. Beck's direction from his department.

Mr. Minnie distributed to committee members the Montana RC&D Association 1992 Annual Report. **EXHIBIT 5**

Sue Olson, Musselshell County Commissioner, said she would like to speak in favor of funding for their RC&D efforts. The six-county RC&D with its coordinator has provided immeasurable help to Musselshell County.

She noted that they have a Coal Board Grant that was recently completed. The RC&D administered this grant and their expertise and experience were critical.

She urged subcommittee support for funding these RC&D programs.

Mary Seccombe, affiliated with the RC&D in Butte, said she was also the President of the National RC&D Council. The RC&D Program is one of the best programs anywhere in the United States. It is totally run by local people. The state has six areas, and they are looking at two more. Each of those areas brings in \$110,000 of federal monies to this state to help pay for operations and a coordinator. The rest of the work is done by volunteer help. The funds are federal funds with an equal state match.

She said the State Association was organized about four years ago. Two years ago they asked the Legislature for funds for a statewide coordinator. The Legislature granted us that money, and it is probably the best money that was ever spent.

Other states have inquired as to how to get started in RC&D programs, so Montana is a forerunner in this program. She asked the subcommittee to support this program and the statewide coordinator position.

SEN. WEEDING asked Ms. Olson if they were the first RC&D program in the state?

Ms. Olson said no, they were the second one; Bitterroot was the first RC&D Program. They are attempting to get another \$45 million from the federal government which will hopefully bring another 60 RC&D Programs on board nationally. If the other two areas come on board, they will bring another \$220,000 to the state of Montana.

Barry Wharram, Board Member of the Montana Salinity Control Association, reviewed the function of this association with the subcommittee. EXHIBIT 6 He asked for the consideration of this committee to approve the funding of \$172,250 for the Salinity Program.

Steve Meyer, a farmer from the Fairfield Bench and Chairman, Legislative Committee of the Montana Association of Conservation Districts, said this is really a partnership between the federal government and a couple hundred people out in the field helping the land users manage their natural resources. The districts are spending millions of dollars in locally generated tax dollars. They are proposing legislation to increase that by another \$50 million. We are trying to establish a resource base for the future generations of Montana.

Ms. Perrigo reviewed the Conservation Resource Development Division's budget differences with the committee. EXHIBIT 7

She reminded the committee that the FTE eliminated by the 5% vacancy are still included in the LFA level.

Tape 3, A.

CHAIRMAN DEBRUYCKER said his interpretation of the Salinity Program was that the division wanted permanent funding, not an increase.

Ms. Holzer said that is correct. If they could get the funding from this committee, they would give up the grants.

Ms. Smith said that, in Contracted Services, the rangeland management services were not in the base. The \$12,750 was an adjustment to the base.

In Local Assistance, the Executive reflects the agency's request of \$105,000. There are two modifications included in the Executive; those are infrastructure and improvements under the Endowment Program and the Clean Coal Act.

The other modifications the agency will be discussing were brought in after the budget was completed and have language connected to them.

Ms. Smith added that this budget is impacted by LC1404. If the

committee wishes, they will request language in the previous budget as well as Reclamation.

Ms. Perrigo asked Ms. Smith if the Executive includes these two new modifications as amendments to the budget. Ms. Smith answered yes.

Mr. Beck reviewed the budget with the committee.

Personal Services:

He said the 5% position that was eliminated was vacant. That position assisted with the Water Development Grant Program. After this session they will have approximately 70 contracts to complete, and that is a big workload for one person. Because it is such a big responsibility, he urged the committee to reconsider that position.

Statewide RC&D Coordinator Position:

Ms. Perrigo explained that this committee had authorized \$48,000 in the last biennium to fund the coordinator and the operating expenses. That was supposed to be used to match federal funds. The department spent almost \$24,000 of that in FY92, which is continued each year of the 1995 biennium.

Because the agency has been able to contract for the RC&D Coordinator, 1.0 FTE was eliminated in the LFA current level. However, the FTE eliminated was the wrong one; it was a \$50,000 per year position, while the one that should have been eliminated was a \$33,000 per year position. Therefore, the department would like part of that \$50,000 reinstated for contracted services.

SEN. DEVLIN suggested that Ms. Perrigo, Ms. Smith and Mr. Beck get together and straighten this out, because it doesn't make any sense.

Ms. Perrigo said there is \$47,830 in their current level now for the coordinator and operating expenses.

Ms. Smith said they would get together after the committee meeting and straighten that out.

Contracted Services:

Mr. Beck said the differences are because of the increased workload. The bond workload has increased significantly and requires engineering and environmental expertise for review of the projects.

SEN. WEEDING asked whether that was \$12,750 per year spending authority.

Mr. Beck answered that it is for the match for the Soil Conservation Range position.

SEN. WEEDING asked about the source of funding for that position.

Mr. Beck said all of the funding is Resource Indemnity Tax (RIT).

REP. WISEMAN asked whether they have looked to the Board of Investments to issue bonds.

Anna Miller, Department of RC&D, stated that the Legislative Auditor recently had done an audit on the ten or eleven agencies that issue bonds. They found there was no economical reason to consolidate those functions, mostly because the departments have special needs. Because all bond issuances go through the Department of Administration, those people are aware of what bonds are issued. They received a return of 5.7% on the last bonds that were issued.

SEN. DEVLIN asked what kind of cooperation the department was getting from the Business Development Department of the Department of Commerce.

Ted Dodge, Statewide Coordinator for RC&D, said the RC&D works with a number of agencies across the state. They have a corporate relationship with the Department of Commerce. Two of the RC&D Programs administer the small business development. The Head Waters Alliance has a micro-business loan fund came out of the Department of Commerce. The RC&D Programs are locally run but work with the Department of Commerce.

SEN. DEVLIN asked if there was a duplication of programs. He said he would presume they had taken a large load off the Department of Commerce.

Mr. Dodge said there is no duplication of programs. The RC&D councils are non-profit boards that identify needs and go to the agencies and work with those programs.

CHAIRMAN DEBRUYCKER asked whether they used a stockbroker when they contract for the bonds.

Ms. Miller said that when they issue bonds, they either do them competitively or they are negotiated. They go out into the market and find out what the interest rates are. They prefer to sell them in Montana because the buyers will get a tax savings on them. Other states want the bonds and so they do negotiate with them.

Tape 3, B.

Local Assistance:

Mr. Beck said they have \$95,000 that has passed through their budget to the conservation districts when their mill levies don't pass. It is usually about \$2,000 to \$2,500 in some districts.

Grants:

Mr. Beck said this item is moot because under the language issues, it allows them to spend whatever comes in.

Minor Differences:

SEN. WEEDING asked if the department pays any fees to lobbying organizations.

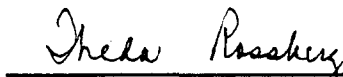
Mr. Beck said they do not. They pay dues to some local organizations and the National Association of Conservation Districts.

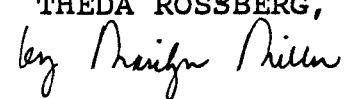
ADJOURNMENT

Adjournment: 12:00 P.M.



ROGER DEBRUYCKER, Chairman



THEDA ROSSBERG, Secretary


RD/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUB-COMMITTEE

ROLL CALL

DATE

1-28-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROGER DEBRUYCKER, CHAIRMAN	✓		
SEN. CECIL WEEDING, VICE CHAIRMAN	✓		
SEN. GERRY DEVLIN	✓		
REP. WILLIAM WISEMAN	✓		
REP. JOHN JOHNSON	✓		
SEN. GREG JERGESON	✓		

NATURAL RESOURCES/CONSERVATION

Reserved Water Rights Compact Commission

DATE 1-28-93

Program Summary

Budget Item	Actual Expenditures Fiscal 1992	Current Level Fiscal 1992	Current Level Fiscal 1993	LFA Fiscal 1994	Executive Fiscal 1994	LFA Fiscal 1995	Executive Fiscal 1995	LFA Change 92 - 94
STATE	12.00	12.00	12.00	12.00	11.42	12.00	11.42	
Personal Services	318,440	318,442	369,806	432,329	412,594	433,749	413,363	113,887
Operating Expenses	69,497	69,503	69,935	72,058	80,228	73,089	81,239	2,555
Equipment	13,370	13,370	4,671	12,708	12,708	10,771	10,771	(662)
Debt Service	1,544	1,544	24,715	1,544	1,544	1,544	1,544	
Total Costs	\$402,853	\$402,859	\$469,127	\$518,639	\$507,074	\$519,153	\$506,917	\$115,780
Fund Sources								
General Fund	133,547	133,550	141,890	181,524	168,676	181,704	168,626	47,974
State Revenue Fund	269,305	269,309	327,237	337,115	338,398	337,449	338,291	67,806
Total Funds	\$402,853	\$402,859	\$469,127	\$518,639	\$507,074	\$519,153	\$506,917	\$115,780

Program Description

The Reserved Water Rights Compact Commission, created by the legislature in 1979 as part of the water rights adjudication effort, is provided for in section 2-15-212, MCA. The commission negotiates water rights with Indian tribes and federal agencies to establish a formal agreement (compact) on the amount of water to be allocated to each interest. The commission has completed compacts with two tribes: Fort Peck and the Northern Cheyenne. During the 1995 biennium the commission will: 1) continue negotiations with the National Park Service and the Rocky Boy tribe; 2) begin negotiations with the Fort Belknap tribe; and 3) continue to assist the Attorney General reach a settlement with the Blackfeet tribe.

LFA Current Level

Personal services increase by \$113,887 over fiscal 1992 expenditures due to: 1) vacancy savings experienced in fiscal 1992; 2) continuation of the fiscal 1993 pay plan increase; 3) the upgrade of one position, which adds \$2,650; and 4) the addition of \$1,709 for overtime per the agency request, budgeted at the historical three year average annual expenditure level.

Operating expenses increase due to increased computer network charges of \$2,436 and a \$2,160 increase in the cost of LEXUS legal research. These increases are offset by a \$2,017 decrease in consultant services, which reflects removal of a one-time payment to the Bureau of Reclamation for a study agreement.

Equipment includes computers and office equipment. Debt service represents the division's share of the Department DEC computer system.

Funding

The Commission is funded 35 percent general fund and 65 percent RIT

5706 25 00000

DEPT NAT RESOURCE/CONSERVATION

Reserved Water Rights Comp Com

Program Summary

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	12.00	12.00	11.42	12.00	(0.58)	11.42	12.00	(0.58)
Personal Services	318,440	369,806	412,594	432,329	(19,735)	413,363	433,749	(20,386)
Operating Expenses	69,497	69,935	80,228	72,058	8,170	81,239	73,089	8,150
Equipment	13,370	4,671	12,708	12,708	0	10,771	10,771	0
Debt Service	1,544	24,715	1,544	1,544	0	1,544	1,544	0
Total Costs	\$402,853	\$469,127	\$507,074	\$518,639	(\$11,565)	\$506,917	\$519,153	(\$12,236)
<u>Fund Sources</u>								
General Fund	133,547	141,890	0	181,524	(181,524)	0	181,704	(181,704)
State Revenue Fund	269,305	327,237	507,074	337,115	169,959	506,917	337,449	169,468
Total Funds	\$402,853	\$469,127	\$507,074	\$518,639	(\$11,565)	\$506,917	\$519,153	(\$12,236)

Page References

LFA Budget Analysis (Vol II), p C-93
 Stephens Executive Budget, p C-36
 Racicot Executive Budget, p 24

Current Level Differences

5% Personal Services Reduction - The joint House Appropriations and Senate Finance And Claims committees removed a 0.58 FTE from this program. *reducing then approved*

Overtime - LFA current level includes more for overtime and overtime benefits than the executive, due to budgeting at average annual expenditure levels compared to the executive's continuation of fiscal 1992 expenditures. *reducing then approved*

Consultant Services - LFA current level (budgeted at the programs average annual expenditure level in this category) includes less than the executive for consultant services *reducing then approved*

Minor Differences

TOTAL CURRENT LEVEL DIFFERENCES

Budget Modifications

None

Language

None

Funding Issue

The LFA current level includes \$337,302 more general fund than the Executive Budget, which utilizes diverted RIT tax proceeds instead of general fund. Availability of RIT tax proceeds is contingent upon approval of proposed legislation authorizing the diversion of 40 percent of RIT tax proceeds per year to fund agency operations.

Exec. Over(Under) LFA
 Fiscal 1994 Fiscal 1995

(18,026) (18,677)

(1,709) (1,709)

8,625 8,625

(455) (475)

(11,565) (12,236)

(168,676) (168,626)

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

		Total Personal Services		FTE Removed By		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
<i>All or Partial General Fund Positions</i>							
55256	Not Yet Classified*	17,801	17,801	0.58		0.58	
Adjustment	to tie to LFA/Exec Difference	225	876				
Sub-Total		18,026	18,677	0.58	0	0.58	0.00
TOTAL		18,026	18,677	0.58	0.00	0.58	0.00

*Funded 35 percent general fund and 65 percent RIT state special revenue in LFA current level

EXHIBIT 3
DATE 1-28-93
SB

CONSERVATION DISTRICTS BUREAU

1-28-93

OF

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

The Conservation Districts Bureau is responsible under state law (76-15-101 through 810) to assist Montana's 59 conservation districts and 30 state grazing districts. Montana's conservation districts are legal subdivisions of state government responsible by law to develop and carry out long-range programs that will result in the conservation and improvement of soil and water resources within their boundaries and to encourage maximum participation by the general public and all local public and private agencies to fulfill this purpose. State grazing districts are also formed under Montana statute that gives them the power to lease or purchase grazing lands to develop and manage district controlled lands and to allocate grazing preferences among members and nonmembers.

The Conservation Districts Bureau has eight full time employees-- five in the Helena office, one person stationed in Miles City, one person in Missoula and one person in Roundup which administers the RC&D Rural Development Program. The Bureau also contributes funding equivalent to a .5 position towards a secretary position in Miles City and the bureau costs shares one position with the Soil Conservation Service. There are 15 main

categories of responsibility administered by the division.

A. Conservation District Supervision and Assistance

The bureau provides the critical link between local districts and state government, assisting conservation districts to accomplish their responsibilities. We assist districts on a daily basis in the proper administration of conservation district business by providing administrative, legal, financial and technical assistance.

Our assistance comes in the form of help with projects or problems dealing with issues such as wind erosion, water and stream bank erosion, flooding, water pollution, water quality assessments, water reservations, range activities, farming practices, timber management, streambed and land preservation permits, mining impacts, public meetings, pipeline routing, weed control, wilderness studies, urban activities, economic development, legal opinions, supervisor and employee training, budgeting, and so forth. The bureau's objective is to provide direct response to all conservation district administrative and legal issues to facilitate normal district operations.

Approximately 50 percent of the bureau's staff hours and budget are spent in this category.

B. Rangeland Management Coordination

The Bureau is responsible by law to serve as an advisor, counselor, and coordinator for and between persons and agencies involved in range management in Montana. We are directed to create understanding and compatibility between the many users of rangeland and to minimize conflicts between governmental agencies and private landowners and to promote sound range management practices throughout the state.

C. Grazing District Supervision and Assistance

The Conservation Districts Bureau is responsible for the administration of the Montana Grass Conservation Act (Grazing District Law), acting in an advisory capacity to the districts to supervise and coordinate the formation and operation of grazing district incorporated under the law; and for the purpose of working out uniform plans for the use of lands within the boundaries of the districts to conform with recognized conservation practices. State Grazing District Law (Grass Conservation Act) provides for the conservation, protection, restoration, and proper utilization of grass, forage, and range resources. it provides for the creation of cooperative nonprofit grazing districts and sets up a permitting system which aids in the

management of all grazing lands where land ownership is intermingled. This includes assistance to 30 state grazing districts who in turn represent 1,353 permittees covering 10,501,070 acres of land.

D. Water Programs

The Bureau represents the conservation districts with several water-related issues:

- SB310-Streambed and Land Preservation Act;
- Water reservation process (1973 MT Water Use Act gave CDs the authority to reserve water for future Agriculture use);
- Water Policy Committee;
- State Water Plan.

The Bureau also administers the Water Reservation Grant Program, which provides conservation districts with funding to make water reservation applications or to develop existing water reservations.

E. Watershed Planning

The Bureau is encouraging the development of multipurpose flood control, erosion control, and off-stream storage projects through a cooperative agreement with the Soil

Conservation Service, under Public Law 566. The Bureau provides \$63,500 per year to the Soil Conservation Service for project planning and assessment, with up to \$1,350,00 in federal funds supplied annually for project planning and construction.

F. Coordinated Resources Management and Planning (CRMP)

Serious conflicts are occurring between various interest groups concerning how public and private lands should be managed. The Bureau participates in the state and national effort to increase the effectiveness of resource management and planning activities on all lands regardless of ownership. In Montana, the SCS, BLM, Forest Service, Extension Service, MACD, DNRC, Department of State Lands, and DFWP are involved. Each agency has a member on the state executive committee and the state task group.

G. Natural Resource Conservation Education Activities

This activity provides grant funding and policy guidance for resource conservation education programs, which benefit all Montanans. The Bureau assists conservation districts sponsoring three annual youth camps statewide: The Youth Range Camp; Range Days; and The Natural Resource Youth Camp. The camps provide youth with the knowledge and skills

necessary to make decisions regarding future management, protection, and wise use of our natural resources. The Bureau also maintains and distributes a Conservation Education Resource Directory as a joint effort with the Office of Public Instruction. The directory identifies teacher training programs, extracurricular youth programs, and curriculum resources. The objectives of the Bureau are to sponsor three annual youth education camps; distribute the resource directory to schools; and to assist local conservation districts with education workshops and tours.

H. Riparian Management Program

Proper management of riparian areas, is critical to maintaining water quality, bank stability, and flood control. The Bureau has launched a comprehensive riparian management program. The major activities of the riparian management program are: development of educational displays on grazing and forestry practices in streamside areas; identification of riparian demonstration areas in the state for use during landowner tours; sponsorship of local landowner workshops; production of a brochure, Montana's Riparian Areas; establishment of a library of riparian education materials and videos; production of a video emphasizing landowner benefits of well managed riparian areas and successful approaches to riparian management; and

communication and idea-sharing with similar efforts in other western states. The program has reached tens of thousands of Montanans.

I. Nonpoint Source Pollution Control Program

Section 319 of the 1987 Clean Water Act requires states to manage and assess nonpoint source (NPS) pollution. NPS pollution originates from diffuse sources, such as runoff, seepage, drainage, or infiltration land is normally associated with agriculture, forest practices, mining, stream channel modification, and construction activities. The Bureau is responsible for developing and implementing a public information and education program designed to promote corrective action by landowners and to prevent or reduce future problems by increasing public awareness.

Conservation districts have been designated the local NPS control agency for non-federal lands in Montana. Districts act as demonstration project sponsors, assist in improving waterbody NPS assessments, and participate in educational programs. The Bureau has received a \$262,573 Reclamation and Development Program Grant for reclamation of several damaged watersheds. The funds serve as partial match to attract federal funds under a 40/60 percent cost share arrangement. The Bureau will work closely with the

conservation districts to implement the state's NPS management plan.

J. Loan and Grant Programs

The Conservation Districts Division administers a low interest rangeland improvement loan program. Funding for this program was provided from the Renewable Resource Development fund and authorized by the 1979, 1981, and 1983 legislative sessions.

To date, 151 applications have been received totaling \$2,481,585. Seventy-one loans have been made for \$1,134,621. Total acres improved equal 317,020 with improvements completed or in progress.

19 stockwater wells	6,992 acres reseeding
117 miles stockwater pipeline	67 spring developments
3,050 acres mechanical renovation	178 stockwater tanks
3,455 acres brush/weed control	9 new grazing systems
137 miles fencing	159 wildlife habitat
28 stockwater reservoirs	317,020 acres improved

The Bureau administers the conservation districts project grant program which provides funding for projects and activities necessary to satisfy their natural resource

management mandates. This program is made possible from funding received from 1/2 of 1 percent of the coal tax, which was authorized by the legislature in 1981. Funds are used to correct streambank erosion and sedimentation problems, rehabilitate burned areas, conduct water development projects, youth educational activities, and equipment rental programs. This program is the only direct source of funding available for conservation district projects and activities. To date, 288 projects have been funded from this program totalling \$1,719,734.

The Bureau also receives \$95,000 per year for administration of individual districts when county mill levies are inadequate to support district operations. The funds are distributed through an application process and are used for: salaries, 85 percent; education, 6 percent; meetings, 2 percent; per diem and travel, 3 percent; and supplies and equipment, 4 percent.

Because of low county mill levies, these funds are very important to the districts for day to day operations, many of which are required activities under state law, (310, water reservations, stream access, soil and water conservation, and protection activities as required by law) and federal law (conservation compliance, CRP, sodbuster, swampbuster).

Agricultural Energy Conservation Grant Program

In 1987, the Bureau was given legislative approval to receive federal funds (\$500,000) to implement a program that would demonstrate ways the agricultural community could cut energy related costs. In 1991, an additional \$100,000 was appropriated to the program. This is the only grant program in the state that directly benefits the agricultural sector by demonstrating ways for them to reduce their energy consumption and costs. Projects funded have received considerable interest throughout the state and nationwide. A total of 38 projects were funded. Projects funded include soil moisture monitoring projects, solar livestock watering projects, farm energy auditing projects, energy efficient irrigation demonstration projects, irrigation system audits, and legume rotations for energy conservation purposes.

SUMMARY OF AG ENERGY CONSERVATION PROJECTS FUNDED/APPROVED

Roosevelt CD - Irrigation Scheduling	20,700
Missoula CD - Gravity Irrigation	16,188
Missoula CD - Energy Education for Middle Schools	15,000
Richland CD - Irrigation Scheduling	9,500
Carter Cd - Energy Related Newsletter Supplement	2,000
Little Beaver CD - Solar Livestock Watering	8,900
Bitterroot CD - Irrigation Scheduling	22,962

Jefferson/Madison CDs - Cereal/Legume Rotation	61,203
Upper Musselshell Cd - Solar Livestock Watering	10,150
Treasure CD - Irrigation Scheduling	11,800
Rosebud CD - No-till Demonstration	13,947
Salinity Control Assoc. - Inoculation Techniques Demo.	35,000
Dawson CD - Surge Valve Demo	2,500
Fergus, Petroleum, McCone CDs - Living Snow Fences	30,000
Gallatin CD - Solar Fencing/Goats for Leafy Spurge	1,200
Gallatin CD - Swine Facility Retrofit Demo	30,000
Powder River CD - Solar Livestock Watering	16,233
Mile High CD - Energy Conservation Program	44,800
Gallatin CD - Plans for Energy Effic. Water Structures	10,400
Meagher CD - Solar Livestock Watering	5,200
Stillwater/Carbon CDs - Irrigation Water Scheduling	20,000
Flathead CD - Solar-powered Well Monitoring	13,265
Gallatin CD - Agrimet Weather Station	15,000
Phillips CD - Irrigation Water Scheduling	31,280
Treasure CD - Soil Probe	2,740
Bitterroot CD - Farm Energy Audits Pilot Program	44,355
CDD - To expand Missoula CD's energy program to a statewide program	6,677

Agricultural Energy Conservation Program

Order for Agreements to be written	Funds to be released after June 30
Richland CD - Soil Moisture Monitoring	\$ 6,000

Lower Musselshell CD - Irrigation Efficiency

Demonstrations	\$10,000
Pondera CD-Flow Meters-Irrigation	
Efficiency	\$ 6,000
Little Beaver CD-Cropping Systems for	
Organic Safflower Reduction	\$ 5,000
Carbon CD-Straw Mulching Machine-Row Crops	\$ 9,000
Park CD-Conservation Tillage Club	\$ 4,000
MSCA-Cost Per Unit Irrigation Water Mgmt.	\$ 7,200
Cascade CD-Photovoltaic Workshops	\$ 5,650
Lewis & Clark CD-Sustainable Ag Education	\$ 8,000
Little Beaver CD-Conservation Tillage-	
Residue Management Demonstration	\$ 7,650
Choteau CD-High Lift Solar Watering System	
Demonstration	\$10,000
Farm Improvement Program Grants	\$16,500
Ag Energy Education Mini-Grants	\$ 5,000

K. Farm Improvement Program

This program was developed as a result of input from public and private organizations and agricultural producers. Small grants, up to \$1,000.00, are given to groups of at least four producers to try practices that result in soil, water, or energy conservation on their own farms.

On-farm technical assistance is provided by research station staff, extension service, Soil Conservation Service, or other appropriate experts. This program: 1) reduces producer risk of trying new conservation practices; 2) provides local community support, as well as direct technical assistance; 3) increases communication among producers working on similar goals, not only in their community, but region wide; 4) encourages the grass roots of leadership when local groups work together to solve their resource problems.

Producer groups around the state are working on grass management, legume/cereal crop rotations, sheep grazing for leafy spurge, specialty markets for hay, and crop residue experiments.

L. Rural Economic Development

Through the efforts of the Bureau, conservation districts, the Montana Association of Conservation Districts, the Soil Conservation Service, and the Headwaters Resource Conservation and Development Area (RC&D), forty (40) counties are organized as Resource Conservation & Development Areas (RC&Ds) to address rural development on a regional basis. Another ten (10) counties are working to form an RC&D in North Central Montana.

The bureau is working with the Statewide RC&D Coordinator and the Montana Association of RC&Ds to develop strong RC&D boards with strong regional rural development plans.

M. Sustainable and Small Scale Agriculture

Protection of groundwater quality, high energy costs, demand for chemical free food, and volatile farm economics have created a need for sustainable alternatives in agricultural production. The sustainable agriculture concept addresses many traditional conservation goals of the conservation districts. The objectives of the Bureau are to: .
incorporate the principles of sustainable agriculture into conservation districts' activities, services, and programs now offered. Information on sustainable management alternatives will be offered as part of the bureau monthly newsletter. The Bureau will also develop a resource directory of current publications.

N. Montana Salinity Control Association

The Bureau provides \$100,000 in pass-through funding to the Montana Salinity Control Association (MSCA). MSCA

represents thirty-three conservation districts concerned with saline seep reclamation, prevention, and education programs. Over three million acres are now adversely affected in the Northern Great Plains with a conservative estimate of 300,000 acres of cropland out of production in Montana. The annual growth rate is 10 percent. Resulting loss of farm income and lowered property values (decreased taxes) may cost the state economy over \$6 million. Increased costs include new rural water lines for domestic, livestock, and irrigation uses; water treatment; weed control; and repair of infrastructure (roads, streets, buildings). All told, salinity is costing the state economy over \$11.3 million per year.

MSCA has an interdisciplinary technical field team located in Conrad to provide individual site specific reclamation plans for landowners and municipalities. A continuing education and follow-up policy is an integral part of the program. The MSCA program has developed individual reclamation plans for 353 cooperators on 10,412 acres of saline affected land. Total planned acres exceed 75,000 acres.

1/27/93

CONSERVATION DISTRICTS BUREAU

- 1) Conservation District Supervision and Assistance: Staff assigned 3.25 FTE (which includes 0.50 Grade 12; 0.5 Grade 9; 0.75 Grade 14; 0.5 Grade 14; 0.5 Grade 14; and 0.5 Grade 17). The Bureau is responsible by law to provide legal, technical and administrative assistance to the state's 59 conservation districts. Districts represent over 15,000 cooperators which utilize over 43,600,000 acres of farm and ranch land.

- 2) Conservation Districts Grants, Administrative Grants, Ag Energy Conservation Grants, Conservation Education Mini-Grants, Non-Point Source Pollution Control Grants, and Water Development Grants: Staff assigned 0.6 FTE (which includes 0.1 Grade 9; 0.25 Grade 12; 0.15 Grade 14; and 0.1 Grade 17). Bureau grant administration is summarized in the following table.

PROGRAM	CONTRACTS/YR	DOLLARS	ACTIVE CONTRACTS
CD Grants	40	\$80,000	50
Administrative Grants	34	\$95,000	34
Ag. Energy Cons. Grants	13	\$100,000	34
Cons. ED. Mini-Grants	12	\$ 6,000	6
Non-Point Pollution Grants	8	\$20,000	2
Water Development Grants	1	\$30,000	0
			<hr/> 126

- 3) Riparian Management Education Program: Staff assigned 0.35 FTE (which includes 0.1 Grade 9; 0.25 Grade 14). The Bureau coordinates a nationally recognized program of "hands-on" riparian management information and education for private landowners. The effort has brought many agencies and private groups together focusing on the landowner.
- 4) Non-Point Source Pollution Control Program: Staff assigned 0.25 FTE (which includes 0.1 Grade 14; and 0.15 Grade 14). Federal law requires states to manage and assess NPS pollution. Conservation districts have been designated the local NPS control agency for non-federal lands in Montana. The Bureau is responsible for developing public information and education programs to assist districts and landowners meet federal requirements.
- 5) Range Management Program: Staff assigned 0.3 FTE (which includes 0.1 Grade 9; 0.1 Grade 14; 0.1 Grade 17; 0.2 Grade 15 from the Water Development Private Loan Program and 1.0 Soil Conservation Service employee which the Bureau funds at approximately 50% using Environmental Protection Agency Grant funds). State law directs the Bureau to promote public/private coordination and sound range management on the states 40,000,000 acres of range. The effort is directed by a Governor appointed committee of citizens active in range management. The program also includes a Range Improvement Private Loan Program for private range users. There are currently 31 active loans totalling \$374,164.

- 6) Rural Economic Development Program: Staff assigned=1.3 FTE (which includes 0.1 Grade 9; 1.0 Grade 14; 0.2 Grade 17; and 1.0 Soil Conservation Service employee which the Bureau funds at approximately 50%). Conservation districts and the legislature have requested the Bureau to assist in strengthening the rural economy by organizing and strengthening the regional Resource Conservation and Development (RC&D) areas in the state. Bureau activities include coordination of the Central Montana RC&D and coordination with the Montana Association of RC&Ds.
- 7) Farm Improvement Program: Staff assigned=0.25 FTE (which includes 0.25 Grade 12). Based on input from public and private organizations, grants of up to \$1000 are given to groups of four or more producers for innovative on-farm soil, water or energy conservation practices. Producers have found this approach to be an excellent way of transferring sustainable agriculture technology to land managers. Staff work includes grant administration, program development and coordination with a steering committee.
- 8) Grazing District Supervision and Assistance: Staff assigned= 0.7 (which includes 0.1 Grade 9; 0.5 Grade 14; and 0.1 Grade 17). The Bureau is responsible by law to supervise and coordinate the formation and operation of the states 30 grazing districts. Staff work includes assistance on legal and operational issues and coordination with affected state and federal agencies.

RESOURCE DEVELOPMENT BUREAU
OF
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION 1-28-93

The Resource Development Bureau is responsible for administering the Water Development Grant and Loan Program, Renewable Resource Development Grant and Loan Program, Reclamation and Development Grants Program, Clean Coal Technology Demonstration Program, a part of the Treasure State Endowment Program, State Revolving Fund, and provides technical and administrative assistance to conservation districts in putting reserved water to use.

Four bonding programs are being administered by the Resource Development Bureau. They are the Water Development Loan Program (\$10 million bonding authority); the Coal Severance Tax Public Loan Program (\$250 million bonding authority); the Renewable Resource Development Loan Program (\$5 million bonding authority); and the State Wastewater Treatment Revolving Fund Program (\$10 million bonding authority).

The Bureau has 11 full time employees -- 10 in Helena and 1 person stationed in the Miles City Field Office. Main categories of responsibility include:

A. Water Development Program

The Water Development and the Renewable Resource Development programs provide grants and loans for a variety of natural resource projects. Funding under both programs is used to conserve, protect, improve, and manage resources that are sustainable. Because of the two programs similarities, the department administers them together in order to avoid any duplication or confusion.

Currently, there are 27 active grants under contract (\$1,827,743), 21 grants that are authorized but not yet under contract (\$1,211,643), and 40 grants that have been completed or terminated (\$1,433,970 disbursed). These projects represent a wide range of natural resource projects. Examples include installation of water measuring devises along the lower Musselshell River, rehabilitation of aging irrigation systems in the Milk River basin to improve water management, a stream bank stabilization project to protect Dutton's municipal water well, and participating in the development of alternative crops for Montana agriculture.

In addition to active grants, there are 51 loans to local governments across the state with an outstanding balance of \$49,914,895. These are backed by coal severance tax bonds. There are 10 loans to local governments with an outstanding

balance of \$788,759 and 86 loans to private individuals or corporations with an outstanding balance of \$3,776,319. These loans are backed by general obligation bonds.

The department has recently sold an additional \$9.375 million in coal severance tax bonds to fund 7 loans to local governments, including a \$4 million loan to Flathead County for the Evergreen Sewer project. This is matched by \$5 million in EPA construction grants and a \$5 million in state revolving fund loans. The other six are loans to Cascade County (Sun Prairie Village), Chinook, Columbia Falls, Forsyth, Beaverhead County Water and/or Sewer District, and Whitefish.

B. Reclamation and Development Grants Program

The Reclamation and Development Grants program funds projects that indemnify Montana citizens for the effects of past mineral development on public resources and that meet other crucial state needs serving the public interest. It is a grant program only.

For the FY 92-93 biennium a total of 17 grants for \$3.2 are expected to be funded. These projects have attracted an additional \$11.3 million in matching funds. Examples include \$739,000 for 3 separate oil and gas well plugging projects to be conducted by the Board of Oil and Gas Conservation; \$296,113 for

development of the conceptual design for the Water, Air, Soil Testing and Evaluation Center (WASTEC) to be built in Butte. The design has been accepted by DOE and EPA and the new \$10 million dollar federal funded testing facility is expected to begin construction in 1994.

In addition to reclamation related projects, these grants fund projects such as \$800,000 over the past 4 bienniums to the Montana Salinity Control Association and \$300,000 to fund the creation of Resource Conservation and Development areas across the state. The Department of Health and Environmental Science received \$146 thousand to fund their non-point pollution control program. This grant as well as many of the reclamation projects are used to match federal matching funds for this program.

C. State Revolving Fund

The State Revolving Fund was created by the 1989 Legislature. It is designed to combine U.S. Environmental Protection Agency construction grant money with state matching money to create a low-interest loan program that will be used to fund community waste-water treatment projects. The state will issue General Obligation bonds to provide funds for state match. When the loans are repaid a portion of the funds will be used to retire the General Obligation bonds. The rest of the funds can be used for

more low interest loans. The state will then have a permanent fund to continue making loans for waste water treatment projects. DNRC administers the financial aspects of this program while DHES will administer the technical review/compliance monitoring aspects.

**Anna needs to write a paragraph about SRF loans...

D. Water Reservations

Water set aside through the reservation process must be put to actual beneficial use to withstand the test of claims by downstream states and for reservations to prove effective in equitably allocating a scarce resource for future use among different in-state groups. Of all the applications in the Yellowstone River basin water reservation process, the conservation districts (CDs) were most limited in the staff and funding resources needed to comply with technical and administrative requirements for using reserved water. Recognizing this, the 1981 Legislature provided Water Development program funds to directly assist the CDs. With the resulting position, the Bureau has helped each CD develop procedures needed to administer its water reservation. The Bureau has also helped the CDs compile detailed project plans which must be approved by the Board of Natural Resources and Conservation before project development. This assistance, together with a concerted effort by all CDs to promote the use of their reserved water, has resulted in the approval of 109 projects to use 28,754 acre-feet per year in 14 conservation districts.

The Board of Natural Resources and Conservation granted reservations to an additional 15 conservation districts in the

upper Missouri basin this past July. The final outcome of this action is under appeal and has not been determined. The conservation districts in the lower basin are also in the process of seeking water reservations. We have been able to only provide limited assistance to these districts, given existing workloads.

The Clean Coal Technology Program was established by the 1991 Legislature. The program is designed to provide state loan assistance for projects demonstrating promising new clean coal technologies. A Clean Coal Technology project is defined as a project that employs an effective and efficient method of using coal to generate energy and that results in substantially reduced pollutant emissions compared to the commercial methods of coal energy generation. These funds must be matched by at least a 4-to-1 basis from federal or private sources.

The department issued a request for proposals in May of 1992. No eligible projects applied for the program. House Bill No. 684 authorized the department to loan up to \$250,000 to MHD corporation in order to prepare an application for U.S. Department of Energy Clean Coal Funding. The loan has been made and an application is to be submitted fall of 1992. This project also contemplates a \$25,000,000 state clean coal technology loan. This project was authorized in House Bill 701 of the 1991 Legislative session. However, no appropriation was made.

However, one loan was authorized in the 1991 legislation. A proposed MHD plant to be located in Billings at the Corrette plant was defined as a clean coal project. A \$250,000 loan was granted to match private contributions in the development of an application for U.S. Department of Energy Clean Coal Loan. The \$200 million dollar request was submitted this past January. In total, the project is to cost over \$500 million dollars. In legislation, that is expected to be submitted this session, the state will be requested to provide \$28 million in tax credits and \$25 million in loans from the Clean Coal Technology Demonstration Fund. Bureau staff are in the process of reviewing the DOE loan application and are working with the project sponsors in preparation for legislative hearings concerning this loan.

The Treasure State Endowment Program was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. The Department of Commerce is the lead agency implementing Treasure State. However, the Coal Severance Tax Bonding Program, which Conservation and Resource Development Division administers, was amended to include projects that are eligible for Treasure State funding. The department will coordinate efforts with the Department of Commerce and will administer any loans that are authorized and are backed by Coal Severance Tax Bonds.

Two staff members are currently working with the Department of Commerce to evaluate 32 new applications for over \$11.4 million

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that were received at the end of December. Their efforts along with Department of Commerce program staff will lead to a list of projects recommended by the Governor for Treasure State Endowment funds this February.

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DATE 1-28-93
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1-28-93

Resource Conservation and Development Areas (RC&Ds)

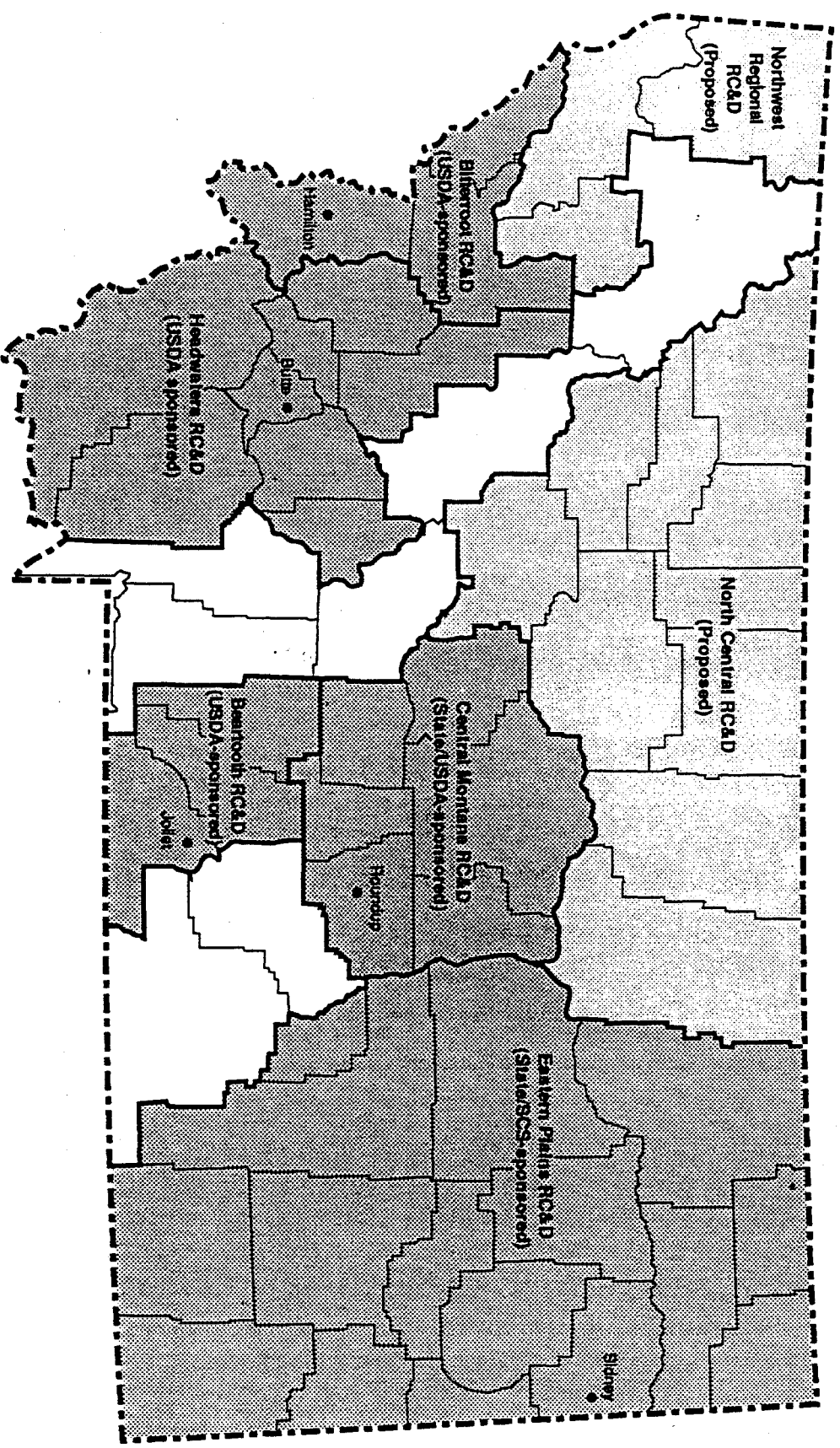


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1-28-93

Resource Conservation and Development Areas (RC&Ds)

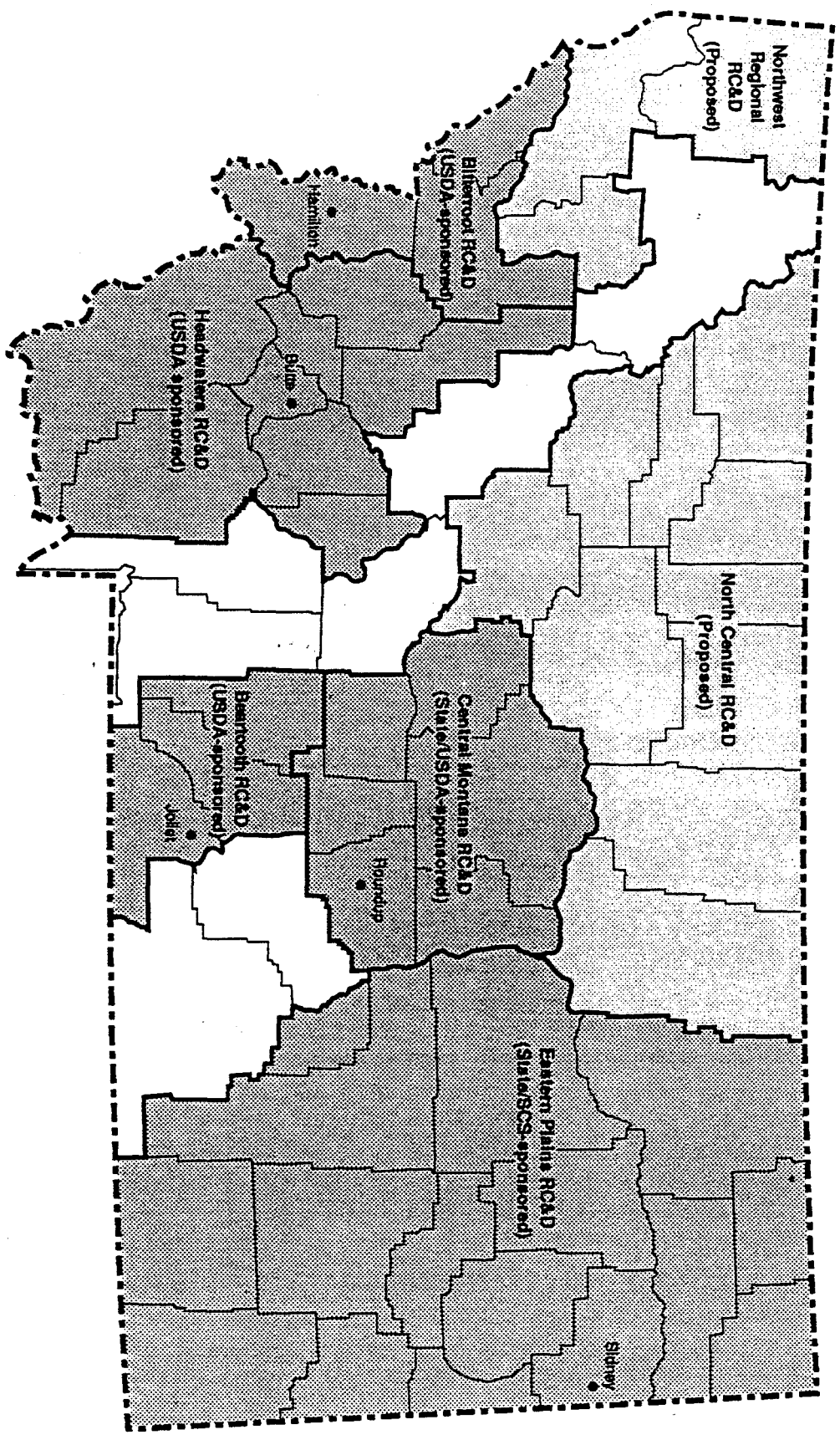
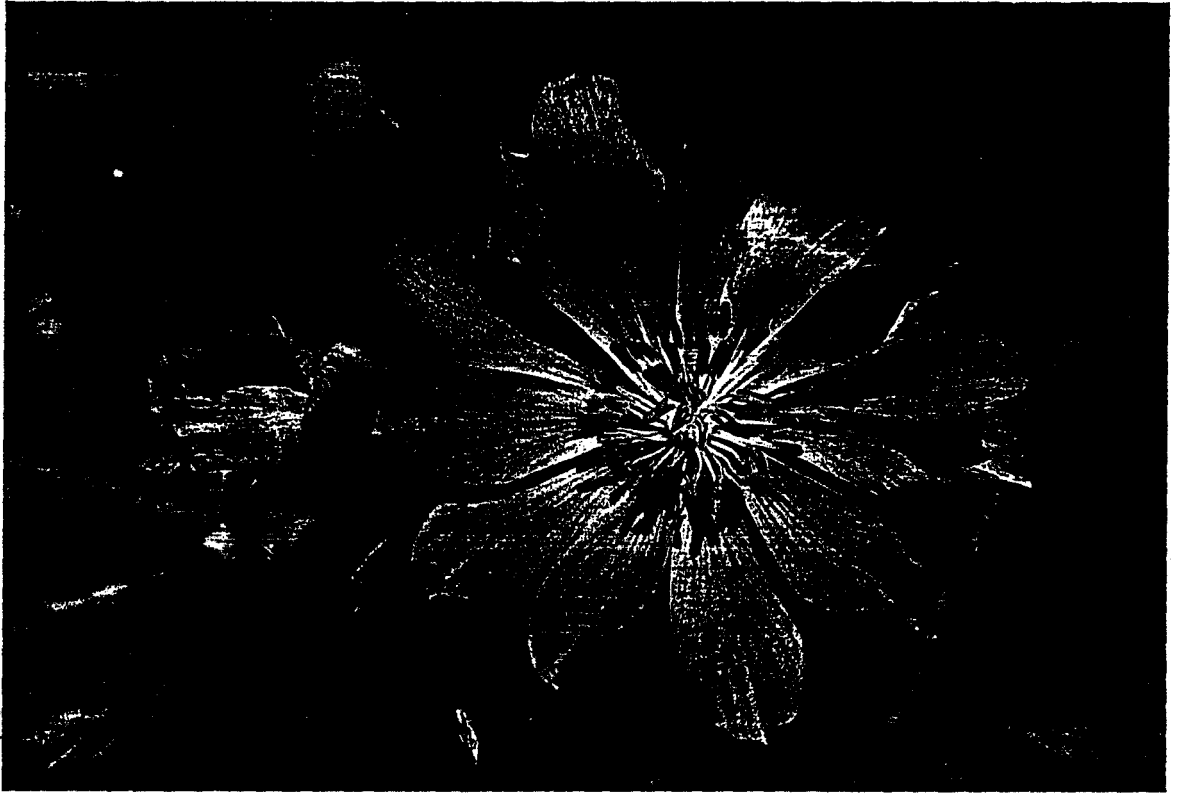


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MONTANA RC&D ASSOCIATION

1992 ANNUAL REPORT

The original is stored at the Historical Society, 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

DATE 1-28-93

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1-28-93

MONTANA SALINITY CONTROL ASSOCIATION
JANUARY, 1993

SOIL AND WATER NONPOINT SOURCE POLLUTION CONTROL AND MANAGEMENT
DNRC/RECLAMATION AND DEVELOPMENT PROGRAM
APPLICATION FACT SHEET

DNRC RANKING: 10TH OUT OF 29 APPLICATIONS

DNRC RECOMMENDED FUNDING LEVEL: \$172,250.00

BACKGROUND: The Montana Salinity Control Association (MSCA) is composed of three organizations representing 33 counties. The sponsoring conservation districts designate an executive board to provide supervision and local input to the MSCA field staff. The program began in 1979 with nine counties.

Nonpoint source pollution (NPSP) prevention, reclamation and education, along with improvement of soil, vegetation, fauna, and water quality are the principal goals. Reclamation techniques will continue to mitigate NPSP from oil and mineral exploration and extraction activities. Educational efforts focus on soil and water conservation practices that benefit the environment, agriculture, industry, fish, wildlife, and citizens of Montana, as well as those of surrounding states and Canada.

Saline seeps are recently developed saline springs resulting from an interaction of geologic, climatic and land use factors. Seeps range in size from an acre to entire watersheds. Water quality is rarely useable for domestic or agricultural use, with salt levels approaching or exceeding sea water, and high nitrate and metal concentrations. Management problems occur when land ownership changes between the recharge area and the discharge or affected area.

New applications for assistance are currently on file, and 345 reclamations plans are completed. These plans reflect entities including City of Havre/Hill Co, individual ag producers, and the US Fish & Wildlife Service for Benton Lake Refuge. Additionally, a group of producers formed the Bullhead Water Quality Assoc. and utilize MSCA's technical and administrative resources. Through their efforts the first federal Water Quality Incentive Program have been received in MT for the major NPSP problems on a 68-sq. mi. watershed near Conrad.

All of the above cooperators are willing to pay part of the cost to determine the sources and solutions for NPSP reclamation. New applications are continually generated by MSCA education programs; Soil Conservation Service; conservation planning efforts; and other federal, state and private entities, and word of mouth among producers.

TECHNIQUE: The MSCA interdisciplinary technical field team has developed a proven reclamation technique for NPSP from agricultural watersheds utilizing alternatives to summer fallow cropping. Work is completed on a watershed or site-by-site basis using local experience, labor and dollars. MSCA uses state-of-the-art methods in hydrogeologic site characterization; recharge area identification; soil, vegetation and water quality sampling; and monitoring. Emphasis is placed on watershed management to prevent NPSP and promote soil and water quality conservation. MSCA's methods to reduce saline seep are sound, thoroughly documented, and supported by professionals in this field.

OBJECTIVES: MSCA is dedicated to the reclamation of natural resources adversely impacted by NPSP, and to proactive conservation practices to prevent environmental degradation. Watershed management planning for crop and range land, riparian areas and wildlife habitat will be conducted to prevent and control NPSP. Recharge area identification for dryland and irrigated salinity will be a priority. MSCA seeks funding to initiate and complete such fieldwork and planning on 30 new sites, and to provide followup and educational programs to current cooperators and the public at large. MSCA will document or mitigate NPSP from oil and gas exploration and extraction activities, as requested.

MONTANA SALINITY CONTROL ASSOCIATION
NOVEMBER 1992

- Montana Salinity Control Association (MSCA) is organized through the conservation districts for the purpose of conducting education programs and field investigations for saline seep prevention and reclamation, and other nonpoint source pollution problems affecting Montana.
- The program was originally organized in a nine-county area in 1979 and called the Triangle Conservation District (TCD). The Northeast MT Saline Seep Association (NMSSA) and the Southern Saline District (SSSD) were subsequently formed to address the interest resulting from successful projects with TCD. In 1985, MSCA was formed as the umbrella group and currently includes 33 counties.
- An individual from each conservation district serves as a liaison to the MSCA Executive Board and Staff, notifying them of local projects and concerns, and in turn serving as the local catalyst to educate districts, agencies and the public of the services available or problems to be addressed.
- Two representatives and an alternate are elected from each of the three member organizations to the Executive Board, to supervise the staff, coordinate services with state and federal agencies and private entities, set priorities and policy, and secure funding for long-term programs and individual projects. The current chairman is Ellis Hagen, Sheridan County.
- A staff of resource personnel and secretaries is based in Conrad, with diverse backgrounds in agronomy, soils, forages, hydrogeology and water quality. The staff travels extensively conducting investigations and developing site-specific recommendations, and providing educational programs. The Program Director is Jane Holzer. The program equipment includes a Mobile B-31 drill rig for installing shallow monitoring wells. The staff prepares grant proposals for general and project-specific funding.
- Funding for MSCA is provided three ways. A portion of the annual budget is provided as a line-item through the Conservation Districts Bureau/Dept. Natural Resources and Conservation. MSCA has competed successfully for grants administered by DNRC (Water Development Program, Renewable Resource Development Program, Reclamation and Development Program, Ag Energy Program, 223 Grants), and 319 Nonpoint Source Pollution funding administered by MT Water Quality Bureau and EPA. Finally, MSCA is mandated by the MT Legislature to charge for a portion of the costs associated with site-investigations and special projects.
- Since 1979, 383 applications for assistance have been processed with recommendations provided on the majority. Individuals and/or municipalities apply for assistance through their local CD and the applications are forwarded to the Conrad staff.

5706 23 00000

DEPT NAT RESOURCE/CONSERVATION

Conservation/Resource Dev Div

DATE 1-28-93

Program Summary

SB

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	21.00	21.00	20.00	20.00	0.00	20.00	20.00	0.00
Personal Services	605,233	663,170	693,017	674,456	18,561	695,262	676,683	18,579
Operating Expenses	249,008	273,386	276,569	255,527	21,042	283,799	257,782	26,017
Equipment	24,256	14,789	24,500	22,428	2,072	24,908	22,492	2,416
Local Assistance	95,000	95,000	105,000	95,000	10,000	105,000	95,000	10,000
Grants	183,501	186,089	183,502	173,173	10,329	183,502	173,228	10,274
Debt Service	2,563	2,364	2,564	2,564	0	2,564	2,564	0
Total Costs	\$1,159,564	\$1,234,798	\$1,285,152	\$1,223,148	\$62,004	\$1,295,035	\$1,227,749	\$67,286
Fund Sources								
General Fund	27,525	36,461	0	109,438	(109,438)	0	111,327	(111,327)
State Revenue Fund	1,089,650	1,125,399	1,208,152	1,036,710	171,442	1,218,035	1,039,422	178,613
Federal Revenue Fund	42,387	72,938	77,000	77,000	0	77,000	77,000	0
Total Funds	\$1,159,564	\$1,234,798	\$1,285,152	\$1,223,148	\$62,004	\$1,295,035	\$1,227,749	\$67,286

Page References

LFA Budget Analysis (Vol II), pp C-87 to C-89
 Stephens Executive Budget, p C-33
 Racicot Executive Budget, p 24

Current Level Differences

5% Personal Services Reduction—The joint House appropriations and Senate Finance and Claims committees removed 1.0 FTE and approximately \$30,000 per year

(30,553) (30,553)

Statewide RC & D Coordinator Position—The LFA current level does not reflect elimination of the 1.0 FTE due to the 5 percent reduction. However, LFA reduces by 1.0 FTE and approximately \$50,000 per year for the Statewide RC & D Coordinator position which the agency is now providing through contracted services

33,041 33,041

30,000 30,000

Longevity—The executive includes more longevity than the LFA current level due to elimination of a position with less longevity than eliminated by the LFA.

1,068 1,068

Contracted Services—The Executive Budget includes approximately \$43,000 more than the LFA for contracted services. In Conservation Districts program, the LFA did not include funding for a \$12,750 per year new contract with Soil Conservation Service for rangeland management issue services. LFA current level continues fiscal 1992 expenditures in the Resource Development Bureau.

18,759 23,759

8250
27,009

Printing—The Executive Budget includes an increase to the printing budget to reprint booklets and forms. LFA current level continues fiscal 1992 expenditure levels.

1,991 1,991

Equipment—The Executive Budget includes more for equipment than LFA current level. LFA current level budgets equipment at this division's average annual equipment expenditure level.

2,072 2,416

Local Assistance—The Executive Budget includes more for local assistance to conservation districts. These funds come from the RIT reclamation and development interest account. LFA current level maintains fiscal 1992 expenditure levels.

10,000 10,000

Grants—The Executive Budget includes more grant funds than LFA current level. Grants to local conservation districts come from a statutory allocation of coal severance tax proceeds (0.19 percent). The LFA calculation of how much will be available is based on estimates adopted by the Revenue Oversight Committee, while the Executive Budget uses a different revenue estimate. 100,000 100,000

10,329 10,274

Minor Differences

(1,662) (1,669)

TOTAL CURRENT LEVEL DIFFERENCES

62,004 67,286

Budget Modifications

1. Treasure State Endowment - The Executive Budget includes this modification to add \$96,274 for the biennium to provide planning and technical assistance services for the Treasure State Endowment Program. Funding is from interest earned on the \$10 million transferred from the permanent coal trust fund to TSEP on July 1, 1993.
2. Clean Coal - The Executive Budget includes this modification to add \$32,091 for the biennium to continue implementation of the clean coal program. Funding is from the local impact account.
3. Three new budget mods submitted by the executive - The agency will explain.

36,146	7	60,128
DATE	1-28-93	
12,048		20,043
34,098		16,463

Language and Other Issues

Vacant Positions - The joint House Appropriations and Senate Finance and Claims committees removed a 0.50 FTE which was vacant as of the 12-29-92 snapshot, resulting in savings of approximately \$11,600 per year.

Language - The department is requesting the following language

1. "The department is appropriated up to \$700,000 from the account established in 76-14-112, MCA, for rangeland loans during the 1995 biennium."

Since funds for rangeland loans are not budgeted in current level, this language allows the department to expend funds for this purpose if necessary.

2. "All funds deposited into the state special revenue account established in 76-15-530 are appropriated to the department for distribution as grants to conservation districts

This allows the department to spend any funds over the amount budgeted that are available through the statutorily allocated coal severance tax funds for grants to conservation districts.

3. All funds held in the state special revenue account per 76-16-106 (2), MCA, are appropriated to the department for administration of grazing district activities.

The department intends to raise grazing district fees and this language would allow it to spend any fee revenue greater than its appropriation.

4. The department is appropriated up to \$1 million over the biennium from the account established in 85-1-604 for purchase of prior lien on property held as loan security as required by 85-1-618.

This language would allow the department to purchase liens on property they hold as loan security.

5. The department is appropriated \$100,000 a year federal funds contingent upon receiving federal funds from the Environmental Protection Agency for water quality related grants.

This language would allow the department to continually apply for and receive federal funds.

Funding Issues

General Fund - The LFA current level includes 221,065 more general fund than the Executive Budget for three main reasons:

1. RIT Tax Proceeds - The Executive uses \$55,052 of diverted RIT tax proceeds instead of general fund in this division. Availability of these funds is contingent upon passage of proposed legislation. LFA current level does not include this proposed change.
2. RIT Interest Special Session Action - The LFA current level reinstates approximately \$76,000 of general fund eliminated in special session action. The Executive Budget continues to use RIT interest account funds instead of general fund in the 1995 biennium.
3. Different Funding Formulas - The LFA current level includes approximately \$14,000 more general fund than the executive due to continuation of funding percentages used to appropriate funds for the 1991 biennium after adjusting for special session action.

(27,526)	(27,526)
(75,636)	(75,636)
(6,276)	(8,165)

State Special Revenue - Most of the difference is related to the general fund difference above, as the executive uses state special revenue in place of the LFA's general fund. However, different funding formulas also account for some additional differences in state special revenue also. Other differences are identified below.

1. Conservation District Grants - As mentioned above, the executive includes approximately \$15,000 more funds for conservation district grants than the LFA current level.
2. Grazing District Fees - The Executive Budget includes approximately \$12,000 more grazing district fee income than the LFA current level. Availability of the additional funds is contingent upon a fee increase of up to 10

7,330	7,275
5,912	5,912

cents per animal unit. LFA current level does not include the increased grazing district funds.

3. Rangeland Improvement Loans—The Executive Budget includes less Rangeland Improvement Loan funds than the LFA current level. LFA current level includes the same formula allocation of rangeland improvement loan funds as used in appropriating funds for the 1993 biennium. The Executive budget reduces the amount of these funds in this program.

(4,166)

(4,258)

EXHIBIT 7

DATE 1-28-93

83

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

DATE 1-28-93

SD

Position #		Position Description	Total Personal Services		FTE Removed By		Total FTE Removed	Non-Approp. FTE
			Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
All or Partial General Fund Positions								
		None						
Sub-Total			0	0	0.0	0.0	0.0	0.00
Non- General Fund Positions								
50317	Project Evaluator		30,553	30,553	1.00		1.00	
56480	Administrative Assistant I		11,616	11,627		0.5	0.50	
Sub-Total			42,169	42,180	1.00	0.50	1.50	0.00
TOTAL			42,169	42,180	1.00	0.50	1.50	0.00

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

NATURAL RESOURCES

SUB COMMITTEE

BILL NO.

DATE 1-28-93 SPONSOR(S) _____

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
John Armstrong	DNR		
John Tullis	"		
Sue M Olson	Musselshell County		
Susan Cottinham	RWRCC / DNR		
Mam C. Jackson	RCD		
Jane Holzer	NSCA		
Barry Wharham	MSCA		
Anna Miller	DNR		
Kay Beck	DNR		

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