

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER**, on February 15, 1995, at 8:00 a.m. in Room 402 of the State Capitol.

ROLL CALL

Members Present:

Rep. Roger Debruycker, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Judy H. Jacobson (D)
Sen. Loren Jenkins (R)
Rep. John Johnson (D)
Rep. William R. Wiseman (R)

Members Excused: none

Members Absent: none

Staff Present: Mark Lee, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Debbie Rostocki, Committee Secretary

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

Committee Business Summary:

Hearing: Department of Natural Resources &
Conservation
-Conservation & Resource Development
Division, conclusion
-Energy Division
Executive Action: Department of Natural Resources &
Conservation
-Conservation & Resource Development Division
-Energy Division

**HEARING ON Department of Natural Resources and Conservation
Conservation & Resource Development Division
Continued from February 14**

Ray Beck, Administrator of the Conservation and Resource Development Division, reviewed the Present Law (PL) Adjustments and New Proposals on pp. C-106 and C-107. Regarding PL No. 4, he stated that the division had 18.5 FTE, and in addition to this

contracted for certain services which required outside expertise, such as arbitration calculations to the IRS. In addition, changes with the State revolving fund (Waste Water Loan Program) will require additional contracted services. Also, the division contracts with local government services to work with and assist with the loan programs. They also contract for engineering expertise not available in the department when reviewing loan applications and legal assistance in the area of bankruptcies. They provide a coordinator for the Rangeland Resources Program by contracting with the U.S. Soil Conservation Service. Although DNRC pays less than 50% of this person's salary, there will be a pay increase in this area in the coming biennium.

The Grants and local assistance adjustment has two parts. Administrative grants funds pass through to the conservation districts, and the executive has requested a \$20,000 per year increase in this area. The second part amounts to \$26,000 in the first year and \$23,000 in the second year and is tied to the conservation districts' "223 program," which is the .19% of the coal tax which is used for district projects. In the past this has only been a language appropriation. PL No. 6 is mainly due to a vacant engineer position in 1994. Also, an audit of the program indicated that the grant administrators needed to pay more field visits. PL No. 7 is due to an increase in rent in the Miles City field office from \$3.50 per square foot to \$6.3 per square foot. The equipment being requested includes a new vehicle each year. PL No. 9 includes increases for computer leases and record storage as well as advertising costs. There are also additional costs related to the amount of interest communities are showing in joining conservation districts.

Mr. Beck explained that the low interest (4.5%) wastewater system upgrading program for local communities had been a big success and a similar program for drinking water was expected to be passed by Congress in the near future. He added that there was a bill before the Legislature to provide authorization for the State to administer that program. Many of the local governments involved in the wastewater program expressed interest in a similar program for drinking water. **EXHIBIT 1.** He stressed that Montana could be in the "head of the race" to get these funds before the next Legislative session if the bill was passed. Regarding New Proposal No. 2, he submitted that due to the small amount of staff in the division and the fact that three FTE were cut in the last session that it would be very difficult to administer the new program without some assistance.

Ms. Smith, OBPP, distributed some requested language from the division for **HB 2. EXHIBIT 2.**

In response to **REP. WISEMAN**, **Mr. Beck** said the Conservation Districts Division was formed in the 1970's and in 1989 it became the Conservation & Resource Development Division when it received the loan and grant programs. He outlined the meetings division staff attended each year in the Northern Plains Region and

clarified that all states had conservation districts. **REP. WISEMAN** wanted to know which specific areas of the budget had been backfilled with general fund to accommodate for insufficient predicted revenues from the RIT. **Ms. Smith** said that all of the general fund was new to the program this year, and was only being used to support the conservation districts. The general fund is in lieu of the Renewable Resource RIT and Reclamation and Development RIT. **Mr. Beck** added that because they administer the grant and loan program, they felt it was more appropriate to have the RIT funds in there.

Regarding the present law adjustments for 1996 (p. C-105), **SEN. KEATING** wanted to know if the reduction in State/other special revenue was formerly RIT money. **Ms. Smith** said approximately \$91,000 per year was due to Renewable Resources RIT reductions and about \$157,000 per year was due to Reclamation and Development RIT reductions. She said that this reduction did not affect the grant and loan programs. The \$15,851 reduction in federal special revenue is related to personal services reductions. **SEN. KEATING** wanted to know how this was connected to New Proposal No. 1, in which one FTE and \$36,000 in federal money was being added back in. **Anna Miller**, Financial Advisor for the Division, said that in many cases they applied to the Environmental Protection Agency (EPA) for grants without knowing when the funding would begin, and they did not know if the 1994 level of federal funding would remain the same or not. **Mr. Lee** said that the \$15,000 reduction appeared in the Conservation Districts Bureau budget. The \$36,000 increase was intended for a revolving fund program for drinking water loans and would be an entirely different funding source from the \$15,000 decrease. According to the Division's best estimates, the funding level for conservation districts will be about \$50,000 per year, \$15,000 below the 1994 base.

REP. WISEMAN submitted that according to **EXH. 1**, 86% of the wastewater project loan monies have been given to the fastest growing part of the State, and he felt that these areas should be in a position to pay the same rate that tax-free bond investors paid rather than 4%. **Ms. Miller** explained that any local government entity could apply for the funds, and the program uses General Obligation (GO) bond authority and a grant from the EPA in combination, which lowers the overall interest rate. She added that when the money is paid back, the grant funds go into a new pot, to be loaned out again. The interest rate also supports an administrative account and a loan loss reserve account, as well as paying off the GO bond. **SEN. KEATING** wanted to know if this was in competition with the Treasure State Endowment Program. **Ms. Miller** replied that that program could only fund half the cost of a project, even though it was a grant and not a loan. In response to **CHAIRMAN DEBRUYCKER**, **Mr. Beck** said that the Treasure State Endowment funding (Table 4, p. C-106) was for the loan part of that program and the coal tax program had been amended to accommodate this. However, only two loans have been made under the deferred loan program, for engineering studies.

He added that those two loans have never been closed on. He explained that the two programs shared 14 projects in common between the Renewable Resource and the Treasure State Endowment programs, and expenditures are mainly related to application review, engineering consultant fees and financial consultant fees. In response to **SEN. JENKINS**, **Mr. Beck** said there had been no applications under the Treasure State Loan program.

REP. WISEMAN wanted to know why all the general fund backfilling had occurred in the conservation district budgets. **Mr. Beck** said the choice had been made because the conservation districts weren't as closely tied to the Resource Development RIT activities. **Mr. Mark Simonich**, DNRC director, said that the general fund backfilling had been done by the Governor's office and the directors' offices within the agencies to alleviate a \$6 million gap, and where it was placed within each division was somewhat arbitrary.

In response to **REP. WISEMAN**, **Mr. Simonich** said he did not have a contingency budget planned for the possibility of only getting half of the backfilled amount.

SEN. KEATING referred the committee to **EXH. 1** from the February 14 meeting. He submitted that when considering the \$18 million in total available funds from RIT interest earnings, the \$5 million appropriated to the Renewable Resource Grant & Loan Program and Reclamation and Development grants should be included as well, since the Grant & Loan Program gives most of its money to the conservation districts and the R & D Grants, which give \$1 million to the conservation districts. He submitted that the \$18 million was overappropriated and he expressed opposition to putting any additional general fund money into the program, and concluded that the money in there should be spent more wisely, through prioritizing. **SEN. KEATING** pointed out that the \$1 million being appropriated for the Water Court could possibly be reduced, since adjudication would take many years in any case. **Mr. Simonich** agreed with **SEN. KEATING** and said that the way the OBPP had dealt with the \$6 million deficit made it difficult to prioritize and he suggested that this could best be done with all the subcommittees addressing the problem jointly. **Mr. Lee** suggested that the committee might appropriate programs as they stood under the initial budget request, resulting in an overappropriation of the two accounts and the deficit could be worked out in the Appropriations and Finance and Claims committees. **SEN. JACOBSON** said that since the biennial allocations of RIT interest earnings were appropriated in HB 6 and HB 7, those bills also needed to be considered jointly.

Regarding New Proposal No. 1 on p. C-107, **Mr. Lee** said that about \$9,000 per year would be RIT funds and \$36,000 would be federal funds. Also, the part of the program that would have been administered by the Department of Health's Water Quality Division had not been approved by this subcommittee.

EXECUTIVE ACTION ON DNRC -
Conservation & Resource Development Division

Motion: SEN. KEATING moved to accept Present Law Adjustments No. 4, 5, 6, 7, 8 and 9 on p. C-106, to be funded with state special revenue (Renewable Resource and Reclamation and Development RIT) from the \$189,000 that was being withdrawn and substituted with general fund money. REP. WISEMAN seconded the motion.

Tape No. 2:A:000

Discussion: SEN. KEATING explained that he was stripping the \$319,814 per year in general fund. REP. JOHNSON wanted to know if the funding method could include an increase of \$75,000 in each year for local conservation assistance grants, bringing the total funding level for the local assistance budget to \$200,000 per year. Mr. Lee said that the base for PL No. 5 on p. C-106 contained a \$200,000 grant each year to the Montana Salinity Control Association and \$105,000 each year for the conservation districts, as well as the funds that are going to the conservation districts amounting to \$56,929 each year from the .19% of the coal severance tax, for a total of about \$362,000. Mr. Lee said that the base for consulting and professional services (PL No. 4) included \$25,887 for the Resource Development Bureau and \$117,624 for the Conservation Districts Bureau, per year.

REP. JOHNSON spoke up regarding his proposed increase in the local assistance budget. He stated that an additional \$100,000 per year had been requested during the hearing on the division. REP. WISEMAN requested that the vote on PL Adjustments No. 4 and 5 be segregated.

Vote: The question was then called for on PL Adjustments No. 6, 7, 8 and 9; motion **carried** unanimously. The question was then called on PL No. 4; motion **carried** with SEN. KEATING and REP. WISEMAN opposed. The question was called for on PL No. 5; motion **carried** with REP. WISEMAN and SEN. KEATING opposed.

Ms. Smith explained the language contained in Exhibit 2. The division is requesting that this language remain in HB 2, as it has in the past. It gives the agency the authority to spend up to the specified amounts if the funds should become available. Mr. Lee added that additional state special revenues could only be appropriated through the budget amendment process if it was determined to be an emergency. Mr. Beck explained that the \$700,000 contained in paragraph 1 of the exhibit was for the Rangeland Improvement Program, and was a revolving account; the amendment would give them the authority to make loans. The second item was the coal tax money that the conservation districts received. Regarding the third item, the 30 grazing districts in the State are assessed a 10-cent per animal unit fee, which brings in about \$12,000 per year. They use these funds to work with the grazing districts. It was recommended to

put in \$15,000 to accommodate any increase in the animal unit fee. The fourth item has been approved in the past as well and is mainly tied to the private loan program. Sometimes they may have a second lien on a property and it is to their advantage to purchase the first lien, in order to maintain their collateral. In the last biennium they did not use this program and he stressed that it was mainly just a "safety net." In the mid-1980's this program had a different loan officer and some of the loans were "shaky," but the current loan officer is doing a much better job and they haven't had any more losses.

In response to **REP. WISEMAN**, **Ms. Miller** said the amounts in **EXH. 2** were called contingency language and would not be included in the budget totals, and this is the same language that has been adopted in the last two legislative sessions.

In response to **SEN. KEATING**, **Mr. John Tubbs**, Chief of the Resource Development Bureau, said there was a loan loss reserve fund which would be used as their first resource for the purchase of prior liens. Included in the closing costs of private loans is a .5% fee which is deposited into this fund. He was not certain of the balance in the fund, and added that it had only been in place for less than four years, since the loan program was established. He expressed certainty that it was well below the \$1 million level. **Mr. Tubbs** said the fund hadn't been used since 1989 and he wasn't sure where the money would come from if they did need to use it. He said that the one time it had been used, however, it had prevented a \$200,000 loss. **SEN. KEATING** said he was willing to grant spending authority for the program up to the balance of the loss reserve, but he didn't see any sense in appropriating "phantom" money.

Mr. Lee suggested that a dollar amount be established for the appropriation.

Motion/vote: **REP. WISEMAN** moved to accept the language contained in **EXH. 2** (2/15), but amending the fourth paragraph to provide for an appropriation cap equal to the balance in the account, as per **SEN. KEATING**; **SEN. JACOBSON** and **SEN. KEATING** seconded the motion; motion carried unanimously.

Motion/vote: **SEN. JENKINS** moved to accept New Proposal No. 2, p. C-107; **REP. WISEMAN** seconded the motion; motion carried unanimously.

New Proposal No. 1 was then discussed. **Ms. Miller** explained that the Department of Health and Environmental Sciences did the technical part of the safe drinking water program and DNRC handled the financial management.

SEN. JENKINS asked for more information about paragraph two of **EXH. 2**, which had just been accepted. It was explained that the funds were from .19% of the coal severance tax; in the past this funding did not have dollar amounts attached to it in the

appropriation language as it does this time. The funding is for conservation district grants and is presently set by statute.

Ms. Miller explained there had been an increase in revenue in 1994 in both the Conservation Grants program and the "223 program." An increase was requested to include 1994 unspent revenue. She stated that appropriation language without dollar amounts would accommodate such increases in revenue, if this proved to be a continuing trend. She said a language appropriation could be used to procure the funding being requested under Present Law Adjustment No. 5 on p. C-106. In response to **SEN. JENKINS**, she said that \$105,000 was the base in the administrative grants part of the program and the project grants were separate from this.

Tape No. 2:B:000

Motion/vote: **SEN. JENKINS** moved to reconsider the committee's action on **Present Law Adjustment No. 5**. **Mr. Beck** expressed concern about the reliability of a language appropriation. **SEN. JENKINS** stated that his intention was to remove this amount from the 1996 base budget. **REP. WISEMAN** seconded the motion; motion **carried** unanimously.

Motion/vote: **SEN. JENKINS** then moved to accept **PL No. 5**, but removing \$26,222 from the 1996 appropriation and \$23,613 from the 1997 appropriation. **REP. WISEMAN** seconded the motion. **SEN. JENKINS** suggested that the total language appropriations would probably exceed the amount of coal tax revenues. The question was called for and the motion **carried** unanimously.

HEARING ON DNRC - Energy Division

Mr. Van Jamison, Energy Division Administrator, introduced **Ann Danzer**, Assistant Division Administrator, and gave an overview of the division, which included information on public building energy retrofits, residential energy efficiency improvement, alternative fuels development, restructuring of the utility industry and the role of DNRC in this, information on deregulation of the natural gas industry, an update on the gas procurement program, energy emergency planning, and the Montana Major Facilities Siting Act (MFSA).

The public building energy retrofit program has set as their goal to have all publicly supported facilities in the State retrofitted by the year 2005. The department has utilized an array of "user friendly" programs to help bring this about. He emphasized that the program was utilizing the private sector in as many capacities as possible. Regarding **HB 12**, the reauthorization of their state building bond program, he distributed a handout listing all the schools and hospitals in the federally funded institutional conservation program as well as a listing of the state building projects and their status in the state building bond program. He pointed out that in the past fiscal year the retrofit program had paid for itself and DNRC was able to sweep \$200,000 into the Long Range Building account as

well, from the savings in energy bills to the State. Montana was approved to be a pilot state wherein the State is paid by the federal government to broker energy efficiency "deals" for them and he submitted that the program would ultimately benefit all taxpayers. Regarding energy efficient home construction, the Energy division provides technical training paid for by Montana Power and the Bonneville Power Administration and other utilities, as well as technical support and/or analysis for the Environmental Quality Council's Residential Collaborative and for the Board of Housing pilot financing program which has been very popular with both the utilities and the recipients of the financing. In essence the utility provides the insurance premium for the second mortgage.

In the area of alternative fuels, **Mr. Jamison** said the division had promoted ethanol in several different ways including working to improve the technology for converting feed stock into ethanol. A process to turn paper pulp sludge into ethanol was also being explored. Also they have been working for ten years to develop safflower oil as a diesel fuel substitute and additive, and have just recently switched to rapeseed methylesters, which come from used canola oil left over from deep frying, as a feed stock for this alternative fuel. They are involved with the Chrysler Corporation, J. R. Simplot and a number of other entities in a two year pilot test of this fuel in Yellowstone National Park. Ultimately an expanded market for the State's agricultural producers will result as well as a solution for the toxics emission problems that diesel fuels have, which could lead to "a ready in" for the State in metropolitan markets.

Regarding compressed natural gas, DNRC funds five demonstration conversion projects across the State. DNRC has also been working with the utilities and local communities to participate in the federal government's Clean Cities Program.

Tape No. 3:A:000

Mr. Jamison identified the restructuring of the electric utility industry as the biggest issue confronting the energy business at present. The system of gas commodity supply, storage, transportation and distribution has been "unbundled" to the degree that now certain classes of customers are able to purchase these elements separately and the same thing is beginning to happen fairly rapidly with the electric utilities, but it is a more complicated process. He estimated that ultimately the generators would have competition but the transmission system will have an inherent monopoly, with distributors on the back side of that. He added that this unbundling of the electric utility would affect customers all the way down to the residential level. Debate is taking place within the Federal Energy Regulatory Commission (FERC), the Public Utility Commission and the Western Regional Transmission Group, which includes everyone in the western U.S. as well as Alberta, British Columbia and the northern Mexican provinces.

Regarding deregulation of the natural gas industry he distributed **EXHIBIT 4** which described the Natural Gas Procurement Program.

In the past year and a half the division has been working with the various utilities in the northwest to implement their new Curtail and Share the Shortage plan. In addition DNRC has been participating in discussions with the Northwest Power Pool regarding how to respond to a possible winter peak electrical shortage which could develop if the National Marine Fisheries Services salmon recovery plan is mandated.

Regarding MFSA, the Department is participating in the relicensing of the nine dams in the Missouri-Madison Hydroelectric system. Washington Water Power will be voluntarily approaching DNRC in the near future about paying the Department to do the same service on Cabinet Gorge and Noxon because of the good work the Department has done in this area. The result will be a united utility/state position on fish and wildlife mitigation, enhancement, operation constraints, etc. before FERC, with respect to the Missouri-Madison relicensing, and he expected that the issue of the conditions under which that set of dams will be operated will be resolved when the license is issued. This is in contrast to what happened in the case of the Kerr dam, where the state was not involved and the debate is still going on, more than ten years after the reissuing of the license.

Finally, the Department is in the process of doing the upgrade for the Billings generation project and has completed the lower Missouri River Water Reservations Environmental Impact Statement.

SEN. WISEMAN wanted to know why the State had not been involved in the Kerr Dam. **Mr. Jamison** said that at that time the MFSA wasn't clear on whether it applied to federally licensed facilities. In 1985 the Legislature made it clear that while the DNRC board did not issue a certificate, there was an obligation to come to DNRC so that they could develop a state recommendation, for the record. In the case of the Kerr dam, the Department of Fish, Wildlife and Parks (FWP) was the agency that provided input. When the license was issued, FERC had not been able to sort out what it wanted from the company regarding mitigation. Montana Power was directed to work with FWP and one other group to come up with a plan, which was done. Then the Bureau of Indian Affairs and others said this was not adequate, and in essence this has undone the plan. Because DNRC was not involved in the original proceeding, it has no standing to become involved at this point.

In response to **SEN. KEATING**, **Mr. Jamison** said the majority of the funding in the MFSA Account (Table 6, P. C-116) was contingency money and this level of funding has been historically what was appropriated, with the understanding that the money would only be used in the event that applications had been filed and fees paid. He added that they had never come close to using that level.

Mr. Jamison explained that the Rock Creek Trust was an agreement entered into by a variety of parties regarding the construction of the 500kv lines by the Bonneville Power Administration (BPA) from Townsend to Taft. The Montana Power Company had been certified to do this work all the way to Taft, and had completed the work as far as Townsend. The various utilities agreed at Townsend to have the remainder of the line built by BPA and asked for it to be built along a different route than had been originally proposed. This change affected the ability of local governments to collect property taxes. The beneficial use tax came into play as a way of capturing revenues. In addition to this controversy, there were issues regarding where to locate the lines, and a number of environmental groups sued the Forest Service because the new location of the lines crossed roadless areas which had not yet been released from RARE II consideration. The utilities wanted to use the power lines and offered to pay \$1.65 million into the trust agreement, to provide for natural, recreational and other amenity values of Rock Creek, if the public interest groups would be willing to drop their lawsuit. This became the basis for the trust agreement. The trust agreement, at the utilities' request, provided for DNRC to become the trustee. The monies are used to buy conservation easements, dust abatement on Rock Creek Road, etc. DNRC is trying to get the trust privatized. There is a proposal to form a not-for-profit entity that could become the trustee. He added that this appropriation could probably be provided for with a language appropriation.

Information regarding the Energy Division was distributed; see **EXHIBIT 5**. In addition an organizational chart for DNRC was distributed. **EXHIBIT 6**.

Tape No. 3:B:000

Mr. Lee then gave a brief overview of the division.

Mr. Jamison said he felt the division had proposed a budget request which asked for less real money than had been spent in 1994, although it didn't appear so because of the spending authority tied up in the Rock Creek Trust Account and MFSA and the Montana Environmental Policy Act (MEPA) contingency funds. He said that the MFSA/MEPA appropriation request could be reduced by \$670,000 per year and the Rock Creek Trust appropriation request could be reduced by \$400,000 per year by moving them into a language appropriation, if necessary. If the Department received additional applications under MFSA or MEPA, and the aforementioned appropriation requests had been withdrawn by the Department, it was his understanding this withdrawal would enable them to be eligible for a budget amendment request. Therefore he offered to withdraw the \$1,000,070 per year of requested spending authority. He suggested that the LFA and DNRC and OBPP could "tease out" exactly where within Present Law Adjustments 4, 5, 6, 7 and 8 the \$1,000,070 would come from. **Mr. Lee** said that if those requests were withdrawn by the agency, then it would be as if the subcommittee had not considered them.

Motion/vote: SEN. JENKINS moved to accept Present Law Adjustments No. 4, 5, 6, 7 and 8 on p. C-117, with adjustments made according to the request of the Department as follows: a net reduction of \$670,000 from the MFSA and MEPA appropriation in each year and \$400,000 from the Rock Creek Trust appropriation in each year. SEN. JACOBSON seconded the motion; motion carried unanimously.

Motion/vote: SEN. JENKINS then moved to accept New Proposal No. 1 on p. C-118; REP. WISEMAN seconded the motion; motion carried unanimously.

Mr. Jamison said that there were a number of federal grant programs which the division intended submitting applications to. They have been working with the utilities and wind machine manufacturers to anticipate possible wind development in the state which will involve establishing long term reference monitoring stations. They anticipate working with North and South Dakota and Wyoming on this proposal. In addition they will be submitting an application to the Rebuild America Program in the federal Department of Energy. Under this program they will be making a proposal in conjunction with the Montana Power Company and local entities where the vision will be to retrofit every building to include economically feasible efficiency improvements and to make certain that all new structures conform to economical efficiency standards. This will "fill in the spaces" between the existing programs to make up a comprehensive package. In addition, DNRC has been approached by the Department of Defense to retrofit armories in the state and they may be coming in for a budget amendment regarding this.

In response to SEN. KEATING, Mr. Jamison pointed out the division had gone from 47.5 FTE to 33 FTE while new responsibilities including a \$5.5 million bond program have been added as well as going from working with six to eight institutions per year to 30 or 40. The only program which has been eliminated is the alternative energy program. Mr. Simonich pointed out that this division met a larger proportional share of the targeted FTE reductions asked for by the executive, amounting to nearly 1/3 of the FTE which DNRC as a whole gave up. SEN. KEATING said he had supported the bill on the energy conservation program partly because DNRC would be using services from the private sector. He suggested that this could help reduce FTE.

Tape No. 4:A:000

Mr. Jamison said they had made a conscious effort to not build bureaucracy in favor of utilizing private services and they were trying very hard to make certain that when all was said and done, private sector people would be making good livings at doing these kinds of projects.

SEN. JENKINS wanted to know if the Department had anyone specific in mind for privatizing the Rock Creek Trust. Mr. Wayne Wetzel, DNRC Deputy Director, said the Rock Creek Advisory Council had gone to the original signers of the agreement and gotten a verbal


agreement that they would sign off on this move and also negotiations had been entered into with the Montana Land Reliance, a land trust that acquires conservation easements. The advisory council has considered establishing their own not-for-profit organization as well. **Mr. Wetzel** pointed out to **SEN. JENKINS** that Trout Unlimited and the Montana and National Wildlife Federations had been involved in the original lawsuit and therefore would be represented in this process. **Mr. Simonich** said that because the the State's expenses involved with administration of the trust are paid for by the State and not the trust, it has been a high priority of his to get it privatized.

REP. WISEMAN announced he had asked **Mr. Simonich** to come up with a priority list of the projects funded with RIT funds. He added that he would like to look at the entire RIT picture, including the \$5 million in the Renewable Resource Grant and Loan Program and the Reclamation and Development grants, in advance of the joint House Appropriations/Taxation committee meeting. **Mr. Simonich** agreed with **REP. WISEMAN** and suggested that Appropriations Committee Chairman Zook request similar prioritizations from all the agencies involved with RIT funding. Discussion took place regarding whether this should be addressed in subcommittee or before the full Appropriations Committee.

The Chairman announced that there would be an informal meeting at 8:00 a.m. on Tuesday, February 21 to allow the department an opportunity to provide the committee with the information **REP. WISEMAN** had requested.

ADJOURNMENT

Adjournment: 11:15 a.m.



ROGER DEBRUYCKER, Chairman



DEBBIE ROSTOCKI, Secretary

RD/dr

Wastewater State Revolving Fund Program

SRF LOANS COMPLETED

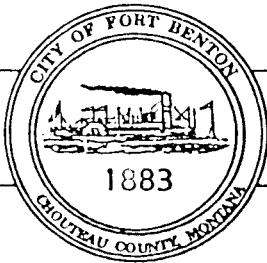
Fort Benton Rev.	\$1,177,000
Park County	
#1 SID	378,000
#2 SID	83,000
Kalispell Rev.	3,913,000
Missoula	
Wapikiya/Bellevue Clarifier SID	2,465,000
Wapikiya/Bellevue Clarifier Rev.	1,177,000
Wapikiya/Bellevue Add-on SID	324,000
NW Broadway SID	943,000
Rattlesnake SID	364,000
California Street SID	578,000
Reserve Street	2,221,000
Flathead County	
Big Fork RSID	424,000
Evergreen #1 RSID	3,600,000
Evergreen #2 RSID	700,000
Missoula County	
Linda Vista #1 SID	241,000
Linda Vista #2 SID	2,022,000
Wolf Point Rev.	453,000
Shelby Rev.	481,000
Darby Rev.	114,000
	\$21,658,000

SRF PROPOSED LOANS 1995, 1996, 1997

Red Lodge	Butte
Hamilton	Cut Bank
Townsend	Deer Lodge
Victor	Dillon
Big Sky	Reed Point
Cascade	Ronan

Legislature 1995
Updated 2-7-95

Loans completed are for wastewater projects. Loan rates are at 4% for the Wastewater State Revolving Fund Loan (SRF) program. Funding is 17% State General Obligation Bond, 83% EPA grant funds. For the State match of 3.6 million dollars 18.0 million dollars is federal moneys already.



City of Fort Benton

1204 Front Street • P.O. Box 8
Fort Benton, Montana 59442

(406) 622-5494
(406) 622-5495

January 23, 1995

To Whom It May Concern:

The City of Fort Benton is a participant in the Montana State Revolving Fund (SRF) Program. In 1991, the City utilized the SRF Program for replacing our Waste water Treatment facility. I would encourage your support of a similar program provided for in LC 762 for drinking water programs. I feel this is a beneficial program for entities dealing with infrastructure problems.

Thank you.

Sincerely,

Roger J. Axtman
Mayor

RJA/m

EXHIBIT 1
DATE 2-15-95

414 E. Callender
Livingston, Montana 59047
406-222-6120

PARK COUNTY COMMISSIONERS

RECEIVED

JAN 24 1995

DNRC

January 23, 1995

Anna Miller
Dept. of Natural Resources & Conservation
Lee Metcalf Building
Post Office Box 202301
Helena, MT 59620-2301


To Whom it May Concern:


We would like to express our support for a State Revolving Fund program that focuses on drinking water systems.

We recently completed a loan for a sewer project in the Gardiner area using the State Revolving Fund. The low interest rate and aid in establishing the loan made the project possible.

Sincerely,


Terry Saffrazin, Chairman


James Hunt


Dan B. Gutebier

The City of Kalispell

Incorporated 1892

Telephone (406) 758-7700
FAX (406) 758-7758
Post Office Box 1997
26 59903-1997

January 25, 1995

Representative David Ewer
State Capitol Building
Post Office Box 201701
Helena, MT 59620-1701

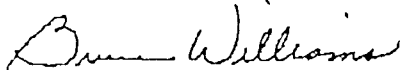
Dear Representative Ewer:

The City of Kalispell would like to go on record in support of LC 762. The City of Kalispell previously benefitted by borrowing from the State's revolving loan program to pay a portion of the debt associated with the construction of a new sewage treatment facility.

The amendments offered in LC 762 would extend to local governments the opportunity to borrow at rates below public bond rates for water improvement projects, for which the present law does not allow.

We would ask that your committee look favorably upon this legislation, as it has the potential of saving Montana citizens thousands of dollars in public borrowing costs associated with water improvement projects.

Sincerely,



Bruce Williams
City Manager

BW/ksk

p.c. Anna Miller

Douglas Rauthe
Mayor

Bruce Williams
City Manager

City Council
Members:

Gary W. Nystul
Ward I

Cliff Collins
Ward I

Barbara Moses
Ward II

Dale Haarr
Ward II

Jim Atkinson
Ward III

Lauren Granno
Ward III

Pamela B. Kennedy
Ward IV

M. Duane Larson
Ward IV



Flathead County Water & Sewer District #1 - Evergreen

130 Nicholson Drive • Kalispell, MT 59901
Phone: (406) 257-5861 Fax: (406) 756-1588

January 23, 1995

Representative Bill Boharski, Chairman
House Local Government Committee
Capital Station
Helena, MT 59601

EXHIBIT 1
DATE 2-15-95

RE: LC 762 - Drinking Water Revolving Loan Program

Flathead County Water & Sewer District No. 1 - Evergreen supports developing a State Drinking Water Revolving Loan Program similar to the SRF program for waste water treatment facilities.

The Evergreen Water & Sewer District has a current low interest loan from the SRF program for a sewer collection system. Over \$4,000,000 has been borrowed at a low interest of 4%, thereby maintaining the lowest possible cost to the user/propertyowner.

If this SRF program had not been available the project or its size may have been adversely affected. If the project had gone ahead and commercial funding been available, the users would have been faced with an interest charge at least double the current interest charge. Doubling the interest charge, more than doubles the total interest expense.

This potential House Bill sponsored by Representative David Ewer, would provide a funding mechanism for Districts and municipalities when improving or expanding their water facilities.

The District urges you to support LC 762.

Stan Clothier, President
Board of Directors,
Flathead County Water & Sewer District No. 1 - Evergreen

xc: Representative Jack Herron, Vice Chairman, Majority
Representative David Ewer, Vice Chairman, Minority
Senator Ethel Harding, Vice Chair, Senate Local Government Committee
Senator Tom Beck, Chair Senate Local Government Committee
Senator John Harp, District 42
File - Legislation: HB762H20

City of Wolf Point

RECEIVED

JAN 24 1995

DNRC

201 4th Avenue South

WOLF POINT, MONTANA 59201

January 23, 1995

Phone 653-1852

FAX # 653-3240

TO WHOM IT MAY CONCERN:

As a recent participant in the State Revolving Loan Program for wastewater treatment facilities, the City of Wolf Point is in support of a similar program for the drinking water systems of Montana.

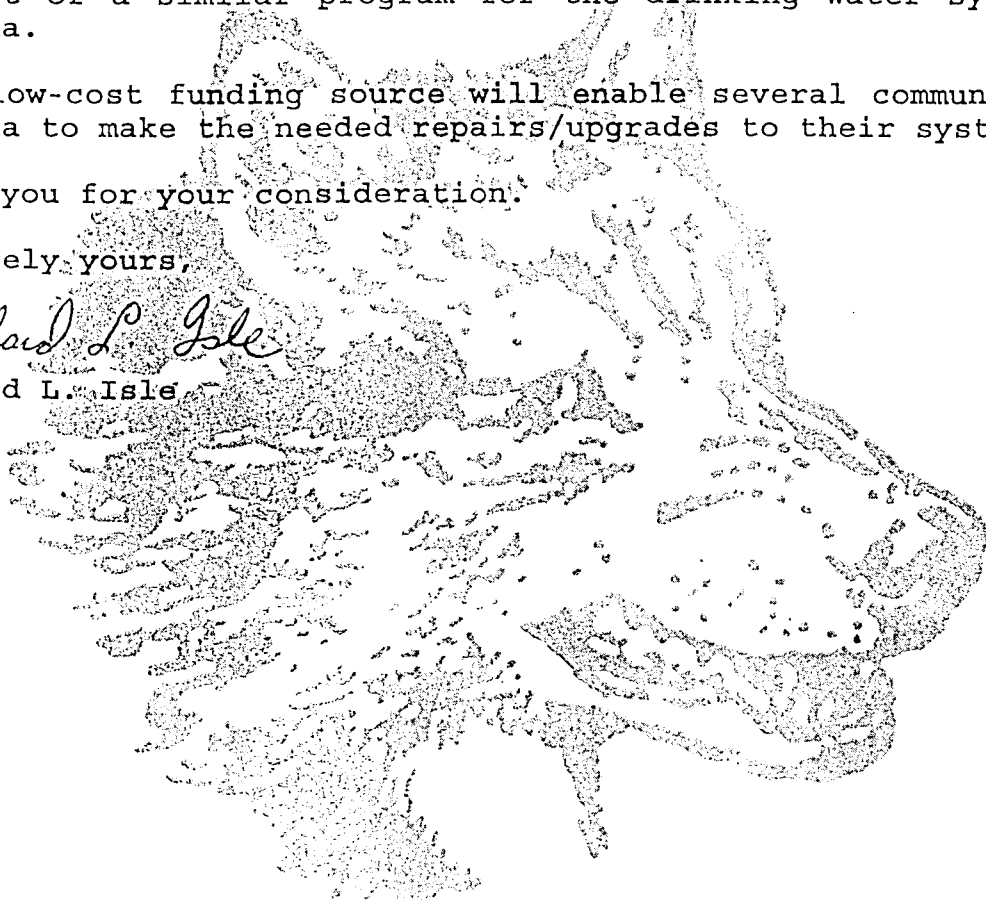
This low-cost funding source will enable several communities in Montana to make the needed repairs/upgrades to their systems.

Thank you for your consideration.

Sincerely yours,



Richard L. Isle
Mayor



City of Shelby

P.O. Box 743
Shelby, Montana 59474
(406)-434-5222

RECEIVED

JAN 30 1995

DNRC

January 27, 1995

EXHIBIT 1
DATE 2-15-95

DNRC
Anna M. Miller
CARDD-DNRC
P.O. Box 202301
Helena, MT 59620-2301

RE: LC #762 - SRF Program for Water Systems

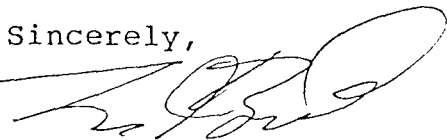
Dear Anna:

On behalf of the City of Shelby, I would like to express our support of legislation that would establish State Revolving Fund loan programs for water systems.

Our community has used SRF funding for improvements to our sewer system and we sincerely believe that a SRF program for water systems would be very beneficial for many Montana communities.

This legislation has our total support.

Sincerely,



Larry J. Bonderud
Mayor

LJB/tlw

cc: City Council

Glendive, Montana
59330



Phone (406) 365-3318

300 South Merrill
RECEIVED

FEB 07 1995

DNRC

February 2, 1995

To Whom It May Concern:

It is increasingly difficult to build new or replace old infrastructure due to the costs associated with these projects. Unfunded mandates place additional burden on local governments to come into compliance with water, sewer, and garbage requirements. This in conjunction with the fact that many communities such as Glendive have numerous elderly individuals on fixed incomes and others who simply can not afford to pay for large increases on rates.

Historically, city's across Montana including Glendive have kept rates low. Unfortunately funding was generally not established to fund for the future or for the replacement of infrastructure. Councils simply did not want to increase rates as long as these services were being provided. Thus, after decades of artificially low rates there are no funds available to replace worn out infrastructure or fund the new requirements. Grants are becoming increasingly competitive and generally fund only a portion of the project. Thus when projects are undertaken, City's are forced to borrow funds, which also entails increasing rates to fund the debt service.

This being the case, Cities are continuously seeking out funding mechanisms which will fund these projects and keep user rates as low as possible. We believe that the program sponsored by Representative Ewer is a much needed program. We have worked with Mr. Ewer and the DNRC on numerous occasions and know that they are all too aware of the infrastructure problems facing Montana Cities and Towns. They are also very aware of the funding problems which plague these same entities. Without such a program user rates will be considerably higher than they have to be or needed infrastructure improvements will continue to be ignored. I urge you to support LC 762 to help municipalities fund these much needed changes.

Sincerely,

Kevin Dorwart C.P.A.
Director of Operations
City of Glendive

EXHIBIT 2
DATE 2/15/95
HB _____

REQUESTED LANGUAGE - CONSERVATION/RESOURCE DEVELOPMENT DIVISION

The department is appropriated up to \$700,000 per year from the account established in 76-14-112, MCA, for rangeland loans during the 1997 biennium.

All funds deposited in the state special revenue account established in 76-15-530, MCA, are appropriated to the department for distribution as grants to conservation districts up to \$100,000 per year for the 1997 biennium.

All funds held in the state special revenue account in accordance with 76-16-106(2), MCA, are appropriated to the department for administration of grazing district activities up to \$15,000 per year for the 1997 biennium.

The department is appropriated up to \$1.0 million over the biennium from the account established in 85-1-604, MCA, for the purchase of prior liens on property held as loan security as required by 85-1-618, MCA.

SCHOOLS AND HOSPITALS PARTICIPATING IN $E=mc^2$ **Hospitals**

Teton Medical Center, Choteau
Kalispell Regional Hospital
Community Memorial Hospital, Sidney
Bozeman Deaconess Hospital
Liberty County Hospital & Nursing Home, Chester
Deaconess Medical Center, Billings
Livingston Memorial Hospital
Great Falls Deaconess Hospital
Mountain View Medical Center, White Sulphur Springs
Powell County Hospital, Deer Lodge

Schools

Ramsay School
Carroll College, Helena
Stanford School District
Havre High School
Anaconda School District
Butte School District
Target Range School, Missoula
Powell County High School, Deer Lodge
Central Park Center (Deer Lodge elementary & middle school)
Red Lodge School District
Moore School District
Great Falls School District
Wolf Point School District
Nashua School District
Lolo School District
Rocky Mountain College, Billings
Philipsburg School District
Columbia Falls School District
Terry School District
Florence-Carlton School
Darby School District
Wibaux Public Schools
St. Joesph's Elementary, Missoula
Alberton School District
Stevensville School District
Victor School District
Butte Central High

Table 1
STATUS OF PROJECTS SEPTEMBER 1, 1994

<u>PROJECTS COMPLETED</u>	<u>LOCATION</u>
Montana State Hospital	Warm Springs
Center for Aged	Lewistown
SRS Headquarters	Helena
School for Deaf and Blind	Great Falls
U of M Campus Lighting	Missoula
Brockman Center, MSU	Havre
Physical Education, MSU	Havre
National Guard Armory	Hamilton
National Guard Armory	Sidney
National Guard Armory	Miles City
Eastmont Services	Glendive
Pine Hills School	Miles City
Cogswell Building	Helena
SRS - Lights	Helena
Mitchell Building - Lights	Helena
Cogswell Building - Lights	Helena
Montana State Hospital	Galen
Mansfield Library, UM	Missoula
 <u>PROJECTS IN DESIGN/CONSTRUCTION</u>	
Student Union Building, UM	Dillon
Field House, UM	Missoula
Health Science, UM	Missoula
Old Business Administration, UM	Missoula
Sreiber Gym, UM	Missoula
Central Plant, UM	Missoula
Pharm/Psych Building, UM	Missoula
Social Science Building, UM	Missoula
Music Building, UM	Missoula
Performing Arts Building, UM	Missoula
Liberal Arts Building, MSU	Billings
Science Complex, UM	Missoula
Special Ed Building, MSU	Billings
 <u>PROJECTS BEING STUDIED</u>	
National Guard Headquarters	Helena
National Guard Armory	Kalispell
Mining/Geology, UM	Butte
Heating Plant, UM	Butte
Veterans Home	Columbia Falls
Scott-Hart Building	Helena
State Capitol Building	Helena

GAS PROCUREMENT DETAILS

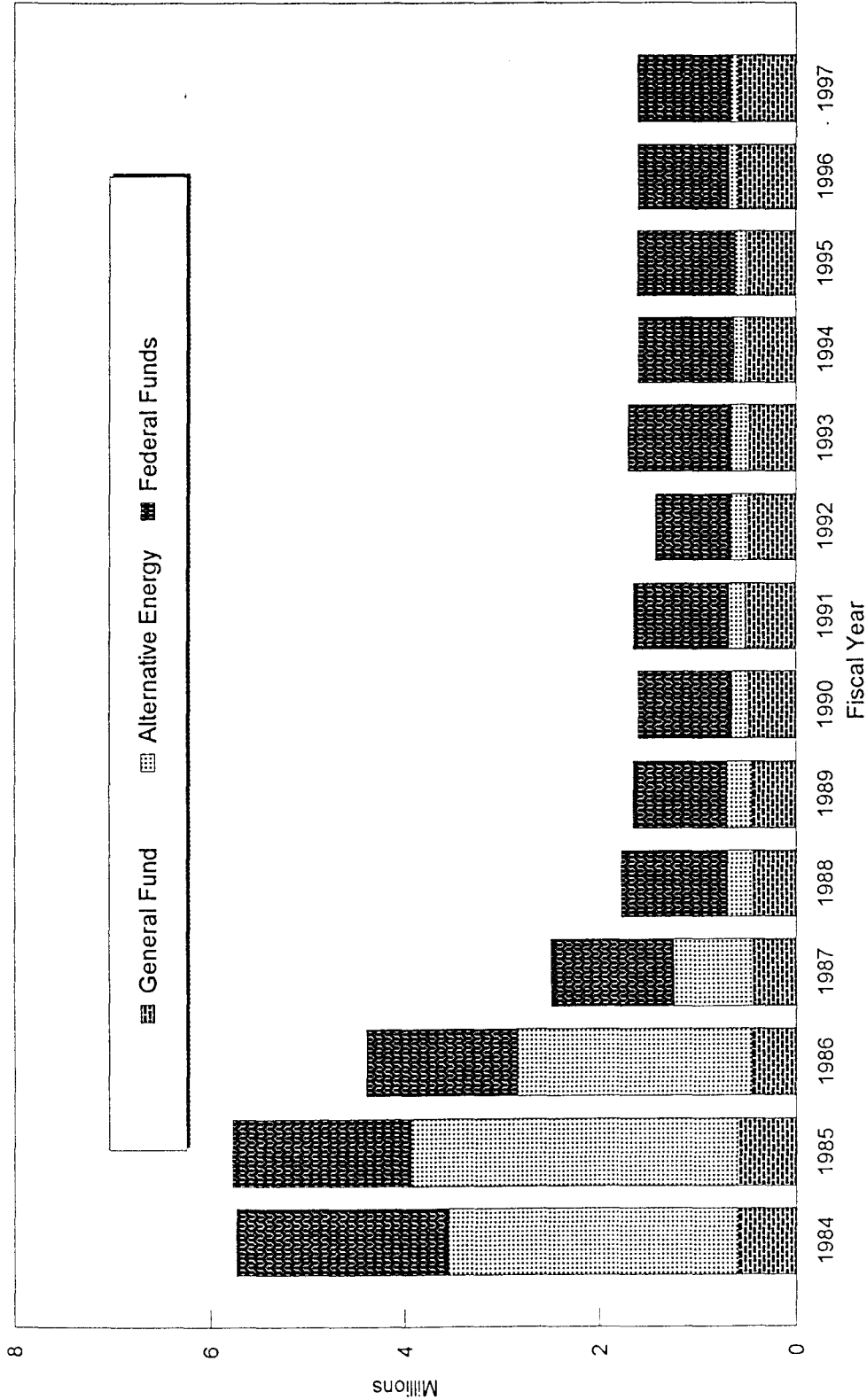
- ◆ The Natural Gas Procurement Program was initiated by DNRC and administered by the Department of Administration (DoA). The Program purchases natural gas from vendors and contracts with utilities for gas transmission to large state facilities, rather than taking higher cost traditional utility "bundled" service.
- ◆ The Program saved state government \$2.167 million in 1993 and 1994, and has saved \$2.8 million since it began in November, 1991.
- ◆ The Program, administered by the DoA Purchasing Bureau, serves 6 state facilities in Montana Power Company's (MPC's) service territory: Montana State University, University of Montana, Boulder Developmental Center, Montana State Hospital, Montana State Prison, and Montana State University Northern.
- ◆ The program also administers separate gas contracts for the Pine Hills School in Miles City, served by Montana-Dakota Utilities (MDU). Due to MDU's operating constraints, Pine Hills can't use the same supply contract as the other facilities.
- ◆ State facilities in MPC territory are currently using gas produced in Montana under a contract with Energy West (Great Falls Gas), for \$1.69/mmBtus (million Btus, approximately the same amount of gas as an mcf). This contract price ends September 1, 1995. The state will purchase approximately 750,000 mmBtus of gas in FY95, at a cost of about \$1.27 million.
- ◆ The state also purchases about 120,000 mmBtus of spot market gas annually for storage at MPC facilities, used primarily in extremely cold weather. The FY95 price of this gas was \$1.20/mmBtus, costing roughly \$140,000.
- ◆ The state has extended the contract with Energy West for the 1995-1996 season at a price of \$1.55/mmBtus. Energy West exercised a clause in the 1994 -1995 contract allowing them to offer a one year extension of the contract.

RELATED TOPICS

- ◆ DNRC intends to intervene in MPC's next gas rate case to represent the state's interest in maintaining an efficient rate structure. In particular, DNRC intends to pursue a reduction of the "threshold" or floor to qualify for MPC's transmission service, currently set at 60,000 mmBtu of gas annually, to allow:
 - ◆ Aggregation of state loads located within the same city (e.g., the Montana Tech Campus or the Capital Complex in Helena), so they could be served by the Procurement Program with significant cost savings.
 - ◆ Commercial compressed natural gas (CNG) vendors to take MPC's transmission service, reducing the price of CNG for consumers and making natural gas vehicles more cost effective, thus more widely used.

ENERGY DIVISION APPROPRIATIONS AND BUDGET REQUEST

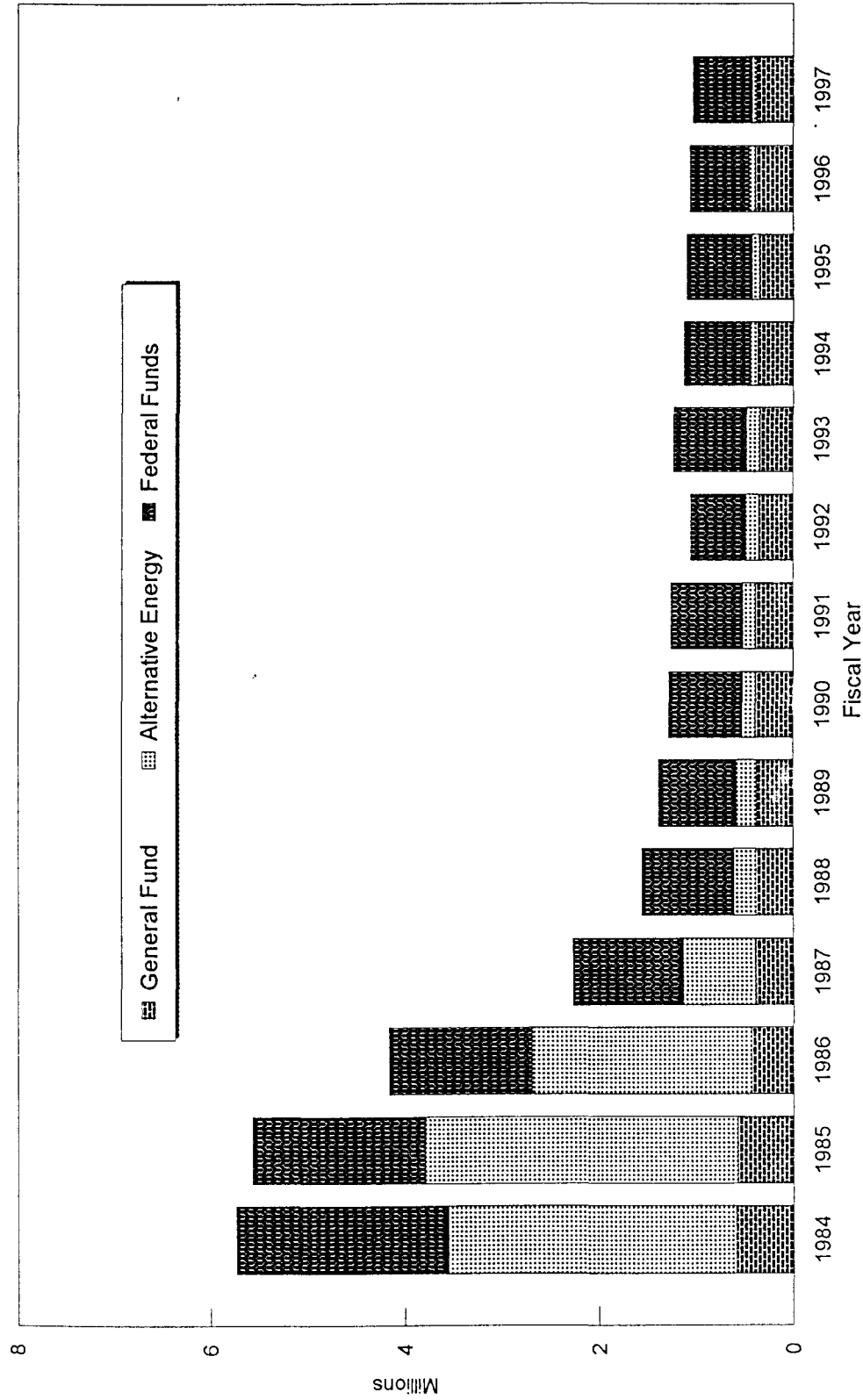
Nominal Dollars



The federal government is changing from formula-based to competitive funding. Because we have produced substantive energy results, DNRC has been more competitive, and since 1992 has received more grants to distribute to Montana businesses and institutions.

ENERGY DIVISION APPROPRIATIONS AND BUDGET REQUEST

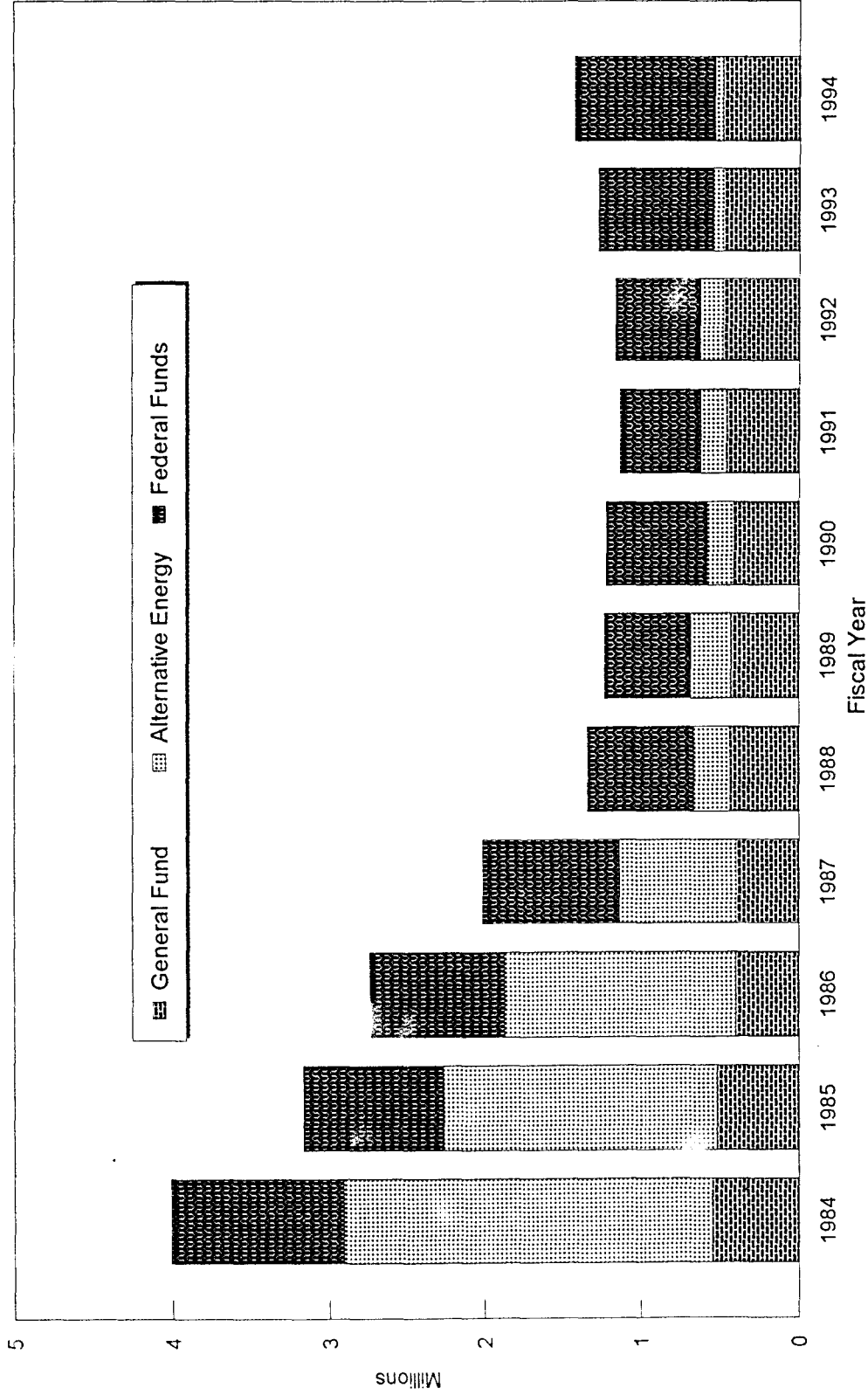
Constant (1984) Dollars



The federal government is changing from formula-based to competitive funding. Because we have produced substantive energy results, DNRC has been more competitive, and since 1992 has received more grants to distribute to Montana businesses and institutions.

DNRC, ENERGY DIVISION EXPENDITURES

Nominal Dollars



The federal government is changing from formula-based to competitive funding. Because we have produced substantive energy results, DNRC has been more competitive, and since 1992 has received more grants to distribute to Montana businesses and institutions.

ENERGY DIVISION APPROPRIATIONS AND BUDGET REQUEST

Nominal Dollars

EXHIBIT 5
DATE 2-15-95

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Alternative Energy</u>	<u>Federal Funds</u>	<u>Total</u>
1984	591,750	2,955,064	2,191,316	5,738,130
1985	596,449	3,336,614	1,845,505	5,778,568
1986	450,830	2,392,156	1,558,699	4,401,685
1987	435,581	802,620	1,258,979	2,497,180
1988	438,152	253,450	1,082,319	1,773,921
1989	451,118	252,336	948,841	1,652,295
1990	485,265	165,025	949,373	1,599,663
1991	513,572	163,603	968,318	1,645,493
1992	482,251	177,894	762,355	1,422,500
1993	479,859	182,149	1,043,863	1,705,871
1994	523,748	109,612	966,881	1,600,241
1995	509,385	110,652	990,442	1,610,479
1996	592,150	90,176	920,828	1,603,154
1997	592,514	71,429	944,790	1,608,733

ENERGY DIVISION APPROPRIATIONS AND BUDGET REQUEST

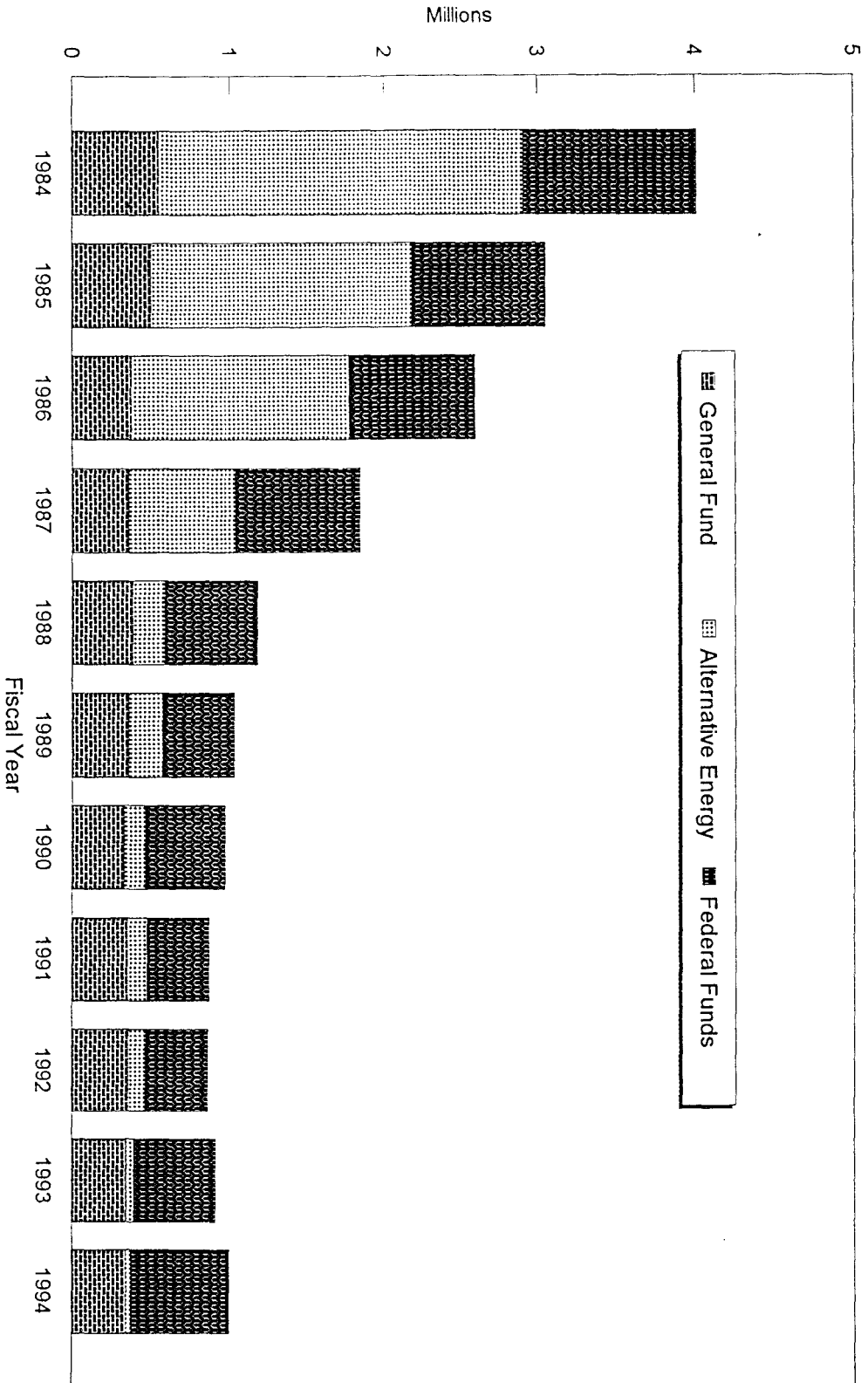
Constant (1984) Dollars

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Alternative Energy</u>	<u>Federal Funds</u>	<u>Total</u>
1984	591,750	2,955,064	2,191,316	5,738,130
1985	574,830	3,215,677	1,778,614	5,569,122
1986	426,950	2,265,448	1,476,138	4,168,536
1987	397,971	733,319	1,150,274	2,281,564
1988	385,054	222,735	951,157	1,558,946
1989	376,962	210,856	792,867	1,380,685
1990	387,390	131,741	757,891	1,277,021
1991	391,599	124,747	738,342	1,254,688
1992	356,701	131,581	563,882	1,052,163
1993	344,608	130,809	749,644	1,225,061
1994	366,977	76,802	677,470	1,121,250
1995	346,518	75,273	673,766	1,095,557
1996	391,088	59,557	608,165	1,058,810
1997	379,930	45,802	605,816	1,031,548

Note: Assume 3% Inflation Rate for FY1995 through FY1997

DNRC, ENERGY DIVISION EXPENDITURES

Constant (1984) Dollars



The federal government is changing from formula-based to competitive funding. Because we have produced substantive energy results, DNRC has been more competitive, and since 1992 has received more grants to distribute to Montana businesses and institutions.

DNRC, ENERGY DIVISION EXPENDITURES
Nominal Dollars

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Alternative Energy</u>	<u>Federal Funds</u>	<u>Total</u>
1984	546,380	2,362,580	1,102,752	4,011,712
1985	515,932	1,752,664	898,647	3,167,243
1986	397,427	1,474,690	868,783	2,740,900
1987	392,195	744,566	880,387	2,017,148
1988	435,142	228,148	680,249	1,343,539
1989	429,736	252,336	550,870	1,232,942
1990	413,056	164,945	645,312	1,223,313
1991	460,043	162,171	513,072	1,135,286
1992	480,577	142,670	540,315	1,163,562
1993	479,857	65,212	728,296	1,273,365
1994	483,644	49,748	891,413	1,424,805

DNRC, ENERGY DIVISION EXPENDITURES
Constant (1984) Dollars

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Alternative Energy</u>	<u>Federal Funds</u>	<u>Total</u>
1984	546,380	2,362,580	1,102,752	4,011,712
1985	497,232	1,689,138	866,075	3,052,445
1986	376,376	1,396,579	822,765	2,595,720
1987	358,331	680,277	804,371	1,842,980
1988	382,409	200,500	597,812	1,180,720
1989	359,094	210,856	460,316	1,030,267
1990	329,745	131,677	515,157	976,579
1991	350,783	123,655	391,217	865,656
1992	355,462	105,527	399,648	860,638
1993	344,606	46,832	523,021	914,459
1994	338,878	34,857	624,591	998,326

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Natural Resources Sub COMMITTEE BILL NO. _____
DATE 2/15 SPONSOR(S) _____

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
<i>Steve White</i>	<i>NR</i>		
<i>Y. A. ...</i>		<i>-</i>	
<i>1. Ray Beck</i>	<i>LH</i>	<i>✓</i>	
<i>Ray Beck</i>	<i>"</i>	<i>✓</i>	
<i>Mike ...</i>	<i>DNRC ...</i>	<i>-</i>	
<i>Barry Wharrior</i>	<i>At. ... Control</i>	<i>✓</i>	
<i>Van ...</i>	<i>DNRC - Energy ...</i>	<i>✓</i>	
<i>Mark Simon</i>	<i>DNRC</i>	<i>-</i>	
<i>...</i>	<i>...</i>	<i>-</i>	

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