

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
53rd LEGISLATURE - REGULAR SESSION**

**JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING**

**Call to Order:** By Rep. Ernest Bergsagel, Chairman, on February 15, 1993, at 8:00 AM

**ROLL CALL**

**Members Present:**

Rep. Ernest Bergsagel, Chair (R)  
Sen. Bob Hockett, Vice Chair (D)  
Rep. Francis Bardanouve (D)  
Sen. Ethel Harding (R)  
Sen. Eleanor Vaughn (D)  
Rep. Tom Zook (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Jim Haubein, Legislative Fiscal Analyst  
Jane Hamman, Office of Budget & Program Planning  
Sandra Boggs, Committee Secretary

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

**Committee Business Summary:**

Hearing: NONE  
Executive Action: HB 7, RECLAMATION & DEVELOPMENT PROGRAM;  
HB 12, COAL SEVERANCE TAX FUND LOANS;  
AND HB 6, LEGISLATIVE REQUESTS TO  
INCREASE LOAN AUTHORIZATION

**EXECUTIVE ACTION ON HB 7, RECLAMATION & DEVELOPMENT PROGRAM**

**Tape No. 1:A:028**

**BUDGET ITEM WALKERVILLE RECLAMATION PROJECT:**

**Tape No. 1:A:049**

**Motion/Vote:** REP. FRANCIS BARDANOUVE moved to reconsider committee action on the Walkerville Reclamation Project. **MOTION CARRIED UNANIMOUSLY.**

**Motion:** REP. BARDANOUVE moved to approve a grant of \$75,569 for the Walkerville Reclamation Project.

**Discussion:** SEN. ETHEL HARDING asked if there is funding available for the project in the RRD fund account. **John Tubbs,**

Chief of Resource Development Bureau, Department of Natural Resources and Conservation, stated that if the committee approves the grant, the Walkerville project will still be ranked fourth in priority and will get funded.

**Motion:** REP. TOM ZOOK made a substitute motion to approve a grant of \$50,000 for the Walkerville Reclamation project. **MOTION CARRIED UNANIMOUSLY.**

**BUDGET ITEM PROJECTS WHICH ARE ELIGIBLE FOR EPA MATCHING FUNDS FOR NONPOINT SOURCE POLLUTION:**

Tape No. 1:A:376

Mr. Tubbs stated that some projects in HB 7 are eligible for matching funds from the federal Environmental Protection Fund. He asked that the committee authorize the placement of an asterisk beside those projects which have been identified as eligible for EPA matching funds.

CHAIRMAN ERNEST BERGSAGEL listed the projects that would be eligible: Walkerville Reclamation Project; Broadwater Conservation District; Department of Fish, Wildlife and Park's Placer Mine Channel Reconstruction project; Toole County Oil Field Reclamation project; Montana Salinity Control project; the Department of Health and Environmental Sciences Nonpoint Pollution Control; Montana Bureau of Mines and Geology's Acid-Mine Prevention Control project; Glacier County Conservation District's Red River Drainage project; and, Ravalli County's Better Water Quality project.

**Motion/Vote:** REP. BARDANOUVE moved that an amendment be made to allow these projects to receive matching funds from the EPA. **MOTION CARRIED UNANIMOUSLY.**

**EXECUTIVE ACTION ON HB 12, COAL SEVERANCE TAX FUND LOANS**

Tape No. 1:A:008

Mr. Tubbs provided information to the committee on the loan requests and the recommendations of the Department of Natural Resources and Conservation. **EXHIBIT 1.**

**BUDGET ITEM TOWN OF ENNIS:**

Tape No. 1:A:465

**Motion:** REP. BARDANOUVE moved to approve a 20 year \$1.1 million loan with an interest rate of 1% below the bond rate for the first five years of the loan.

**Discussion:** SEN. ETHEL HARDING asked what the current bond rate is. Mr. Tubbs stated that the bond rate will be determined at the time the bonds are actually sold. The last bonds were sold with a 6% interest rate.

**Vote:** **MOTION CARRIED UNANIMOUSLY.**

**BUDGET ITEM HUNTLEY PROJECT IRRIGATION DISTRICT:**

Tape No. 1:A:658

**Discussion:** REP. BARDANOUVE stated that he objects to the DNRC's practice of subsidizing irrigation districts with a common 3% interest rate on 20-year loans. He stated that subsidized loans reduce the principal of the Coal Tax Trust Fund.

Anna Miller, DNRC, provided information on coal tax money that is used for debt service. EXHIBIT 2.

SEN. BOB HOCKETT stated that this loan program has the positive affect of allowing for more efficient irrigation of fields and therefore creates water savings.

Mr. Tubbs stated that an analysis determined that many of the districts do not have the ability to pay more for water; however, many districts are willing to pay more. The 3% subsidy does help the districts. He stated that he has looked at past committee action when determining DNRC recommendations for this loan program. This committee has historically approved 3% subsidized loans for 30-year terms. The 20-year loans are more conservative and are less costly to the Coal Tax Trust Fund.

**Motion:** REP. ZOOK moved approval of a 20-year, \$4,875,440 loan at a 3% subsidized interest rate.

**Motion/Vote:** REP. BARDANOUVE made a substitute motion to provide a 3.5% subsidized interest rate on the Huntley Project Irrigation District loan. MOTION CARRIED UNANIMOUSLY.

**BUDGET ITEM DNRC - NORTH FORK OF THE SMITH RIVER DAM:**

Tape No. 1:A:240

**Motion:** REP. BARDANOUVE moved to approve a 20-year, \$1,393,467 loan at a 3.5% subsidized interest rate.

**Discussion:** Mr. Tubbs stated that this district pays the lowest fees for water in the state. The average is \$8.51 per acre for water. He stated that this group was analyzed and was found to have no ability to pay back a loan; however, they are willing to pay more.

REP. BARDANOUVE withdrew his motion.

**Motion:** REP. BARDANOUVE moved approval of a 20 year, \$1,393,467 loan at a 4.5% subsidized interest rate.

**Discussion:** REP. BARDANOUVE stated that if someone can prove to him that this interest rate is unreasonable, the committee can reconsider this action later.

**Vote:** MOTION CARRIED WITH SEN. HARDING VOTING NO.

BUDGET ITEM TIN CUP WATER COMPANY:

Tape No. 1:B:139

Motion: REP. BARDANOUE moved approval of a 20-year, \$304,204 loan at a 4.5% subsidized interest rate.

Discussion: The committee discussed the wilderness location of this dam which has increased costs for this project. Mark Siminich, DNRC, stated that U.S. Forest Service is reviewing wilderness construction projects on a case-by-case basis. CHAIRMAN BERGSAGEL stated that he would speak to the Governor about writing a letter to strongly urge the Forest Service to negotiate with the Tin Cup Water Company and to expedite their review of this project.

Vote: MOTION CARRIED UNANIMOUSLY.

CHAIRMAN BERGSAGEL requested that the DNRC bring back information to the committee on amortization rates and water rates as a result of the loans approved by the committee.

EXECUTIVE ACTION ON HB 6, LEGISLATIVE REQUESTS TO INCREASE LOAN AUTHORIZATION

Tape No. 1:B:435

Refer to EXHIBITS 3 AND 4.

BUDGET ITEM EKALAKA:

Tape No. 1:B:443

Motion/Vote: REP. BARDANOUE moved to approve an increase in loan authority for the Town of Ekalaka by \$60,000. MOTION CARRIED UNANIMOUSLY.

BUDGET ITEM CASCADE COUNTY RSID NO. 26, SUN PRAIRIE:

Tape No. 1:B:479

Motion/Vote: REP. BARDANOUE moved to change the authorization to the Sun Prairie Village Water and Sewer District and to increase the loan authority for Cascade County RSID No. 26, Sun Prairie by \$50,000. MOTION CARRIED UNANIMOUSLY.

Discussion: Ms. Miller briefed the committee on a court case that may affect state loans to Rural Special Improvement Districts. A district judge in Carbon County recently ruled that an SID revolving fund was invalid to make bond payments. When the state loans money to a project, the community is required to form an SID and the state puts 5% of the loan amount into a revolving fund. Each property is then assessed for what they owe for payment of the loan. If a piece of property changes hands or the loan is not paid on, the state can go into the revolving fund and make the payment for a year. If even one person does not pay, the community is technically at default on the loan. In Carbon County an SID was formed, and the 5% was placed into a revolving fund

but the property was not developed as planned. It became time to start paying back the loan and the County would not pay. Now the judge has ruled that the county does not have to go into the revolving fund and make the loan payments. As a result, the marketability of SID and RSID bonds is very much in question. The state program only deals with SIDs that have developed property and therefore the loans are not very risky. The court case will be appealed. The state is working with the local government committee to get legislation passed that will protect state loans from situations like this. DNRC does not feel the state will have to become involved in this court case, but wanted to make the committee aware that DNRC will not move forward on any loans if it looks like there is a problem. The DNRC also feels that legislation can clear this up.

REP. BARDANOUVE asked which project is involved in the court case. Ms. Miller stated that it is not a state project, but the case will affect improvement districts across the state.

**BUDGET ITEM WEST SHORE SEWER DISTRICT OR FLATHEAD COUNTY RSID:**

Tape No. 1:B:982

**Motion/Vote:** REP. BARDANOUVE moved approval of a loan of \$800,000 at a rate of 2% below the bond rate for the first five years and at the bond rate for the remaining 15 years of the loan term. The loan is contingent upon the creation of a sewer district or a rural improvement district. **MOTION CARRIED UNANIMOUSLY.**

**Discussion:** SEN. HOCKETT stated that a water and sewer fee of \$65 per month for these residents means that they are not getting by easily. REP. BARDANOUVE stated that they are wealthy. SEN. HOCKETT stated that some are wealthy but there are some real moderate homes and moderate incomes there.

**ANNOUNCEMENTS/DISCUSSION**

Tape 2:A:003

Jim Haubein, Legislative Fiscal Analyst, informed the committee that the University System will seek authority only for several projects that were not previously approved by the Board of Regents. The Department of Corrections and Human Services will present an expanded Montana State Prison project to the committee the next day as well.

CHAIRMAN BERGSAGEL informed the committee that DCHS wants to bond for approximately \$6 million. Most of the projects are dependent on inmate labor.

REP. BARDANOUVE cautioned the committee against authorizing projects that may then be brought back to the committee for funding at a later date.

Jane Hamman, Office of Budget and Program Planning, stated that

she is concerned that the Energy Division at DNRC has not done a review and audit of the proposed Cogeneration Plant at the Montana State University. She suggested that it be reviewed and audited before the committee finalizes action on the proposal.

**SEN. HOCKETT** agreed that the proposal should be reviewed carefully.

ADJOURNMENT

Adjournment: 9:35 AM

  
\_\_\_\_\_  
ERNEST BERGSAGEN, Chair  
\_\_\_\_\_  
SANDRA BOGGS, Secretary

EB/sb

# HOUSE OF REPRESENTATIVES

LONG - RANGE PLANNING

SUB-COMMITTEE

ROLL CALL

DATE

Mon, 2/15/93

NAME	PRESENT	ABSENT	EXCUSED
SEN. BOB HOCKETT, VICE-CHAIR	✓		
REP. FRANCIS BARDONOUVE	✓		
SEN. ETHEL HARDING	✓		
SEN. ELEANOR VAUGHN	✓		
REP. TOM ZOOK	✓		
REP. ERNEST BERGSAGEL, CHAIR	✓		



DATE 2-15-93

COAL SEVERANCE TAX LOANS:  
1992 REQUESTS

Approved 11/17/92

Project Sponsor	Recommended Loan Amount	Interest Rate	Term
ENNIS, TOWN OF	\$1,100,000	1% below bond rate for 1st 5 years	20
HUNTLEY PROJECT IRRIGATION DISTRICT	4,875,440	3.0%	20
DNRC -NORTH FORK OF THE SMITH RIVER DAM	1,393,467	3.0%	20
TIN CUP WATER COMPANY	304,204	3.0%	20
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TOTAL	\$7,673,111		

2/25/93

## WATER DEVELOPMENT -- COAL SEVERANCE TAX LOANS

HOUSE BILL NO. 0012

EXHIBIT 1  
DATE 2-15-93  
SBRequired Coal Tax Subsidy

Assumes the state will sell a 20 year bond at an interest rate of 6%.

## 1) Town of Ennis

<u>Principal Amount</u>	<u>Subsidized Payment</u>	<u>Required Coal Tax</u>
\$1,100,000	\$88,267	\$7,636

Total Coal Tax Subsidy over a 5 year period is \$38,180.

## 2) Huntley Project Irrigation District

<u>Principal Amount</u>	<u>Subsidized Payment</u>	<u>Required Coal Tax</u>
\$4,875,440	\$327,706	\$97,357

Total Coal Tax Subsidy over a 20 year period is \$1,947,140

## 3) DNRC -- North Fork of the Smith River Project

<u>Principal Amount</u>	<u>Subsidized Payment</u>	<u>Required Coal Tax</u>
\$1,393,467	\$93,663	\$27,826

Total Coal Tax Subsidy over a 20 year period is \$556,520.

## 4) Tin Cup Dam

<u>Principal Amount</u>	<u>Subsidized Payment</u>	<u>Required Coal Tax</u>
\$304,204	\$20,447	\$6,075

Total Coal Tax Subsidy over a 20 year period is \$121,500.

Total Subsidy \$ 2,663,340

EXHIBIT 2  
DATE 2-15-23  
98

COAL TAX MONEY USED FOR DEBT SERVICE

Fiscal Year	Coal Tax Used for Debt Payment	Number of New Loans per year	Cumulative of New Loans	Refunded Loans
FY85	Actual	14	13	
FY86	Actual	7	21	
FY87	Actual	12	33	
FY88	Actual	4	37	
FY89	Actual	4	41	
FY90	Actual	4	45	
FY91	Actual	3	48	33
FY92	Actual	3	51	
FY93	Projected	6	57	31
		projected		
TOTAL	\$4,801,813			

Average use of Coal Tax fund per year.

$$\$4,801,813 \div 9 = \$533,534.77$$

West Shore Sewer District or Flathead County RSID

## Background:

HB778 of the 1989 session authorized a large loan of \$3,151,960 for the Somers County Water and Sewer District. The loan would have received a rate 3% below the bond rate for the first 5 years and at the bond rate for remaining 15 years. The loan was reauthorized in HB007 of the 1991 session. Somers was able to receive substantial grant funding from the EPA and borrowed money from FmHA to fund the project. They no longer need the money. However, part of the Somers loan was to sewer the West Shore area. This was not funded by EPA and FmHA. West Shore lies between Somers and Lakeside Water and Sewer District. The department has two loans with an outstanding balance of \$1,190,000 with Lakeside and the monthly costs exceed \$80. The West Shore project would sewer this middle area and connect to the new sewer line running between Lakeside and Somers. This would both sewer the area and provide some relief to Lakeside residents, because West Shore would start to share some of the costs of the sewer line and treatment facilities. The cost would be \$30 per month plus debt service. The amount of loan authority needed is \$800,000. The interest rate should be a matter of discussion. The term would be 20 years.

## Action:

Approve a loan of \$800,000 at a rate of \_\_\_ below the bond rate for the first 5 years and at the bond rate for the remaining 15 years of the loan term. This motion should be contingent on creating a sewer district or a rural improvement district.

Legislative Requests to Increase Loan Authorization

Ekalaka

Background:

HB 006 of the 1991 session authorized the Town of Ekalaka to receive a \$49,975 grant and a \$100,000 loan to improve the towns water system. This is reauthorized in Section 4 of 1993's HB006. The town bid the project only to find that the costs were higher then anticipated. After considerable debate among the town council, they have decided to pursue the project. However, they have requested, through Representative Tunby, District 24, that their loan authority be increased by \$60,000. This loan would be at the bond rate for 20 years.

Action:

Motion to increase the loan authority for the Town of Ekalaka by \$60,000. (This means that the dollar amount in Section 4 of HB 006 will increase to \$209,975)

Cascade County RSID No. 26, Sun Prairie

Background:

HB775 of the 1989 session authorized a \$200,000 loan for the Sun Prairie Village water system. They have begun work on the project with CDBG grant funds and are now ready to execute a loan with the department for the balance of the project. However, bids are over the \$200,000 amount by \$50,000. Sun Prairie contacted the department and we have discussed the issue with Representative Cobb, District 42. The additional funding is necessary for the completion of the project and would be loaned at the bond rate for 20 years. Further, they have created a Water and Sewer District and wish to take the loan under that authority.

Action:

Motion to change the authorization to the Sun Prairie Village Water and Sewer District and second to increase the loan authority for Cascade County RSID No. 26, Sun Prairie by \$50,000. (This means that the dollar amount in Section 4 of HB006 will increase to \$250,000)

LOANS FROM DNRC PROGRAMS

Water Development

Coal Tax Bonds - 65 million in Bonds Outstanding  
51 public loans

General Obligation Bonds - 2.5 million in Bonds Outstanding  
86 private loans  
6 public loans

Renewable Resources

General Obligation Bonds - 1 million Bonds Outstanding  
4 public loans

State Revolving Fund

General Obligation Bonds - 3 million Bonds Outstanding  
8 public loans

HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

Long Range Planning

COMMITTEE

BILL NO. \_\_\_\_\_

DATE

2/15/93

SPONSOR(S) \_\_\_\_\_

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Kay Beck	DNRC	X	
Anne Miller	DNRC	X	
MARK Simonich	DNRC	X	
John Tobbs	DNRC	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.