MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By **CHAIRMAN ERNEST BERGSAGEL**, on January 12, 1995, at 8:00 A.M.

ROLL CALL

Members Present:
Rep. Ernest Bergsagel, Chairman (R)
Sen. Ethel M. Harding, Vice Chairman (R)
Sen. B.F. "Chris" Christiaens (D)
Rep. Matt McCann (D)
Rep. Tom Zook (R)

Members Excused: None

Members Absent: None

Staff Present: Nan LeFebvre, Office of the Legislative Fiscal Analyst
Jane Hamman, Office of Budget & Program Planning
Tracy Bartosik, Committee Secretary

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

Committee Business Summary:

Hearing: RESOURCE INDEMNITY TRUST GRANTS - HB 7
- Overview of Reclamation and Development Grant Program
- Board of Oil and Gas
- Department of State Lands
- Lewis & Clark County/City of Helena
- Montana State University
- Department of Health and Environmental Sciences

Executive Action: None

{Tape: 1; Side: A; Approx. Counter: 000; Comments: n/a.}

HEARING ON HB 7
INTRODUCTION AND OVERVIEW
RECLAMATION AND DEVELOPMENT GRANT PROGRAM (RDGP)

John Tubbs, Bureau Chief, Resource Development Bureau, Department of Natural Resources and Conservation (DNRC), gave a overview of

the Reclamation and Development Grant Program, and DNRC's role in that program.

He stated that funding for RDGP is provided by interest earnings from the Resource Indemnity Trust (RIT) fund. Statute establishes a minimum funding level of $3 million for reclamation and development grants, and $2 million for the renewable resource grant and loan program. These funding levels were established last session when **REP. ERNEST BERGSAGEL** sponsored HB 608 and the legislature made it law. He said without this legislation, he believes there would not be either of those programs this session, at least at any viable level. **EXHIBIT 1**

REP. MATT McCANN asked what the line item is for the Tongue River Damn Project. **Mr. Tubbs** replied the Tongue River Dam Project receives funding from two sources; $500,000 from the water storage account, and additional money from the DNRC state water projects fund.

Jane Hamman, Office of Budget and Program Planning, said in regard to the RIT deficit that some adjustments need to be made. She also said time needs to be spent with the staff responsible for the different agencies, and the deficit probably isn't very material.

CHAIRMAN BERGSAGEL asked where the metal mine proceeds are going. **Mr. Tubbs** said 15.5% are deposited into the RIT trust, and 25% into the general fund. Another portion is provided to the counties.

Mr. Tubbs described the Reclamation and Development Grants Program (RDGP). He also explained the booklets he provided to the committee. **EXHIBITS 2 and 3** **Mr. Tubbs** overviewed the grant process, which has been outlined in one of the booklets (see pages 2 and 3 of Exhibit 2).

At **CHAIRMAN BERGSAGEL'S** request, **Mr. Tubbs** gave the committee a brief progress report of projects approved by the last legislature (see pages 54 and 55 of Exhibit 2).

{Tape: 1; Side: B}

SEN. CHRIS CHRISTIAENS asked where the interest earnings go on money appropriated but not expended. **Mr. Tubbs** explained the interest earnings are deposited into the general fund.

CHAIRMAN BERGSAGEL asked where the money goes, if there is money left over after the department has distributed all of the grants. **Mr. Tubbs** said it goes to boost the beginning fund balances for the new programs.

Note: Descriptions of the following projects can be found in the Appendix section of the "Reclamation and Development Grants Program" booklet (see Exhibit 3, 1-12-95).

HEARING ON HB 7
BOARD OF OIL AND GAS

Tom Richmond, Board of Oil and Gas (BOGC), gave an overview of the projects they will be presenting and a progress report on last session's projects.

CHAIRMAN BERGSAGEL requested clarification on how the wells are plugged. **Mr. Richmond** said on many wells, the records are not very clear so once the well is entered they can run into almost anything. To get a plug deep enough that will hold back the formation pressures sometimes requires quite a bit of work, and can, on occasion, get to be very expensive - even over budget. If everything goes well, they can re-enter a well, possibly with a drilling rig. At that point the well is killed with heavy muds, making sure there is no fluid migration or gas coming to the surface. Then cement plugs are used between intervals. At the surface a cap or a marker is used.

CHAIRMAN BERGSAGEL asked how much money the BOGC spends on plugging gas and other wells. **Mr. Richmond** said approximately $100,000 to $150,000 of the department's own money, which comes from oil and gas production damage mitigation.

In response to a question from **CHAIRMAN BERGSAGEL, Mr. Richmond** stated there is a procedure to have unbonded wells. The wells have to have been drilled after June 30, 1989, and the operator has to have paid into the RIT tax for at least two consecutive quarters. There is also a charge of $125. He said the bonding requirements were raised by the Board a couple of years ago. They are now $5,000 for one shallow well, $10,000 for one deep well (the difference between a shallow and a deep well is 3,500 feet), and there is also a $25,000 blanket bond that will cover every well that an operator has in the state. Many of the old bonds are still in operation.

In response to another question by **CHAIRMAN BERGSAGEL, Mr. Richmond** said there are approximately 6,000 wells in Montana which are not producing, and even in a good year, only 10 or 20 are plugged.

Devil's Basin Project (page 4)

Mr. Richmond showed the committee slides in relation to the Devil's Basin Project. He said the purpose of this request is to provide funding to properly plug and abandon 17 orphaned oil wells in the Devil's Basin field and two wells east of Sidney, and to perform the surface reclamation. The wells are over-pressured, and several are leaking oil and water to the surface. These wells will continue to create surface damage and substantial groundwater contamination.

{Tape: 2; Side: A}

In response to a question by **SEN. CHRISTIAENS, Mr. Richmond** said the cost of plugging a well is almost always an issue of depth.

REP. McCANN asked if the wells have casing all the way to the bottom. **Mr. Richmond** said many have casing all the way down, and all have surface casing.

South Cut Bank Field - Project "A" (page 8)

Mr. Richmond showed slides of this project, and provided the committee with a brief overview of it.

REP. McCANN asked what the bond would pay for. **Mr. Richmond** said the bond in this case would probably cover the plugging of one of the wells, and pay for partial plugging of the second well. This is possible because there is another operator involved, so the BOGC will collect two bonds for this project. There are actually six wells on this property. Two ejection wells are currently being plugged.

REP. McCANN asked if the wells in Montana in need of plugging could be helped by putting valves on top to stop the leakage. **Mr. Richmond** said one concern is, of course, possible leaking to the surface, but another concern is the possibility of it leaking into groundwater through holes in the casing or from corrosion. Valves wouldn't stop this.

Mr. Richmond said there is a new guidance document from the American Petroleum Institute regarding the risk assessment of abandoned and temporarily abandoned wells. The BOGC has bee trying to implement this guidance document over the last six months or so. Part of the risk assessment includes looking at the capability of the well to lift water to an aquifer, and the levels of protection between the well fluid and the aquifer. The high wells are those which have the capability to lift fluid to an aquifer, and where there is only one level of protection. Many of the wells BOGC is dealing with only have one level of protection.

Mr. Richmond said the bill which gave the BOGC priority on the two Cut Bank projects apparently prohibited them from recovering their direct costs in administering those grants. He asked the committee if something could be done about that. He also stated that this prohibition only applies to these two grants. An example of a direct cost he gave was the salary for individuals the BOGC hired to work on oil rigs. This can easily be an 18 hour per day job. The BOGC prefers to pay them overtime, otherwise the employees qualify for time plus one-half compensation.

CHAIRMAN BERGSAGEL said the committee would take this up during executive action.

John Tubbs, DNRC, referred to page 7 of the appendix booklet (see Exhibit 3) in which it says "The project should be funded with $300,000 under the condition that no funds will be used for Board staff or other general operating expenses." **Mr. Tubbs** said this is taken basically from the statute in that it gave the priority in terms of the $300,000, but with that priority came the provision that the funds couldn't be used for personnel services or general operating expenses. **Mr. Tubbs** explained that if the BOGC has operating expenses that are directly associated with that well, for example, travel to and from the site, then those would be reimbursable statutorily. Reimbursements for time are not covered in statute, however matching funds would probably be acceptable.

CHAIRMAN BERGSAGEL said it looks as if a statutory change is needed and he also said this committee probably wouldn't be able to help with that this session. If the changes are made, however, some level of accountability on the part of the BOGC will need to be secured.

REP. McCANN asked if there are wells that are seeping above ground. **Mr. Richmond** said there is some seeping to the surface in Devil's Basin, but not in the Cut Bank area yet. Wells that have pressure on them are expensive to deal with, especially on an emergency basis.

HEARING ON HB 7
MONTANA DEPARTMENT OF STATE LANDS

Oil Well Abandonment (page 16)

Eric Sears, Petroleum Engineer, Department of State Lands (DSL), said the mission of the Department is to administer lands held in trust for the benefit of the common schools, and other institutions. This includes the management of our resources and reducing the state's liabilities. The Department began involvement in the oil well abandonment project in 1993. This was due to funding obtained via the grant program in 1991. Thirty-two wells were abandoned, and the sites were reclaimed. A review of the unbonded wells near the abandonment projects revealed the potential of nine more wells to be abandoned. Some funding remained and was returned to the grant program for use in other projects. the success of the previous project prompted the Department of State Lands to continue oil well abandonment projects.

CHAIRMAN BERGSAGEL asked who owns the mineral rights on the state land. **Mr. Sears** said surface and mineral rights belong to the state of Montana.

CHAIRMAN BERGSAGEL asked if the state is done with any mineral activity after the wells are plugged. **Mr. Sears** replied the

department doesn't abandon the well. If another operator feels they can utilize and make use of the well, the Department will certainly let them do so. **CHAIRMAN BERGSAGEL** asked if the department allows for the collection of enough money, either through bonding or a special fund, to plug the wells by the operator in the future. **Mr. Sears** said because of a law passed in 1969, the department is not allowed to do that. This applies to all state lands.

HEARING ON HB 7
LEWIS AND CLARK COUNTY/CITY OF HELENA

Tenmile Mine Site Reclamation (page 18)

Vivian Drake, Lewis and Clark County Water Reclamation Council, gave a brief overview of the project. She explained that a mudslide during the summer of 1993 slid into and contaminated Tenmile Creek. The Tenmile Creek Water Treatment Plant is located approximately one mile downstream from the slide area. Besides creating turbidity during periods of high runoff, toxic and heavy metals contained in the slide materials continue to pollute Tenmile Creek. These pollutants include arsenic, lead, cadmium, and zinc. Acidic leachate from the tailings slide continues to pose an imminent threat to water and aquatic life in the creek.

{Tape: 2; Side: B}

SEN. CHRISTIAENS asked what has been done to prevent future damage. **Ms. Drake** said the Department of State Lands has done many analyses on the site, and the site has been studied extensively in addition to that. **SEN. CHRISTIAENS** questioned the potential for further damage to the site. **Ms. Drake** said the mine site is poised right above the stream. Every time there is rain, there is increased turbidity that reaches the water treatment plant.

Leonard Willit, Water Production Supervisor, City of Helena, said when the mudslide flows into the creek, the primary intake for Tenmile Water Treatment Plant is on that supply. If it rains a little the plant operator or the computer increases the chemicals, which is costly to the consumers of Helena. If it gets bad, or continues to rain, the supply simply has to be shut off and Helena must be supplemented with the other plant on the Missouri River. Another option is to simply try to treat it with increased amounts of chemicals. When the mudslide occurred in July, the source simply couldn't be used.

CHAIRMAN BERGSAGEL asked how much of the problem is related to this particular mine site. **Mr. Willit** said all of it is. Prior to the slide in July, the source could be used during heavy rain. Now it cannot.

In response to a question by **CHAIRMAN BERGSAGEL, Mr. Willit** said the other mines around this site do not have as big of an impact to the Tenmile Water Treatment Plant, although they are still a threat.

Jack Stults, City Commissioner, City of Helena, testified in support of this grant request, and emphasized that the City of Helena places this issue as a very high priority.

CHAIRMAN BERGSAGEL asked what the total contribution of the City of Helena and Lewis and Clark County is to this project. **Mr. Stults** said roughly $40,000. **CHAIRMAN BERGSAGEL** said the total project cost is approximately $350,000, and DNRC is theoretically "kicking in" $100,000. He asked where the balance is going to come from. **Mr. Tubbs** said when the grant application was submitted, one of DNRC's staff engineers visited the site. An issue that reduced DNRC's recommended funding level was they felt the quantities of materials had been overstated in the application. The grant was reduced based on that factor, as well as prioritizing the sediment that is getting into the stream as the top priority. DNRC feels the $100,000 is adequate to fix that part of the problem.

Mike Griffith, County Commissioner, Lewis and Clark County, voiced his support of the project on behalf of Lewis and Clark County.

Lowell Hanson, Engineer, said he aided the City of Helena with preparing the grant application, and has been involved in mine reclamation since 1981. **Mr. Hanson** said, "We have the EPA and DHES involvement, but those agencies can also go to the City of Helena and say 'You're not meeting water quality standards', in which case the city is caught in between." He asked the committee to support the grant request.

CHAIRMAN BERGSAGEL read to the committee a letter of support from **Kenneth Phillips, mine claim property owner, Helena. EXHIBIT 4**

{Tape: 2; Side: B; Approx. Counter: 630; Comments: .}

HEARING ON HB 7
MONTANA STATE UNIVERSITY

Clean Tailings Reclamation (page 22)

Frank Munshower, Director, Reclamation Research Unit, Montana State University, said the group's research money is derived from competitive grants and private industry, and from state programs such as the RDGP. This grant addresses the rehabilitation of abandoned mine and smelter wastes that are acid generated, contain metal levels that are toxic to plants and possibly animals, and are devoid of any vegetation. Pyrites oxidize and produce acid, which contributes to other problems on these

wastes, such as devolving heavy metal particles that are found in the ore that was originally ground, and these metals then produce further toxicities. These metals are present in the materials and may be found in soluble concentrations that are toxic to plants and or animals. **Mr. Munshower** then showed the committee slides as examples of this fact, and of some of the amendment mixing techniques.

Mr. Munshower explained that the proposed Clean Tailings Reclamation (CTR) approach uses field deplorable mineral separation technologies to remove sulfide mineral contaminants from tailings material, followed by vegetative stabilization of the cleaned tailings material with adapted plants. By cleaning tailings of sulfide minerals, lime application rates for neutralization of tailings acid generation will be dramatically decreased resulting is substantial cost savings over conventional reclamation approaches. **Mr. Munshower** said it is anticipated that CTR technology will result in cost-effective, permanent tailings reclamation which reduces human health and environmental risk through removal of heavy metal contaminants. This research will be conducted in two steps, an initial laboratory and greenhouse experiment and field demonstration. The project will take 24 months to complete. **Mr. Munshower** also said they can hire private contractors to recover any metallic waste, then sell the recovered product.

SEN. CHRISTIAENS asked if this method would work on extremely large sites. **Mr. Munshower** said it would.

In response to a question from **CHAIRMAN BERGSAGEL, Mr. Munshower** said this technology would probably be applicable to rock that has been ground.

{Tape: 3; Side: A

HEARING ON HB 7
DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

Nonpoint Source Pollution Control (page 28)

Jack Thomas, Water Quality Division, Department of Health and Environmental Sciences, said this application requests $300,000 to apply to a continuation of the Nonpoint Source Program for projects across the state of Montana. Nonpoint source pollution is typically industrial and municipal discharges coming out of a pipe and discharging into a river. In Montana approximately 90% of the pollution is attributed to nonpoint sources, and 10% to point sources. The Department has implemented primarily a non-regulatory program utilizing part of the State Water Quality Act and the Federal Water Quality Act. The Department originally chose to focus on the three biggest sources of nonpoint pollution, which are agriculture, forestry and mining, and stream alterations. Under section 319 of the federal Clean Water Act, a

60% federal and 40% state match is required. **Mr. Thomas** said in the past five years the state has received approximately $5.5 million through section 319 from the EPA to implement the program.

Mr. Thomas said the funds they are requesting will serve as leverage for federal 319 matching funds and private contributions obtained by the Water Quality Bureau. He gave five examples of pending projects. These are: 1) Watershed projects - planning and implementation of watershed plans to address priority water quality problems. 2) Demonstration projects showing new BMP technology. 3) Nonpoint source waterbody assessments and water quality monitoring of selected waters. 4) Watershed planning for total resource management. 5) Capacity building for conservation districts and other local watershed project sponsors.

SEN. CHRISTIAENS asked what can be done with salinity streams. **Mr. Thomas** said the Department is working with the Montana Salinity Control Association and setting up monitoring wells to find out where the excess water is coming from, whether from groundwater sources or canals. The crops that are put on that land are not able to use all of the moisture. Cropping systems and different types of crops are being looked at.

{Tape: 3; Side: A; Approx. Counter:340;}

CHAIRMAN BERGSAGEL asked about the other sources of income for the program. **Mr. Thomas** said the federal sources have provide $5.5 million. The RDGP grants total approximately $750,000 over the last three bienniums, if this grant is approved. He also said this year they may receive $1.6 million from EPA, but in order to do that they have to get about $1 million from the programs, then they will go back and utilize the last $300,000 the department received last year for this program. The Department will also utilize some mining and reclamation projects to complement that.

CHAIRMAN BERGSAGEL questioned how much they had spent on education. **Mr. Thomas** said they've spent approximately $7,500 from RDGP money. The pamphlets are available through the conservation districts and extension offices. They will be available to every county in the state. **CHAIRMAN BERGSAGEL** complimented the Department on that effort toward education.

Mike Volesky, Executive Director, Montana Association of Conservation Districts, testified in support of this grant request for nonpoint pollution control.

{Tape: 3; Side: A; Approx. Counter: 595}

Superfund Geographic Information System (GIS) (page 35)

James Hill, Department of Health and Environmental Sciences, submitted overview written testimony from the department. **EXHIBIT 5**

Allan Cox, Director, Natural Resource Information System, Montana State Library, presented additional information and examples of maps provided by the geographic information system (GIS). **EXHIBIT 6**

CHAIRMAN BERGSAGEL asked for the estimated dollar amount that has been spent on Superfund clean-up so far. **Neil Marsh, Manager, Superfund Program,** said ARCO has estimated that through the end of calendar year 1995 they will have invested approximately $300 million. The state has spent approximately $15 million. He guessed EPA's involvement at around $40 to $50 million. In response to a question by **CHAIRMAN BERGSAGEL, Mr. Marsh** said the clean-up is approximately 50% complete.

ADJOURNMENT

Adjournment: 12:45

ERNEST BERGSAGEL, Chairman

for TRACY BARTOSIK, Secretary

EB/tb

RIGWA TAX

RIT TRUST

Flow of Funds for the RIGWAT and RIT Trust Interest Earnings FY 96-97

Source: Department of Natural Resources and Conservation
Phone #444-6667

Ray Beck, Administrator
Anna Miller, Financial Advisor
John Tubbs, Bureau Chief

EXHIBIT 1
DATE 1/12/95
SB HB 7

ALLOCATION OF RIT PROCEEDS AND INTEREST

1997 Biennium

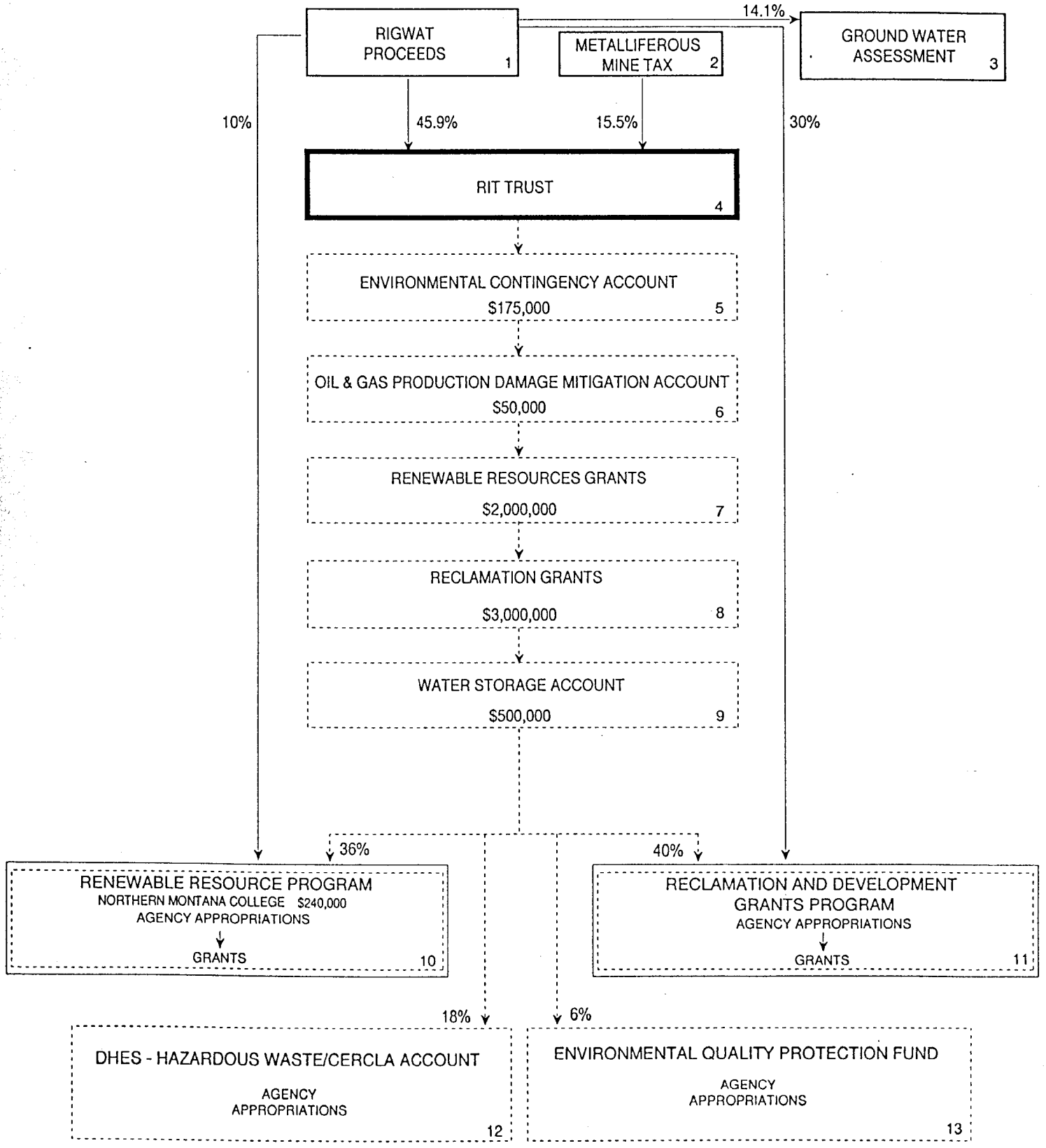


EXHIBIT 1
DATE 1-12-95
HB 7

1 The Resource Indemnity Ground Water Assessment Tax (RIGWAT) is a 0.5 percent tax of the gross value of the product of all mineral mining. The tax was originally created in 1973. Mineral production including oil, natural gas, coal, metals (gold, silver, copper, lead), talc, vermiculite, limestone and other "nonrenewable merchantable products extracted from the surface or subsurface of the state of Montana (15-38-103) are taxed. The purpose of the tax is to "protect and restore the environment from damages resulting from mineral development; to support a variety of development programs that benefit the economy of the state and the lives of Montana Citizens; and to assess the state's ground water resources." (15-38-102, MCA)

2 The Metalliferous Mine Tax is a tax on "annual gross value of product" of all metal mine production or precious or semiprecious gem or stone production (15-37-101 et. seq.). The tax rate is 1.81 percent of the annual gross value over $250,000 for concentrate shipped to a smelter, mill, or reduction work (15-37-103, MCA). For gold silver or any platinum-group metal that is dore, bullion, or matte and that is shipped to a refinery, the tax rate is 1.6 percent of the annual gross value over $250,000 (15-37-103, MCA). A 15.5 percent portion of the metalliferous mine tax is deposited into the RIT trust. The remaining 84.5 percent is distributed to several areas including the general fund, a hard-rock mining impact trust, and impacted counties.

3 The Ground Water Assessment Account was created in 1991 (85-2-901 et. seq., MCA). The purpose of the account is to fund a statewide ground water assessment program that will monitor quantity and quality of the state's ground water. The statute allocates 14.1 percent or a maximum of $666,000 per year of the RIGWAT proceeds to this account. The program is staffed by the Bureau of Mines and Geology in Butte. An oversight committee reviews all expenditures, approves monitoring sites, prioritizes areas, coordinates information, and evaluates reports.

4 The Resource Indemnity Tax trust was created in 1973. RIGWAT (45.9%) and Metalliferous Mine Tax (15.5%) proceeds are deposited into the trust. Prior to 1991, 100 percent of the RIGWAT proceeds were deposited into the trust. No funds that are deposited into the trust can be spent until the total deposits exceed $100 million. This protection is provided in Article IX, Section 2 of the Montana constitution. Trust fund proceeds are invested and the interest earnings are distributed to several natural resource programs.

5 The Environmental Contingency Account was created in 1985 (75-1-1101 et. seq., MCA). The Governor has the authority to approve expenditures from this account to meet unanticipated public needs. Specifically, the statute limits projects to the following objectives: (a) to support renewable resource

development projects in communities that face an emergency or imminent need for the services or to prevent the failure of a project; (b) to preserve vegetation, water, soil, fish, wildlife, or other renewable resources from an imminent physical threat or during an emergency, not including natural disasters or fire; to respond to an emergency or imminent threat to persons, property, or the environment caused by mineral development; and to fund the environmental quality protection fund. Each biennium $175,000 of the RIT trust interest earnings are allocated to this account. The balance in this account cannot exceed $750,000.

6 The Oil and Gas Production Damage Mitigation Account was created in 1989 (85-2-161, MCA). The Board of Oil and Gas Conservation may authorize the payment for the cost of properly plugging a well and either reclaiming and/or restoring a drill site or other drilling or producing areas damaged by oil and gas operations. The site must be abandoned and the responsible person either cannot be identified or refuses to correct the problem. Each biennium $50,000 of the RIT trust interest earnings are allocated to this account. The balance in this account cannot exceed $200,000.

7 Renewable Resource Grants receive $2 million in RIT trust interest earnings. The Renewable Resource Grant and Loan program was created in 1993 by combining the Renewable Resource Development program and the Water Development program. The Renewable Resource Development program was originally established in 1975. The Water Development program was originally established in 1981. The purpose of the grant program is to fund projects that conserve, develop, manage, and preserve water and other renewable resources. The program provides preference to projects that support the state water plan. Projects include construction and rehabilitation of existing water supply systems and waste water systems, educational efforts, feasibility studies, development of water storage, enhancement of renewable resources including recreation, reduction and advancement of agricultural chemical use, and improvement of water use efficiency (85-1-602, MCA).

8 The Reclamation Development Grants Program was originally established in 1987. The purposes of the program are to: (a) repair, reclaim, and mitigate environmental damage to public resources from nonrenewable resource extraction; and (b) to develop and ensure the quality of public resources for the benefit of all Montanans (90-2-1101, MCA). Projects have ranged from plugging abandoned oil and gas wells, reclaiming mine sites, non-point source pollution control projects, researching new technologies for mine waste clean-up, conducting ground water studies to determine the extent of contamination, and cleaning up pesticide contamination. A minimum of $3 million of RIT trust interest earnings are allocated for these grants.

EXHIBIT 1
DATE 1-12-95
HB 7

9 The Water Storage Account was established in 1991 (85-1-701 et. seq., MCA). The purpose of the account is to provide funding for projects that rehabilitate existing water storage facilities or develop new ones. Priority is given to high hazard, unsafe dams. Each biennium $500,000 of RIT trust interest earnings are deposited into this account. Currently, the only project to receive water storage account funding is the rehabilitation of the state owned dam on the Tongue River in eastern Montana.

10 The Renewable Resource grant and loan Program state special revenue account receives 36 percent of the remaining interest earnings from the RIT trust and 10 percent of the RIGWAT proceeds. This special revenue account also receives revenue from state water projects, excess deposits in the renewable resource debt service account, and other administrative fees. The revenues are used to fund natural resource agency projects and administration including DNRC, Governor's Office, Water Court and the State Library.

11 The Reclamation and Development Grant Program state special revenue account receives 40 percent of the remaining RIT trust interest earnings and 30 percent of the RIGWAT proceeds. The revenues are used to fund natural resource agency projects and administration including DNRC, DSL, State Library, and EQC.

12 The Hazardous Waste CERCLA Account is administered by the Department of Health and Environmental Sciences. (CERCLA stands for the federal Comprehensive Environmental Response, Compensation, and Liability Act). This account receives 18 percent of the remaining RIT trust interest earnings. The account was established in 1983 and is to be used to make payments on CERCLA bonds, implementation of the Montana Hazardous Waste Act, and to provide assistance in remedial action under CERCLA.

13 The Environmental Quality Protection Fund was established in 1985 and is administered by the Department of Health and Environmental Sciences. This account receives 6 percent of the remaining RIT trust interest earnings. The purpose of this account is to provide funding for remedial actions taken by the department in response to a release of hazardous or deleterious substances.

RIGWAT PROCEEDS, RIT TRUST INTEREST EARNINGS, AND EXPENDITURES
1997 Biennium

RIGWAT PROCEEDS PROJECTIONS	RIGWAT Proceeds	Metal Mine Tax Proceeds	Deposits To RIT Trust	Trust Balance
FY 95	$2,979,674	$797,469	$2,463,107	$91,776,719
FY 96	3,041,004	872,800	2,268,621	94,045,340
FY 97	3,030,203	823,029	2,213,892	96,259,232

RIT TRUST INTEREST EARNINGS PROJECTIONS	FY96	FY97	TOTAL
	7,703,657	7,763,086	15,466,743

TOTAL 1995 BIENNIUM ALLOCATION OF RIT INTEREST EARNINGS		$15,466,743
Environmental Contingency Account	$175,000	
Oil & Gas Production Damage Mitigation Account	50,000	
Renewable Resource Grant & Loan Program	2,000,000	
Reclamation & Development Grants	3,000,000	
Water Storage Account	500,000	
TOTAL BIENNIAL APPROPRIATIONS		5,725,000
AMOUNT AVAILABLE FOR FURTHER DISTRIBUTION		9,741,743

Distribution of Remaining Interest Earnings

Account	Renewable Resource	Reclamation & Development	Hazardous Waste/ CERCLA	Environmental Quality Protection	TOTAL
Percent Distribution of RITT Interest	36%	40%	18%	6%	100%
Beginning Balance	$572,226	$212,524	$968,414	$841,669	$2,594,833
Revenues					
RIT Interest	$3,507,027	$3,896,697	$1,753,514	$584,505	$9,741,743
RIGWAT Proceeds	607,121	1,821,362			$2,428,483
Debt Service Sweep (04011 and 04008)	919,444				919,444
RRD Loan Repayments	238,900				238,900
Interest (STIP)			120,000	120,000	240,000
Cost Recoveries			514,000	1,237,000	1,751,000
Administrative Fees	10,000				10,000
State Owned Project Revenue	459,290				459,290
Total Funds Available	$6,314,008	$5,930,583	$3,355,928	$2,783,174	$18,383,693
Appropriation					
Montana State University, Havre	240,000				240,000
DNRC Centralized Services Division	875,245	154,001			1,029,247
DNRC Conservation and Resource Development	649,931	1,185,566			1,835,497
DNRC Water Resources Division	1,737,971	2,051,709			3,789,680
Reserved Water Rights Compact Commission	131,638	534,516			666,154
DNRC State Water Projects	1,690,000				1,690,000
DSL Reclamation Division		2,082,177			2,082,177
DSL Central Management		78,085			78,085
DHES Environmental Division			3,415,016	2,802,350	6,217,366
DHES Radon		50,000			50,000
Governor's Office -- Flathead Basin Commission	80,082				80,082
Water Court	1,024,296				1,024,296
State Library	322,007	285,036			607,043
Environmental Quality Council		28,083			28,083
Pay Plan					0
Total Appropriations	$6,751,170	$6,449,174	$3,415,016	$2,802,350	$19,417,710
Projected Biennium Ending Balance	($437,162)	($518,590)	($59,088)	($19,176)	
Potential Allocation of Metal Mines Tax	$169,583	$508,749			
Projected Balance with Allocation of Metal Mine Tax	($267,579)	($9,842)	($59,088)	($19,176)	

Source: LFA Report to Legislature; Corrected 1/7/95

01/08/95

EXHIBIT 2
DATE 1-12-95
HB 7

Report to the Legislature

Montana Department of Natural Resources and Conservation

January 1995

Reclamation and Development Grants Program

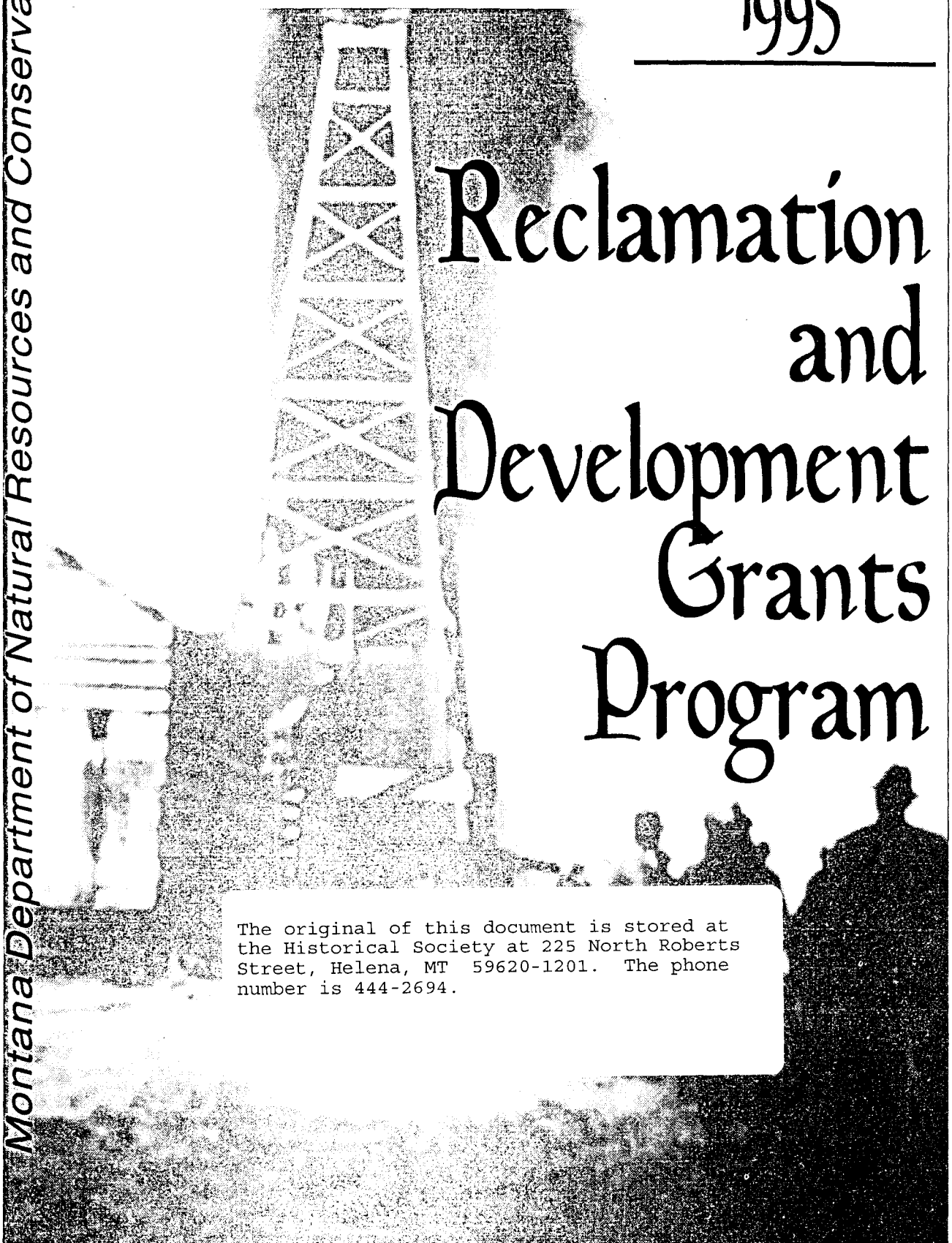
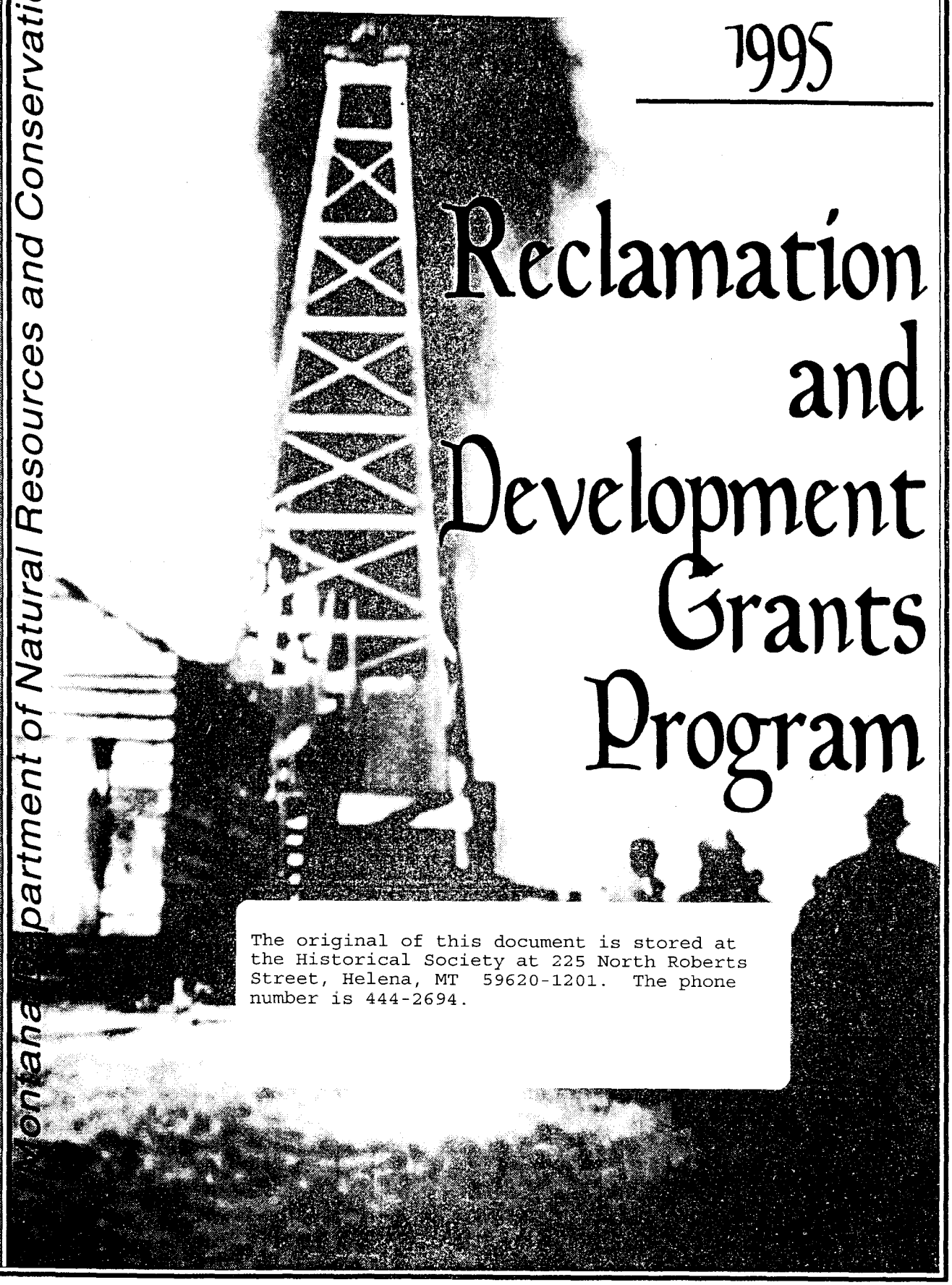


EXHIBIT 3
DATE 1-12-95
SB 7

January
1995

Reclamation and Development Grants Program



Appendix to Report to the Legislature

Montana Department of Natural Resources and Conservation

725 Hillsdale
Helena, MT 59601
January 10, 1995

EXHIBIT 4
DATE 1-12-95
HB 7

Viviane Drake
Helena Water Quality
Protection District
PO Box 1723
Helena, MT 59624

Re: Bunker Hill Mine Adit Blowout

Dear Ms. Drake:

I am writing to you in support of the Ten Mile Grant Project and the above referenced site. I own 15 acres less than a quarter of a mile from the above referenced site. I strongly support the City/County's efforts to reclaim some of these old mine sites in the Ten Mile drainage. There are a number of abandoned mine sites in this drainage contributing pollutants to Helena's drinking water supply.

I'd like to see more grants available to address the problems we see in this drainage. Not only are some of these sites an evironmental problem but many have safety concerns (adits, air shafts, etc.) associated with them. Reclamation can remove these hazards and make the sites safe for use again.

My property is two old mining claims. One of the claims had a mine shaft that was reclaimed in 1989 by the State Abandoned Mine Reclamation Program. Now the area is a vegetated hillside that is safe for use by wildlife and doesn't pollute the creek just below it. I've noticed that some locals are using it for a sleding hill lately.

I strongly support your efforts to obtain grant monies for the Bunker Hill Mine Adit Blowout. I'll be looking forward to seeing reclamation activities out there in the near future.

Sincerely,

Kenneth Phillips

EXHIBIT 5
DATE 1-12-95
HB 7

TESTIMONY IN SUPPORT OF SUPERFUND GEOGRAPHIC INFORMATION SYSTEM

January 12, 1995

Testimony provided by the Department of Health and Environmental Sciences Superfund Program. For additional information, contact:

- Curt Chisholm 444-2544
- Neil Marsh 444-1420
- James Hill 444-1420

Background

Mining has been the primary industry for the past 100 years within the upper Clark Fork River watershed. Widespread contamination has occurred as a result of these mining and related activities. Four sites in the area are currently on the National Priority List, including Silver Bow Creek, Montana Pole, Anaconda Smelter and Milltown Reservoir.

The four Superfund sites in the upper Clark Fork Basin comprise the largest Superfund complex in the country. The area includes over 150 miles of contaminated surface water and more than 10,000 acres of contaminated land. In addition to the Superfund cleanup action, the State is pursuing a multi-million dollar lawsuit against the primary responsible party for damages to natural resources in the Clark Fork Basin.

The Clark Fork Data System Project was implemented in 1987 to organize and manage the data generated relative to the cleanup efforts on these sites. A geographic information system (GIS) component was implemented through a contract with Montana State Library to manage the massive amount of spatial data involved and to respond to mapping and spatial analysis needs.

The unique capabilities of the GIS are utilized for applications such as: cartographic portrayal of data; modeling of most likely contaminant deposition areas, modeling of transport of hazardous substances through surface and groundwater; identification of priority sites for cleanup efforts; identification of areas where future settlement and land-use will be most hazardous. The system has been an extremely important tool in managing, analyzing and displaying the detailed data relating to the region.

Many non-Superfund activities initiated by the agencies and organizations involved in the cleanup also utilize GIS services extensively. These activities involve water quality evaluations, soil erosion control, land reclamation, fisheries investigation, university research programs, and others. Many of the programs have important implications concerning policy, community relations, and fundamental data collection and synthesis. The State has a responsibility to provide timely, useful information to all of the participants conducting activities in the Clark Fork Basin and to be able to evaluate the impacts their project actions have on others in the Basin. The Clark Fork GIS is an integral tool in accomplishing these tasks.

Organizations that have recently accessed data or services from the system include: Butte/Silver Bow County, Montana Department of Fish, Wildlife, and Parks, Montana Department of Natural Resources and Conservation, the Montana Department of Health and Environmental Sciences, Montana Bureau of Mines and Geology, Montana Tech, Montana State University, University of Montana, many private corporations, Deer Lodge County, City of Anaconda, Montana Natural Resource Damage Program, Milltown Technical Assistance Committee, Citizens Technical Environmental Committee, many individuals in the general public, and others.

GIS Basics

Montana State Library staff presentation.

Funding History

From March 1987 through September 1991, EPA provided funding support for the Clark Fork GIS through a cooperative agreement with DHES. Funding support for the program was transferred from EPA to ARCO as of October 1, 1991. ARCO funding for the program is committed through June 30, 1995, at which time ARCO has stated it intends to significantly decrease funding for the State GIS. ARCO has recently begun funding local GIS systems and believes it can have its GIS needs met by these organizations and private contractors. Meanwhile, DHES dependance on GIS products and services is at an all time high and loss of the database, equipment, and expertise that currently comprise the system would seriously impair the State's ability to fulfill its oversight role for remediation of the Upper Clark Fork Basin.

At the time of the grant application, it was expected that up to $40,000 would be made available by EPA and that the ARCO contribution (as well as level of use) would be zero. As of today, the EPA contribution has not been confirmed, and ARCO has agreed to an as yet undetermined level of support. At this point it appears that the ARCO contribution will be significantly higher than the $70,000 incorporated into the review committee conclusions. It must be noted, however, that the budget as specified in the grant did not include the cost of providing service to ARCO and its contractors. As a result, an ARCO contribution should not be subtracted dollar for dollar from the grant total. Although the ARCO contribution will fund service to DHES and EPA as well as ARCO, the overall scope of the project would also be increased as ARCO funding is increased. As discussions with ARCO and EPA are finalized with regard to the level of funding committed (and the resultant scope of the project), the review committee will be advised so that the grant amount can be decreased accordingly.

Project Life Cycle

The Superfund GIS Project life cycle is closely related to activities at the four Clark Fork Superfund sites. The types of GIS activities associated with particular site activities and a schedule describing the projected status of each site were utilized to estimate system usage over the next several years. The schedule clearly shows that the need for GIS services will continue through the next biennium. As the sites progress through the Superfund remedial investigation/feasibility study phase into the remedial design/action phase and finally into the operation and maintenance phase, a corresponding decrease in GIS activity is predicted, although

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the actual level is difficult to predict. Our best estimate is that usage at the end of State Fiscal Year 97 should be less than one half of current usage. At that point we anticipate that a combination of EPA/ARCO funds and perhaps other revenues will be available to support the long term GIS operation.

Funding Considerations

We are happy to note that our application received high marks for technical merit and public benefit from the application reviewers and ranking committee. The questions raised by the committee are limited essentially to funding issues. The reviewers indicated that additional explanation is needed as to what consideration was given to other potential sources of funding, including the Hazardous Waste/CERCLA account and the Environmental Quality Protection Fund.

With regard to the DHES Hazardous Waste/CERCLA account, the following issues were considered:

- This account has historically been utilized as much as possible for matching funds in situations where a limited amount of State funds can leverage additional federal funds. Such leverage is not possible for this project.

- This account is fully allocated to ongoing projects. DHES requests in the FY96/97 executive budget would utilize all Hazardous Waste/CERCLA Account FY96/97 revenue by the end of the biennium.

With regard to the use of the Environmental Quality Protection Fund,the following issues were considered:

- The EQPF account has historically been utilized to fund activities on sites which have not been designated as federal NPL sites. In the rare instances where the EQPF account has been utilized on federal sites, it has been used only where immediate recovery of the funds and replenishment of the account is likely.

- Where EQPF funds are utilized and expenditures can be linked to specific sites, the statute requires that an attempt be made to cost recover. While the State technically could enter into a cost recovery action relating to the Clark Fork Superfund Sites, cost recovery on federal sites has historically been the domain of EPA. In addition, since the PRP in this case has stated clearly that it will not fully fund the project in FY96 and beyond, use of EQPF funds would likely result in protracted legal action for the purpose of cost recovery.

- It is the intent of DHES to maintain a reserve in the account to serve as a clean-up fund for emergency purposes.

With regard to the issue of responsibility and cost recovery, the following issues were considered:

- Due to significant cuts in the amount of funding available through EPA, EPA is not able to provide full GIS funding for this period.

- As the responsible party for the Clark Fork Superfund Sites, ARCO has provided full direct funding for the program for a period of four years, and intends to provide a significantly reduced but as yet undetermined level of funding for the coming biennium. Whether the additional funding needed in order to provide the desired level of service to DHES is fully cost recoverable is subject to serious question.

With regard to the DNRC recommendation that funding be sought through the State budgeting process in future bienniums, the following issues were considered:

- Although many parties are involved with remediation of the Clark Fork Superfund sites, the State will bear the long term consequences of actions taken during remediation of the sites. DHES therefore has needs that exceed those of other entities involved with the cleanup process and has a vital interest in insuring that the critical information stored in the Clark Fork GIS is used to its full extent and preserved and maintained for future use. Our grant application was written with this principle in mind, specifically to maintain GIS service to DHES through the critical period of the next biennium.

- Based on the project life cycle discussed earlier, it is assumed that GIS use related to the Clark Fork Superfund process will at some time begin to decline rapidly, this time currently projected to be in late FY97. DHES agrees that, at the point where usage of the GIS becomes more generalized by all agency programs instead of the high concentration of usage relating to a single project, it would be appropriate to pursue funding through the State budgeting process where its long term need can be better weighed against other competing DHES projects.

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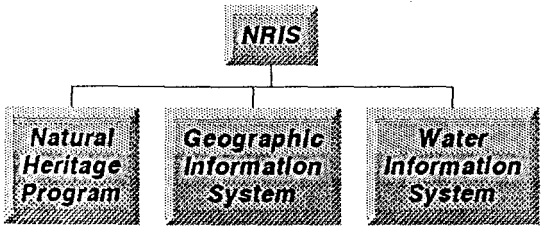
1. NRIS Mission

- ***The Montana Natural Resource Information System provides comprehensive access to information about Montana's natural resources to all Montanans through the acquisition, storage, retrieval, and dissemination of that information in meaningful form.***

2. NRIS Service

- Serving government agencies, business and industry, and private citizens, NRIS operates a clearinghouse and referral service to link users with the best sources of information.
- Why is NRIS in the Montana State Library?
  - *The State Library is a neutral agency--especially important on issues regarding environmental conflicts and other controversies.*
  - *The State Library has the ongoing function of providing information to those who need it.*

3. NRIS Programs



4. What is a Geographic Information System ?

- An ***automated GIS*** is a tool for managing geographic features (map data) and information related to those features.
- In a GIS, the map data are separated into common thematic data layers.
- The layers are manipulated to derive new data, to perform complex spatial analyses, and produce maps.
- *A "Database of Databases"*

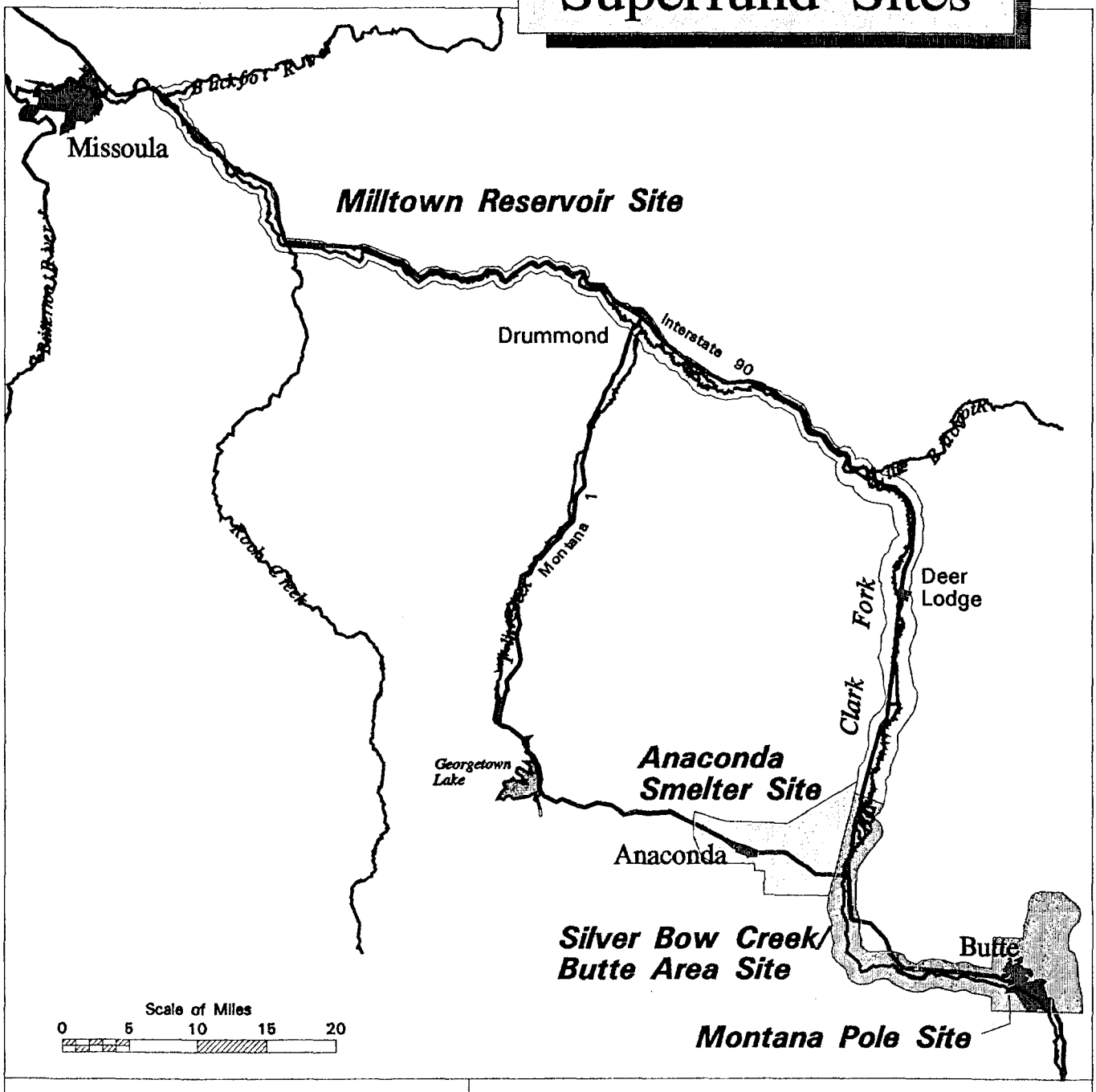
5. Clark Fork GIS

- Began with DHES Contract in 1987
- NRIS Provides a Complete Range of GIS Services:
  - *Maps*
  - *Data Management*
  - *Spatial Analysis*
  - *Technical Assistance*
- NRIS Provides GIS Services to *ALL* Clark For Participants

6. Superfund GIS Usage

- July 1992-December 1994
  - *655 Service Requests from 150 Individuals*
  - *Over 1,100 Data Transfers*
  - *Over 800 Orignal Maps Composed*
  - *Over 8,000 Copies of Maps Plotted*

Clark Fork Basin Superfund Sites

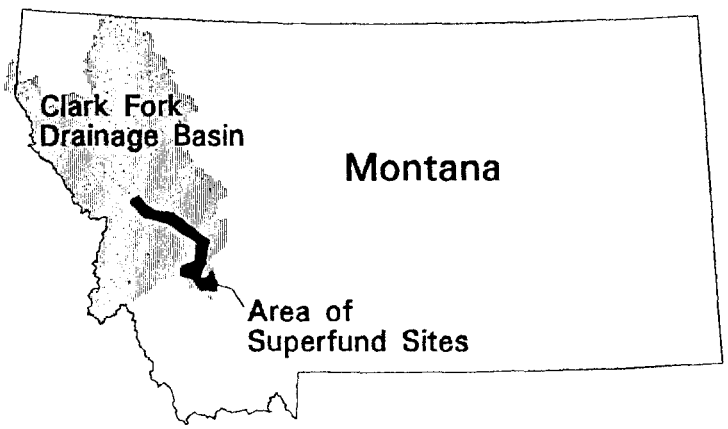


Town

Highway

Stream

Superfund Sites



Montana State Library
NRIS Natural Resource Information System
Map #92arco29f

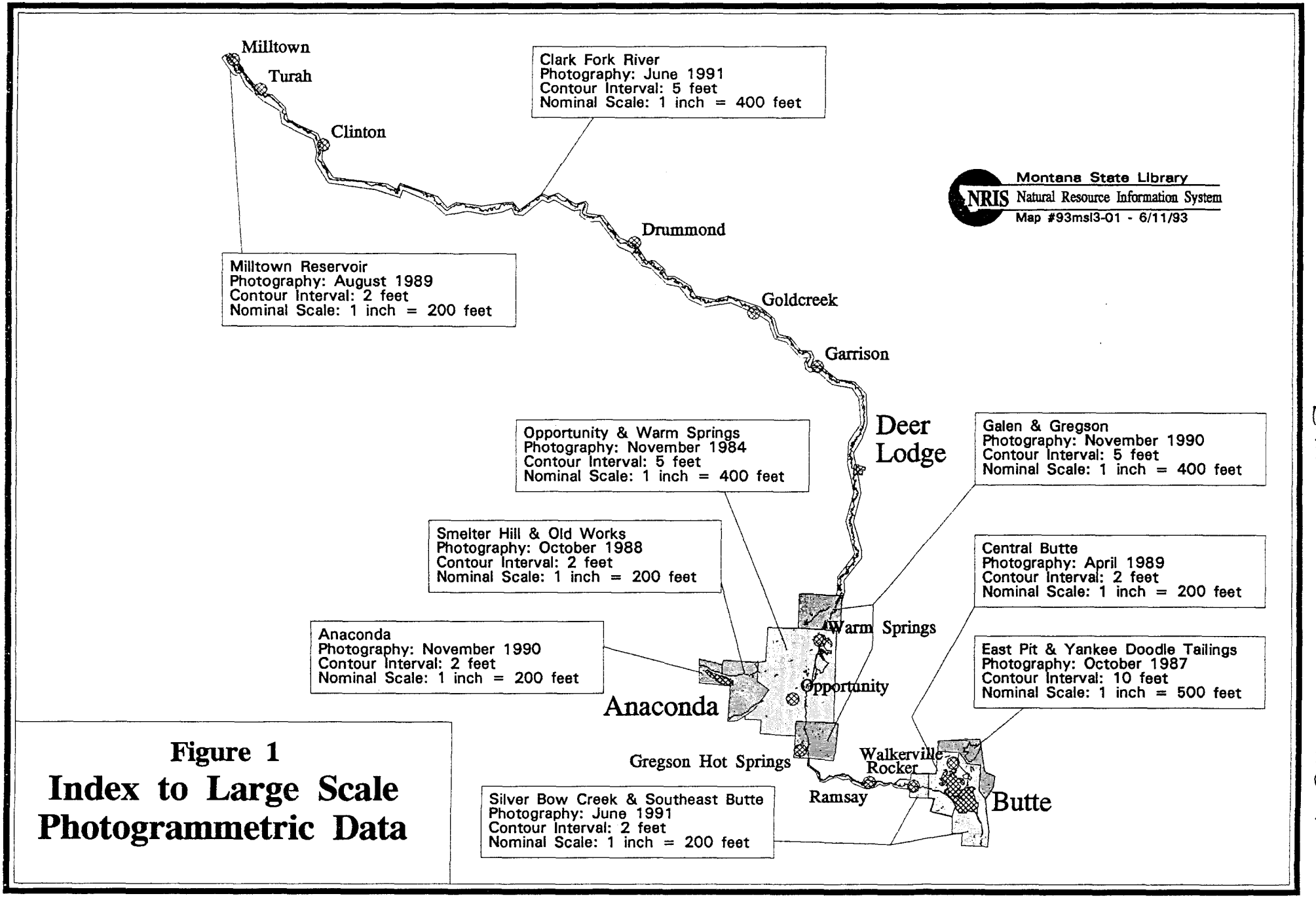


Figure 1

Index to Large Scale Photogrammetric Data

EXH. 6 1-12-95 HB 1

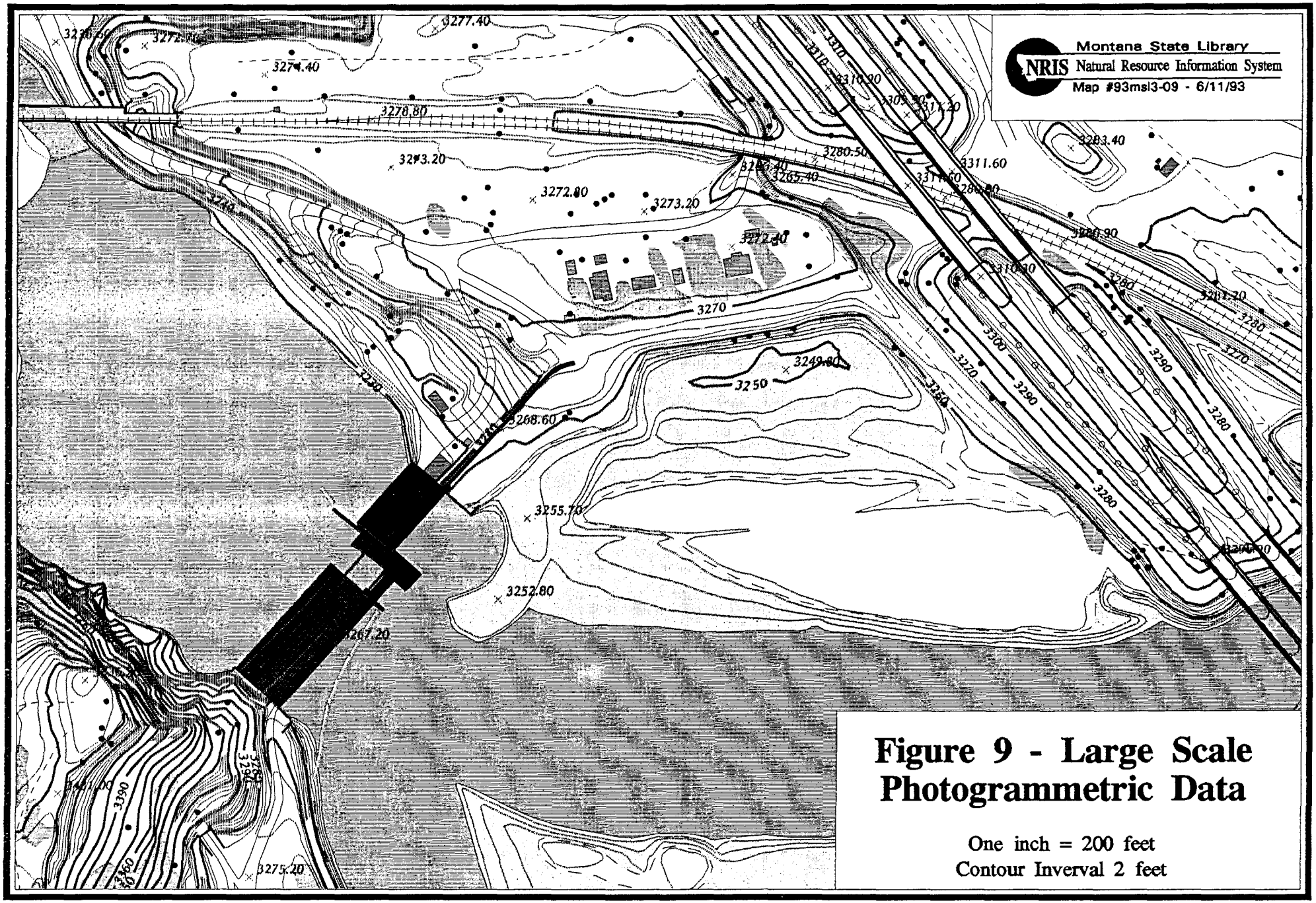
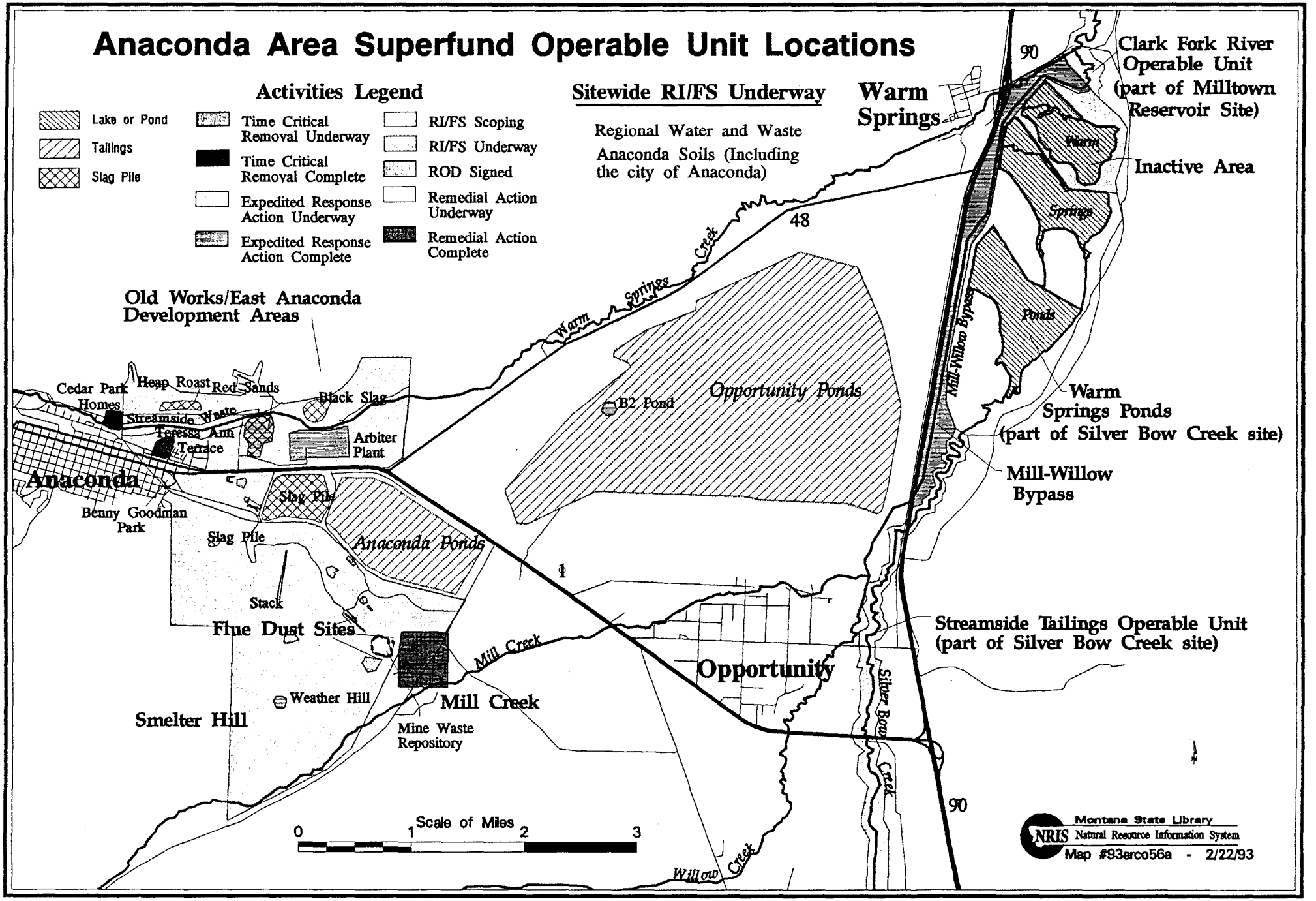


Figure 9 - Large Scale Photogrammetric Data

One inch = 200 feet
Contour Inverval 2 feet



EXH. 6 1-12-95 HB 1

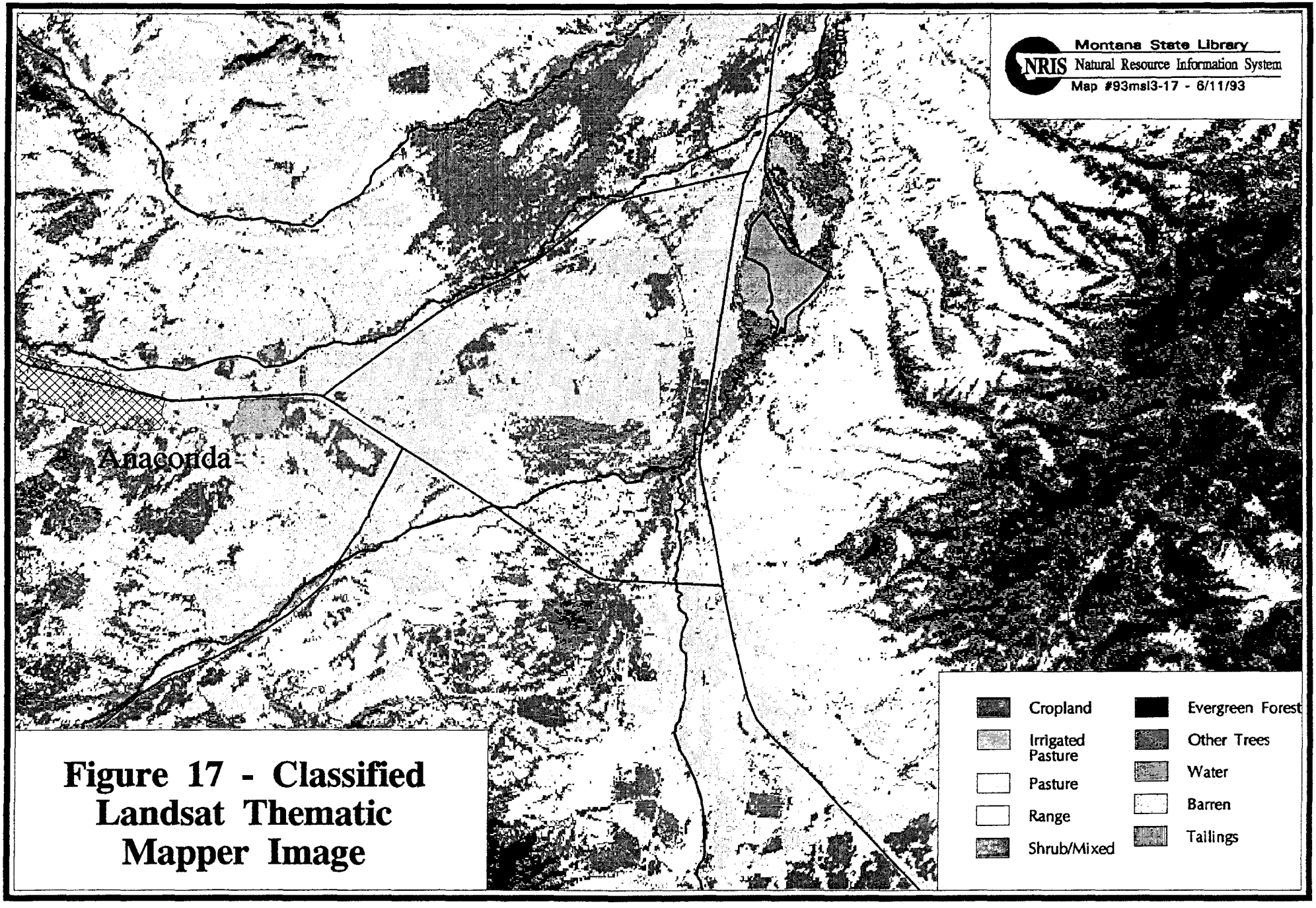
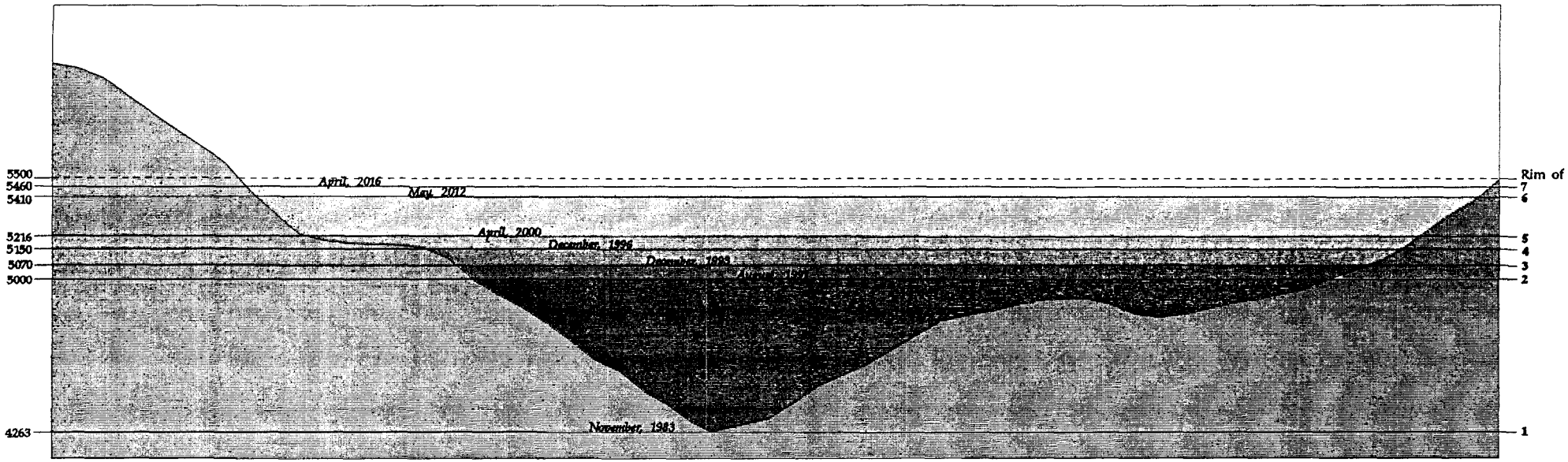


Figure 17 - Classified Landsat Thematic Mapper Image

Berkeley Pit Water Level Projections



Scale of Feet

0 300 600 900 1200

1: Water reaches the bottom of the Pit.

2: Pit water level, August, 1991

3: The RI/FS is completed. A decision of when to begin design and construction of a treatment plant can be made.

4: The construction of a treatment plant can be completed if the December 1993 decision was to immediately begin design and construction of a treatment plant.

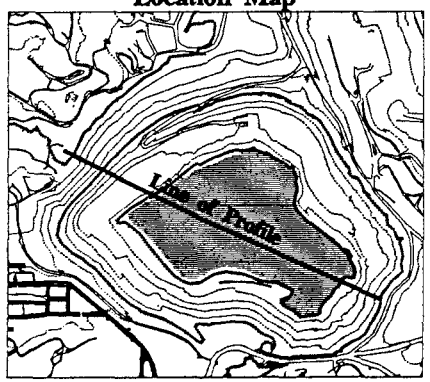
5: The Pit water level will reach the bedrock/alluvium contact point on the southeast rim of the Pit.

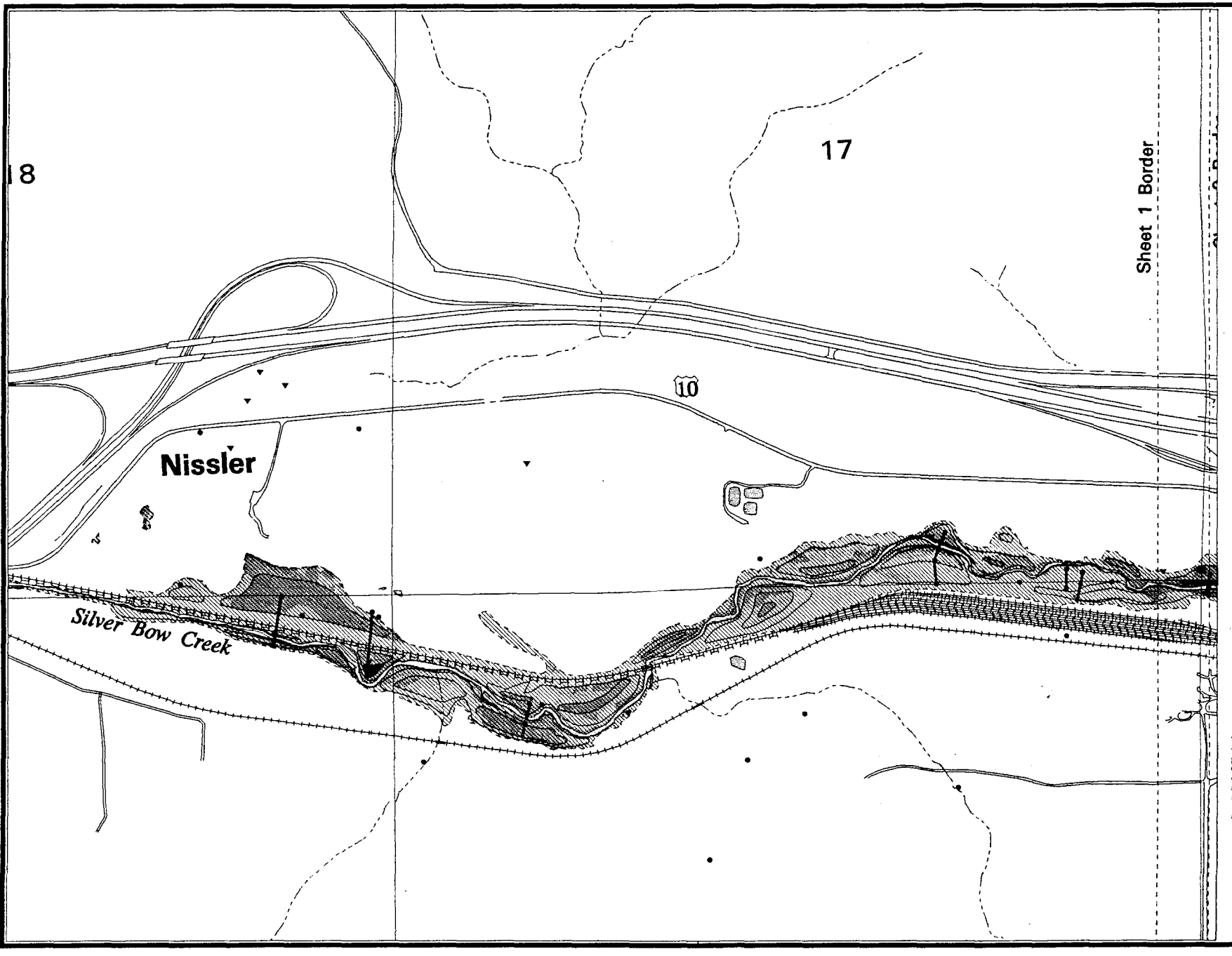
6: The Pit water level will exceed the alluvial water level below the Colorado Tailings. Penalties of $25,000 per day against the PRPs will start to accrue if the Pit water level exceeds this elevation.

7: The Pit water level will exceed the alluvial water level in the concentrator area. The water in the Pit will begin to migrate toward the Metro Storm Drain.

Water level projections by Canonie Environmental - September, 1991

Location Map





Extent of Saturated and Unsaturated Tailings/Impacted Soils

Silver Bow Creek Montana Subarea 2

- Soil Sample
- Ground Water Sample
- Surface Water Sample

See figure 4-23 for sample identifier

- Transect
- Tailings/Impacted Soil Thickness Contour
- Edge of Tailings/ Impacted Soil

- Extent of Tailings/ Impacted Soil
- Tailings/Impacted Soil less than 2 feet above ground water
- Tailings/Impacted Soil less than 1 foot above ground water
- Tailings/Impacted Soil below ground water
- Tailings/Impacted Soil more than 1 foot below ground water
- Tailings/Impacted Soil more than 2 feet below ground water

Ground water elevations based on October 1992 data

Rocker samples that were impacted by the Rocker Timber Framing and Treating Facility (Rocker Operable Unit) were not included in the Streamside Tailings Operable Unit databases.

North

Tailings/impacted soil thickness contours, ground water elevation contours, and sample locations provided by Titan Environmental of Bozeman, MT. Ground water/tailings intersection depths & extents estimated by the Montana State Library, based on above data and ground contours provided by Horizon Inc., of Rapid City, SD. Map by Natural Resource Information System, Montana State Library. Map #95arco11f-2, December 21, 1994

Scale in Feet

0 200 400 600 800

Sheet 2

Figure 4-37

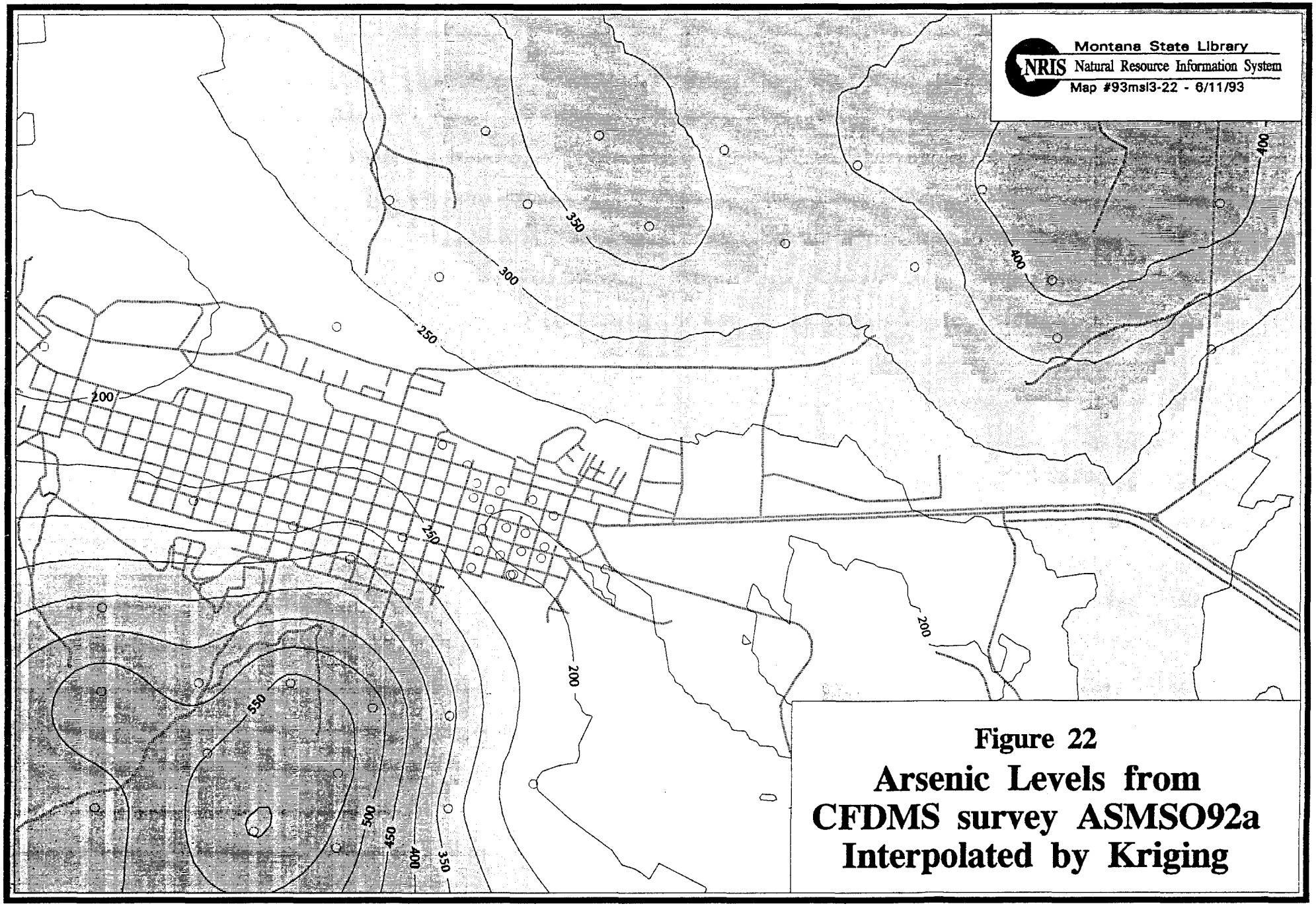


Figure 22
Arsenic Levels from CFDMS survey ASMSO92a Interpolated by Kriging

EXH. 6 1-12-95 HB 7