

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By **CHAIRMAN ERNEST BERGSAGEL**, on January 16, 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: RIT GRANTS - HB 7
Executive Action: NONE

Note: Descriptions of the following projects can be found in the "Reclamation and Development Grants Program - Appendix" booklet.

HEARING ON HB 7

CASCADE COUNTY CONSERVATION DISTRICT
Muddy Creek Water Quality, page 25

Alan Rollo, Muddy Creek Task Force, presented slides to the committee regarding this project. He said Muddy Creek has been listed among the top five of the state's water quality problems for the last 17 years. Muddy Creek picks up substantial run-off primarily from the Greenfields Irrigation District, which, when combined with storm run-off and run-off from non-irrigated lands, contributes many times the natural flow with a heavy sediment load resulting in streambank erosion and water quality problems. Approximately 200,000 tons of sediment is deposited into the Sun

and Missouri rivers annually. The sediments have a detrimental effect on aquatic life, fisheries, recreation, aesthetics, possible flooding, water treatment costs, and irrigation costs.

Mr. Rollo explained that this project involves installing rock vortex weirs to stop channel headcutting, and working to restore the Muddy Creek riparian zone through fencing, tree planting, and prescribed grazing systems.

CHAIRMAN BERGSAGEL asked if Montana Power and/or the Army Corps of Engineers had been asked to assist in this project. **Mr. Rollo** said Montana Power has been contacted and has contributed several thousand dollars. He said the Army Corps of Engineers has a different philosophy on how to fix the problems. He said they worked with the Army Corps of Engineers on the initial project, and they have also worked with the highway department.

CHAIRMAN BERGSAGEL asked him to briefly describe the efforts of the irrigation district to reduce the flows into Muddy Creek. **Mr. Rollo** said the Greenfields Irrigation District has put in sprinklers lining the canals in order not to utilize as much water. They want to put gates in the main canal in order to prevent surges from coming down into Muddy Creek. The Muddy Creek Task Force is trying to work with as many irrigators as possible to enhance their irrigation practices, and by doing so less water would be needed in the canals, which means less water coming into Muddy Creek.

SEN. CHRISTIAENS asked what kinds of practices the irrigation districts are doing to alleviate some of their wastewater. **Mr. Rollo** said utilizing sprinkler irrigation, lining ditches, and recycling the water, have worked in the past to accomplish that.

SEN. HARDING asked why rip-rap isn't being used in the project. **Mr. Rollo** replied in Muddy Creek the soil is dropping, rather than just going down and meandering. People have already rip-rapped in parts of Muddy Creek but now, because the soil has dropped, the rip-rap no longer prevents the erosion.

CHAIRMAN BERGSAGEL said from his perspective the key is to spend money on reducing the flows into Muddy Creek and more efficient utilization of the water. He asked if this would be the main emphasis of the project. **Mr. Rollo** said yes, there will be that emphasis to keep the project on line and moving forward, but to prevent the massive erosion from being escalated the stabilization of the stream bed and banks will also need to be accomplished.

CHAIRMAN BERGSAGEL asked what percentage of the Greenfields Irrigation District is flood irrigated and what percentage is sprinkler irrigated. **Mr. Rollo** said he didn't have those exact numbers, but the majority at this time is flood irrigated. He said people from the Greenfields Irrigation District would be in

to present their project within the next few days, and could probably answer that question at that time.

CHAIRMAN BERGSAGEL said the EPA spoke to this committee the other day and indicated they received approximately \$5 million through the 319 money. He suggested that because this project is only seeking \$10,000 in 319 money, perhaps they could seek additional funding from this source. **Mr. Rollo** said the \$10,000 that is shown is in-kind contributions to utilize the funds. He stated they have a grant that is approximately \$100,000 for three years of 319 money.

SEN. CHRISTIAENS asked if there are other irrigation districts which flow into Muddy Creek. **Mr. Rollo** replied that the Sun River Irrigation system flows in at the bottom end of Muddy Creek. **SEN. CHRISTIAENS** asked if they are also participating in preventing flows into Muddy Creek. **Mr. Rollo** said at this time, they are not. Due to the low amount of water they contribute and where it enters, they are not a key part the problem.

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JEFFERSON VALLEY CONSERVATION DISTRICT
Remote Mine Site Demonstration, page 59

Doug Rosholt, MSE Inc., Butte, gave the committee an overview of the project. He said the Department of State Lands' Hazardous Mine Opening Inventory lists 5,200 open, hazardous portals. That represents 3,800 and some of these sites have more than one opening. Some of the hazards pose physical threats and some environmental. Approximately 500 of these openings flow water. Jefferson County has approximately 1,400 of these openings. **Mr. Rosholt** said the impact of these openings is rather dramatic.

Don Schiller, MSE Inc., Butte, showed the committee slides of some of these sites in Jefferson County. He said the water flowing out of the mines is hazardous because of the metal content. He stated this project seeks to demonstrate new electronics systems at the Crystal Mine, which is seven miles north of Basin, Montana, as a method of reducing risks and total remedial costs. This would add remote process control capability to an existing data gathering, storage, and transmission system. The added remote control capability will allow the operator to monitor and control the system even while not at the site.

{Tape: 1; Side: B; Comments: This side of tape inaudible due to tape malfunction.}

Mr. Schiller explained that the funding would supplement an on-going remediation technology demonstration project funded by EPA's Mine Waste Technology Pilot Program (MWTPP). This technology uses passive oxidation and the "Aquafix" lime metering system to capture contaminants from a portion of the acid mine

water from the adit. These techniques are intended for use at remote sites.

Harry Dawson, MSE Inc. and the Jefferson Valley Conservation District, spoke on behalf of the project and said a goal of this project is to eventually be able to use the technology across the state.

CHAIRMAN BERGSAGEL asked what amount of federal funds is being contributed to this project. **Mr. Rosholt** said between \$65,000 and \$75,000. He said the bulk of activities would be contracted to MSE Inc. at a cost of \$62,920, which is what this grant would pay for.

CHAIRMAN BERGSAGEL asked how many people would be hired for this job. **Mr. Rosholt** replied there would be six total, probably for half-time.

EASTERN SANDERS CONSERVATION DISTRICT
Plains Area Recreational Center, page 65

REP. JIM ELLIOTT spoke in support of this grant request and stated there is a need in the Plains area for organized recreation.

Eddie A. Magera, Eastern Sanders Conservation District (ESCD), Hot Springs, spoke in support of this project.

Dean Haun, ESDC and the Plains Baseball Association, voiced his support of this grant request. He provided a topographical map showing the area in which recreational facilities are needed.

EXHIBIT 1 He said the project site is the old Diehl Lumber Mill and sawdust piles along the Clark Fork, bordering the city limits of East Plains. Twelve baseball and softball teams try to practice and play each week on the only two fields available. This problem will be compounded when the use of school property is discontinued.

Patsy Meredith, Plains Baseball Association, said they are losing one of their current fields because the school is expanding. She submitted two letters of support for the project.

EXHIBITS 2 and 3

Carol Brooker, Plains Baseball Association, voiced her support of this project.

CHAIRMAN BERGSAGEL asked how many acres are needed for the field. **Mr. Haun** said a minimum of four are needed. **CHAIRMAN BERGSAGEL** then asked if the county owns land that could be used for this project. **Ms. Brooker** said no, not in the Plains Area.

SEN. BARRY "SPOOK" STANG voiced his support for this grant request and for the project. He said it is very badly needed for the people of that area.

MILE HIGH CONSERVATION DISTRICTSilver Bow County Soil Survey, page 70

Chuck Gordon, Mile High Conservation District, gave a brief overview of the project. He said the purpose of this grant is to accelerate the Silver Bow County Progressive Soil Survey which is scheduled to begin in 1995. Soils information is necessary for soil and water conservation planning, water quality planning, and preventing costly erosion and land management and development decisions. Because of the county's unique soil conditions due to past mining activities, good soil information is especially important. **Mr. Gordon** stated the project would provide staff for the Silver Bow County Soil Survey by providing for five full-time soil scientists and one part-time cartographic technician for two years. It would also include provisions for training, field equipment, office space, travel expenses, and general administrative support to complete the project.

{Tape: 2; Side: A}

MONTANA TECH - UNIVERSITY OF MONTANABullion Mine - Iron Oxidation, page 72

Because this project was not recommended for funding, no one in association with this project appeared to testify. **Mark Simonich, Department of Natural Resources and Conservation (DNRC)**, provided the committee with a brief overview of this project, per **CHAIRMAN BERGSAGEL'S** request. **Mr. Simonich** said the reason for the recommendation for no funding was that this project was essentially a funding to complete a doctoral thesis. On those grounds alone there is a recommendation for no funding. He said the project is very complex in regard to the chemistry involved in it, and he said he was not able to explain it in detail.

RECLAMATION AND DEVELOPMENT GRANT PROGRAM ISSUES

John Tubbs, Bureau Chief, Conservation Resource Development Division, DNRC, referred to the stricken language on page two of HB 80 and said it is the very language that the Board of Oil and Gas (BOGC) referred to, in which well owners could pay \$125 and two deposits into the RIT account and, as a result, it would release them of their bond requirement. **Mr. Tubbs** read a provision to the committee which stated, "Payment by the owner of \$125 and proof from the owner that the well, completed after June 30, 1989, is producing oil or gas in commercial quantities, and is subject to tax under RIT, then the Board shall release and absolve the owner of the well from the bond requirements." Under that provision the Department releases any bonded well drilled after 1989 from its entire bond.

Mr. Tubbs said he brought that to the committee's attention just in case they wanted to do something about this as individual

legislators. HB 80 is a vehicle that could possibly accomplish this. **CHAIRMAN BERGSAGEL** said he agrees in that this provision doesn't seem fair.

Mr. Tubbs said HB 80 has already gone through third reading in the House of Representatives, so it will have to be caught in the Senate.

Jane Hamman asked for clarification because this provision is already struck in the bill. **Mr. Tubbs** replied that the original bill was submitted with the amendment to strike that provision, but the subcommittee essentially put it back in. **Jane Hamman** said there is a list of conditions which preclude the bond from being canceled. **Mr. Tubbs** explained that is true, however, section 2 of the bill is not being changed. For additional clarification **Mr. Tubbs** said the reason the subcommittee did not like the proposed change to strike the wording "after June 30, 1989," is because it would have opened up this avenue to all bonded development in the state of Montana. The subcommittee didn't also strike section 2, they just left it as it is as current law.

CHAIRMAN BERGSAGEL said he doesn't think it is appropriate that the owners should be able to pay \$125 and be released of their bonds. He asked if **Mr. Tubbs** could draft an amendment so the owners of the wells would have to retain their bonding. **Mr. Tubbs** said he felt that would be fairly simple, in that it would only take the striking of that provision in section 2 of the bill. The bill will now go to the Senate Natural Resources Committee.

Nan LeFebvre asked **Mr. Tubbs** to address the indirect cost issue in regard to the Board of Oil and Gas. **CHAIRMAN BERGSAGEL** said it was his understanding that a bill was passed in which the BOGC received \$600,000 and could choose the particular projects, and as a result of that, the Board was not allowed to include indirect or administrative costs into the projects. He said that was a deal which was made in order to ensure that the bill would pass. **Mr. Tubbs** said that was correct.

Mr. Tubbs read to the committee the provision within the Reclamation and Development Grant statute which reads: "The department shall give priority to grant requests - not to exceed \$600,000 in total for the biennium for the Board of Oil and Gas Conservation. The BOGC should use the grant that received priority under this subsection only for oil and gas reclamation projects. A grant may not be used for personnel costs or general operating expenses of the BOGC." **Mr. Tubbs** said it is his interpretation of the statute that BOGC overtime pay may not be reimbursed. However, he does not believe the cost - if it is for a specific trip to the site, or a purchase of specific equipment to monitor that site - would be classified as general operating expenses. They would be project specific expenses, and therefore reimbursable if it is under contract.

SEN. CHRISTIAENS said he feels this provision is fairly clear, and feels it should stay. The committee indicated they agreed.

Ms. LeFebvre, Office of the LFA, said the BOGC requested an amendment to provide them flexibility as to how they spend the funds, which have been proposed as being used specifically for the Cut Bank area projects. She asked if the committee would like such an amendment drafted. **Mr. Tubbs** said he didn't know that it would be necessary. He said that in reviewing their applications, they specifically requested that authority, so from the beginning DNRC evaluated this with the knowledge the BOGC, for one reason or another, may not be able to plug the specific well they would like to at this point in time, but have to move on within the priority list that they have. He said in the past that flexibility has been granted simply through discussions within this committee. He asked if it would be agreeable to the committee to have the minutes of this meeting reflect that the flexibility be granted, to the BOGC, based on project priority.

CHAIRMAN BERGSAGEL said a statement of intent would be put into the minutes at the time the committee takes executive action on those projects.

{Tape: 2; Side: A; Approx. Counter: 740}

INTRODUCTION

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM (RRGL)

John Tubbs, DNRC, provided two booklets to the committee. The first booklet is "Project Evaluations and Recommendations For 1996-1997 Biennium and Status Report For 1994-1995 Biennium for the Renewable Resource Grant and Loan Program." **EXHIBIT 4** The second booklet is "Project Evaluations and Recommendations for 1996-1997 Biennium - Appendix A." **EXHIBIT 5**

He said the RRGL program has both public and private sponsors. **Mr. Tubbs** gave a brief history and overview of the program and other information which can be found in Exhibit 4.

SEN. CHRISTIAENS asked if the Department has done anything in the area of refinancing when interest rates have been lower. **Mr. Tubbs** said they had, quite a bit, over the last two or three years. He said they had some 1985 bonds that were at relatively high interest rates, which the Department refunded at fairly advantageous rates of return. The Department distributed the savings two ways, both to applicants so their interest rates dropped, and the state also received a substantial amount of savings. These savings were related to the fixed-rate loans. The Department was able to minimize the difference between the actual market rate and the fixed rate from the borrower. He said DNRC did all the refinancing they could before they ran out of bonds they could actually purchase at this point in time.

Mr. Tubbs said DNRC has approximately 60 outstanding loans from this program, and approximately \$56 million in outstanding principal. The largest loan is to DNRC for \$21,735,000. Those proceeds were lent in 1987 to fund the Broadwater Hydropower project. The department is currently paying interest only on that bond and they have another portion that the Board of Investments essentially financed that they are paying both principal and interest on. He said the Department has been able to meet all the bond payments and keep the project running but the project is not a huge profit center for the state as of yet. Based on financial projects, DNRC is likely to have good revenue through the nineties into the year 2002.

Anna Miller, Financial Advisor, Conservation Resource Development Division, DNRC, provided the committee with a handout in regard to the coal severance tax. **EXHIBIT 6**

{Tape: 2; Side: B}

In response to a question from **CHAIRMAN BERGSAGEL**, **Mr. Tubbs** stated they have approximately six loans that have been in default, most of them have been closed out. He said the Department received ninety cents on the dollar for unsecured debt in a case where one of the loans was involved in a bankruptcy case, which the Department felt very good about.

CHAIRMAN BERGSAGEL said it was indicated that the outstanding balance that is maintained in the coal severance tax bond fund was \$6 million to cover total debt service for one year. **Ms. Miller** said that is correct. **SEN. CHRISTIAENS** clarified that the reason for that \$6 million is in case all of the loans were defaulted on. **Ms. Miller** said yes, in that case the state would be able to make up the debts. She said the Department also makes all of their borrowers maintain a reserve.

Ms. Miller continued to explain the handout and flow of the coal severance tax monies.

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Jeanne Doney, DNRC, said this group of applications reflects people's knowledge of the funding cap. She said the auditors were suggesting that DNRC remove that cap. **Ms. Doney** said her feeling is that if they are going to remove the funding cap, it needs to be done before DNRC has gotten a group of project grant and loan applications. She said if they were going to spend between \$100,000 and \$300,000 of grant funds, it may not be on these proposed projects, but with declining matching funds for agricultural projects, through the Bureau of Reclamation, they may have some really good dam projects or irrigation projects to invest between \$100,000 and \$300,000 in. If this is going to be done, she suggested they advertise it in the beginning of the application cycle, and then the legislature has the best projects to choose from.

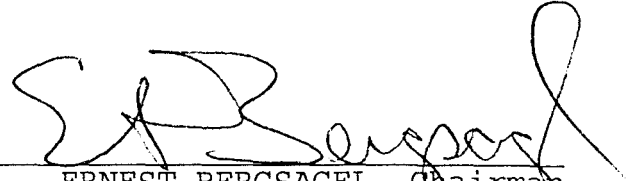
HOUSE LONG-RANGE PLANNING SUBCOMMITTEE

January 16, 1995

Page 10 of 10

ADJOURNMENT

Adjournment: 12:15 p.m.



ERNEST BERGSAGEL, Chairman



for TRACY BARTOSIK, Secretary

EB/tb

CHAIRMAN BERGSAGEL said it would be his recommendation to the committee that it operate under the current system for this grant series, and that this issue be discussed after executive action. Then it can be decided whether the policy should be changed.

LONG RANGE PLANNING

Joint Appropriations Subcommittee

ROLL CALL

DATE 1-16-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ernest Bergsagel, Chairman	X		
Rep. Matt McCann	X		
Rep. Tom Zook	X		
Sen. Ethel Harding, Vice Chairman	X		
Sen. Chris Christiaens	X		



VANDERHOFF REALTY

EXHIBIT 1
DATE 1-16-95
SB HB 7

Mary Lynn VanDerhoff - Broker

112 East Railroad
Post Office Box 426
Plains, Montana 59859
(406) 826-3831

January 13, 1995

To Whom It May Concern:

I have been working with representatives of the Plains Baseball Association in their attempt to find a site for a playing field and sports complex. We have located two potential parcels. The owners of both are willing to negotiate a sale when the Association is ready and can make a definite proposal.

Please contact me at the above address or call at (406) 826-3831 if I can further assist in supporting their efforts.

Sincerely,

Ron Kuykendall
Broker Associate
VanDerhoff Realty

RK/rs

Sanders County

State of Montana



January 12, 1995

TO WHOM IT MAY CONCERN

We the Sanders County Board of Commissioners are writing this letter in support of the Plains Baseball Association's effort to obtain grant monies for the establishment of a baseball park for the community of Plains and surrounding areas. We will give our complete support to them in obtaining the necessary acreage and at this time are researching any County land that might be available in the Plains area. The Association has and is still putting a lot of time and hard work into this project and we are proud and supportive of their efforts. We encourage and thank you for any assistance you may extend to the Baseball Association in their endeavors.

If we can be of further assistance in this effort, please don't hesitate to contact us.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
Sanders County, Montana

Cherie Hooten, Chairman

Stephen D. Wheat, Member

Carol Brooker, Member

cc: Plains Baseball Association
William Holland, Plains Mayor

56 Montana

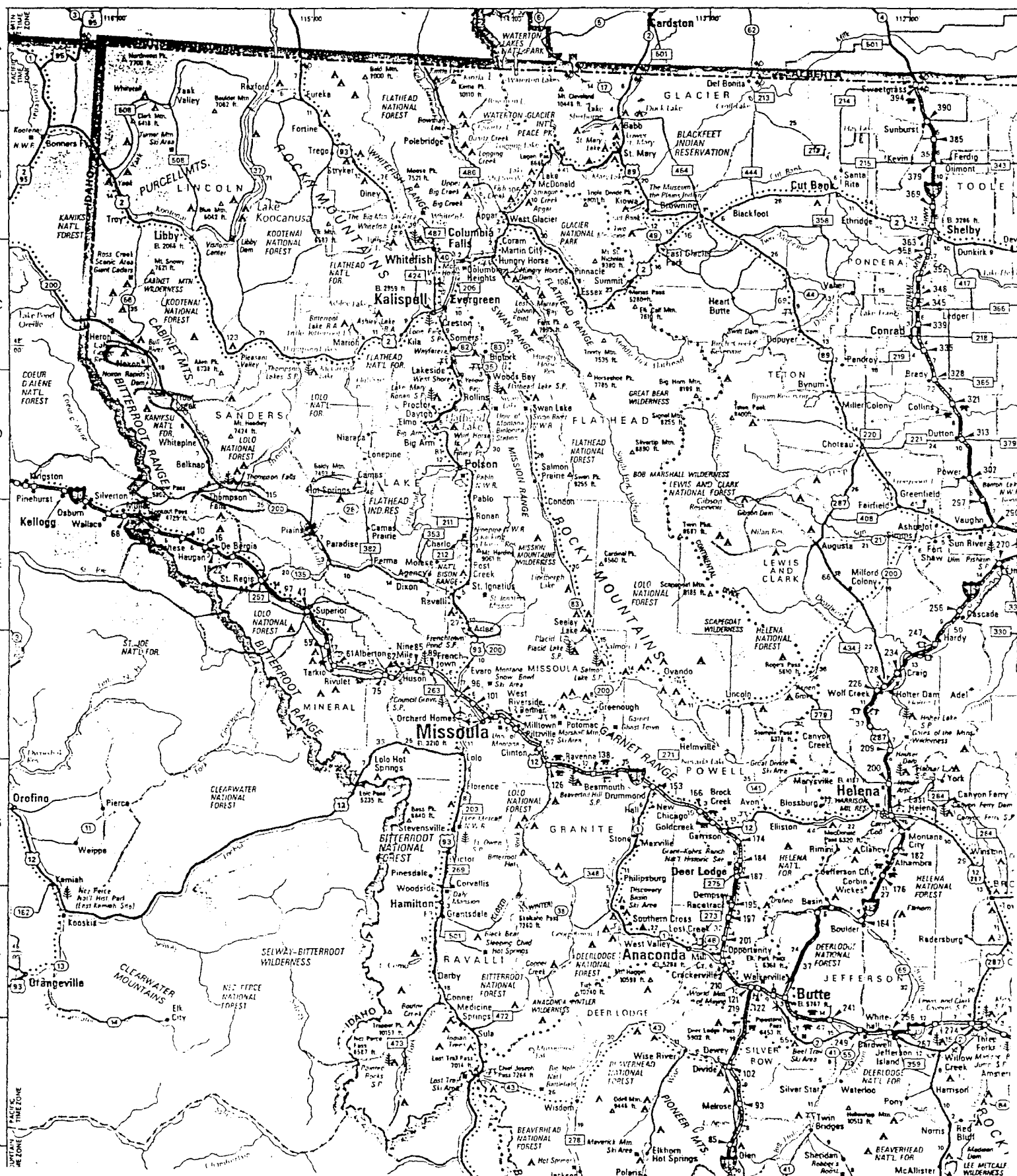
EXHIBIT 3
DATE 1-16-95
HB7

Mileage
Between
Principal
Cities

Billings	140	221	252	278	222	249	239	463	126	633	144	340	58	387	309	271	229
Bozeman	140		82	113	367	190	305	100	324	162	394	286	201	146	306	271	413
Butte	221	82		67	431	155	270	65	242	243	312	367	119	227	27	236	494
Great Falls	222	190	155	222	276		115	91	233	106	324	327	167	260	164	86	379

Helena	239	100	65	132	367	91											
Kalispell	463	324	242	295	425	233											
Missoula	144	286	367	398	222	327											
Missoula	340	201	119	172	443	167											

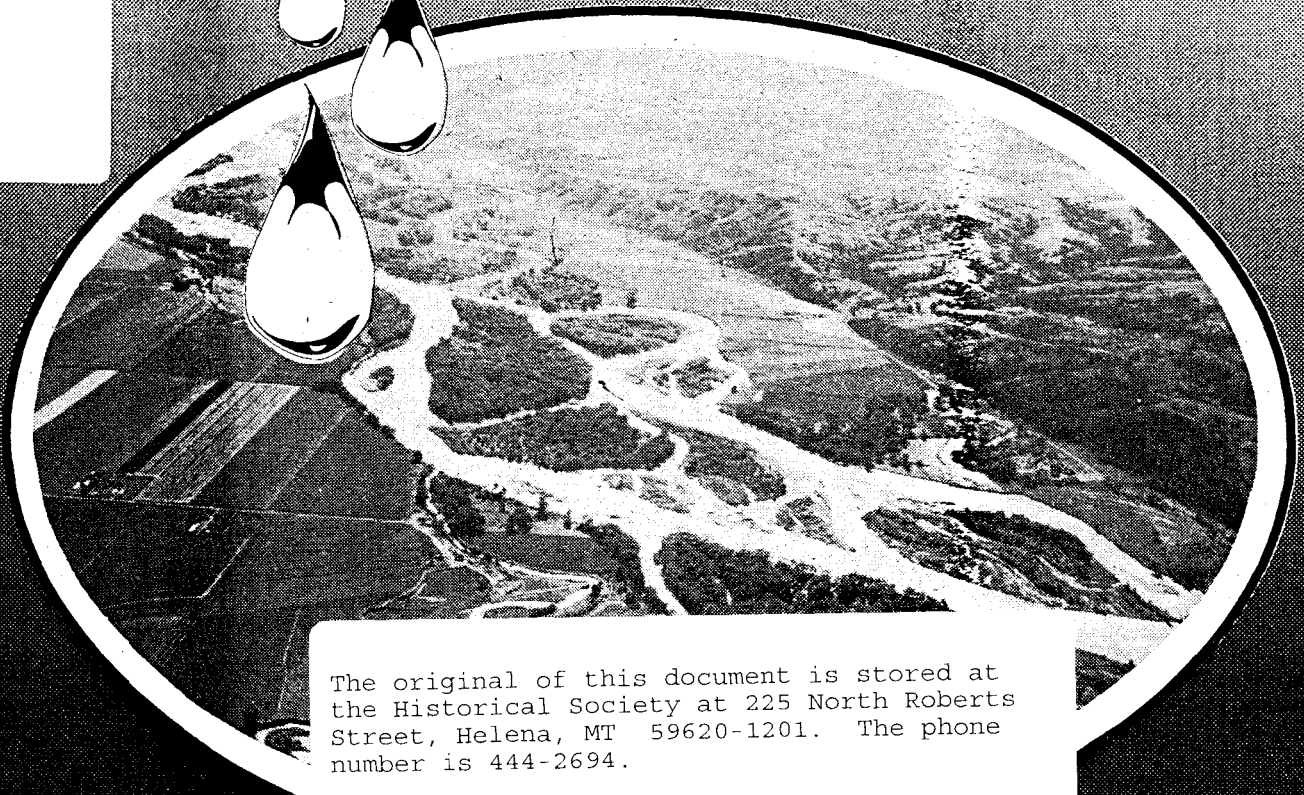
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DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
PROJECT EVALUATIONS AND RECOMMENDATIONS FOR 1996-1997
BIENNIUM AND STATUS REPORT FOR 1994-1995 BIENNIUM

for the
**RENEWABLE RESOURCE
GRANT AND LOAN
PROGRAM
1995**

EXHIBIT 4
DATE 1-16-95
1996-98



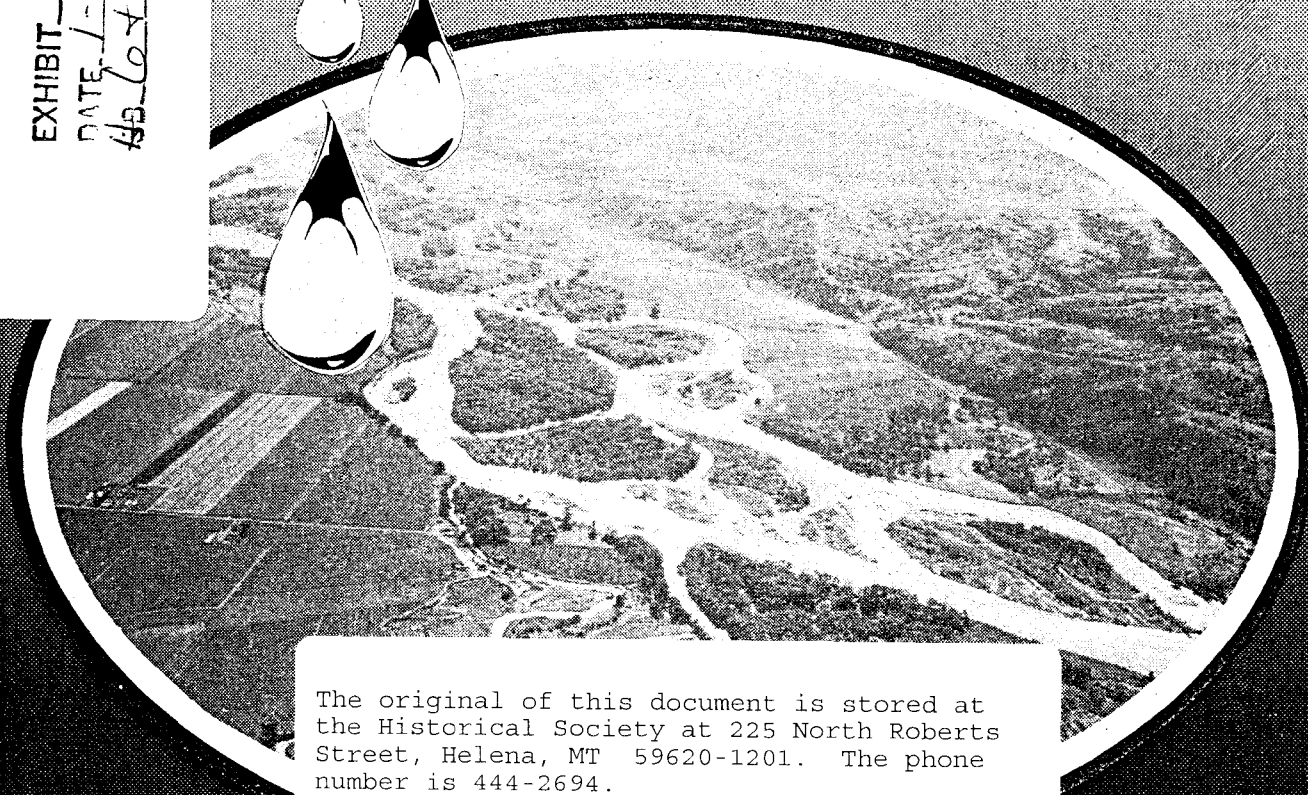
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Presented to
the Fifty-Fourth Montana Legislature

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
PROJECT EVALUATIONS AND RECOMMENDATIONS
FOR 1996-1997 BIENNIUM
• APPENDIX A •

for the
**RENEWABLE RESOURCE
GRANT AND LOAN
PROGRAM**

EXHIBIT 5
DATE 1-16-95
648



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

Presented to
the Fifty-Fourth Montana Legislature

COAL TAX

Flow of Funds for the Coal Tax
FY 96-97

Source: Department of Natural Resources and Conservation
Phone #444-6668

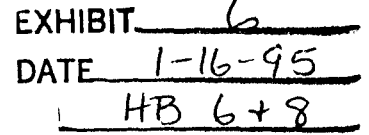
Ray Beck, Administrator
Anna Miller, Financial Advisor
John Tubbs, Bureau Chief

EXHIBIT ~~1-16-95~~ 6
DATE 1-16-95
#B 678

COAL SEVERANCE TAX

(\$86.1 MILLION / FY 96-97 ESTIMATE)

38%	% of Total	12%	50%
Local Impact.....	6.650%		
Public Schools Equalization.....	11.400%		
County Land Planning.....	0.380%	Highway	
Renewable Resource Bond Fund.....	0.475%		
Parks Acq. & Management.....	0.000%	Reconstruction	
State Library Commission.....	0.380%		
Conservation Districts.....	0.190%	Trust	Coal Severance Tax Trust Fund
Renewable Resource			- Bond Fund
Debt Service Fund.....	0.475%	Fund	- School Bond Contingency Fund
Growth in Agriculture.....	0.760%	Account	- Treasure State Endowment Fund
Capitol Art Works/Cultural			- Permanent Fund
& Aesthetic Projects.....	0.635%		
Historic/Cultural Sites			
within /State Park System.....	1.270%		
GENERAL FUND.....	15.393%	15-35-108 FY88-FY03	Article IX, Sec. 5, Montana Constitution
15-35-108			



- (1) Within 30 days of the end of each calendar quarter, coal severance taxes are paid to the state, 50 percent of which are deposited in the Coal Severance Tax Trust Funds (the Trust) by the Department of Revenue. Five accounts are established within the Trust: 1) the Coal Severance Tax Bond Fund, 2) the School Bond Contingency Loan Fund, 3) the Treasure State Endowment Fund, 4) the Coal Severance Tax Permanent Fund, and 5) the Coal Severance Tax Income Fund.

Coal tax revenues which flow into the Trust are initially deposited in the Bond Fund and made available for payment of debt service on the Coal Severance Tax Bonds (see footnotes 7, 8, and 9). The Department of Natural Resources and Conservation (DNRC) will inform the Department of Revenue during the first quarter of each state fiscal year, the amount necessary to meet all principal and interest payments on bonds payable from the Coal Severance Tax Bond Fund on the next two ensuing semiannual payment dates. The Department of Revenue will retain that amount in the Coal Severance Tax Bond Fund.

- (2) The January 1992 Special Legislative Session passed an Act creating the Coal Severance Tax School Bond Contingency Loan Fund. A total of \$25 million of School Bonds were authorized to be issued and secured by this fund. For as long as there are any outstanding school district bonds secured by the Contingency Loan Fund, an amount equal to the

next 12 months of principal and interest payments due on any school bonds will be retained in the Contingency Loan Fund. DNRC will give written notice to the Department of Revenue in January of each year of exact amount needed to secure School District Bonds. During the first month of each quarter of the state fiscal year, 50 percent of the amount in the Bond Fund excess of the amount required to be retained therein and the amount needed to be transferred to the Contingency Loan Funds secure outstanding School Bonds, shall be transferred to the Treasure State Endowment Fund by the Department of Revenue. The 1991 Legislature passed an Act creating the Clean Coal Technology Demonstration Fund. However, in the November 1993 Special Session this fund was eliminated by HB 60. Proceeds of the Clean Coal Fund were moved into the Trust.

- (3) The Treasure State Endowment Fund was established when voters approved the measure on the June 2, 1992 ballot. During the first quarter of each state fiscal year, 50 percent of the amount in excess of what is retained in the Bond Fund and transferred to the Contingency Loan Fund, will be deposited in the Endowment Fund. Monthly, interest earnings on amounts on deposit in the Endowment Fund, in an amount necessary to meet the obligations of the state under this program, are transferred to the Treasure State Endowment Special Revenue Account by the Department of Revenue. Interest earnings not transferred to the Revenue

Account are to be retained in the Endowment Fund.

- (4) During the first month of each quarter of the state fiscal year, 50 percent of the amount in excess of what is retained in the Bond Fund and transferred to the Contingency Loan Fund will be transferred to the Coal Severance Tax Permanent Fund. Twenty-five percent of the Coal Severance Tax Permanent Fund is used for the purpose of making investments in Montana. Investments are managed by the Board of Investments.
- (5) Investment income on the monies in the Bond Fund, the Contingency Loan Fund and the Permanent Fund are periodically transferred to the Income Fund. The only exception to this is the Endowment Fund, any interest earnings are either transferred to the Revenue Account or retained in the Endowment Fund.
- (6) In fiscal year 1994 eighty-five percent of the balance in the Income Fund is transferred to the state's General Fund; the remaining 15 percent is transferred to the state's School Foundation Program on a monthly basis. In fiscal year 1995 the entire balance in the Income Fund will be transferred out on a monthly basis to the General Fund.
- (7) Under the Coal Severance Tax Loan Program, the state sells coal severance tax bonds and loans the proceeds to local

government entities for various water projects. The borrowers make semiannual loan payments, which upon receipt are credited to a Debt Service Account. The terms of the loans vary, but generally involve an interest rate subsidy for the first five years of the loan followed by a direct pass-through of interest rate on the Bonds for the remaining life of the loan. The loan program and debt service accounts are administered by the DNRC.

The Act creating the Endowment Fund also expanded the loan authority from strictly water projects and now includes all local government infrastructure projects approved under this Act.

- (8) Debt service payments on the Bonds are due each June 1 and December 1. To the extent funds on hand in the Debt Service Account from loan repayments are insufficient to pay principal and interest on the Bonds when due, funds are transferred to the Debt Service Account from the Bond Fund. On January 1 of each year funds are transferred to the Debt Service Account from the Bond Fund to the extent necessary to cause the balance in the Debt Service Account to equal one-twelfth of the next two ensuing semiannual debt service payment. DNRC provides written notice to the Department of Revenue if funds are needed to pay debt service or to make the required transfer on January 1. On January 1 of each year DNRC also sweeps the Debt Service Account of funds in

excess of one-twelfth of the next two ensuing semiannual debt service payments. The excess is returned to the Bond Fund in repayment of borrowed money if necessary, or deposited in the Renewable Resources Grant/Loan Special Revenue Account.

- (9) On each June 1 and December 1, the state pays debt service on the Bonds from amounts on hand in the Debt Service Account. Payments are made by DNRC.

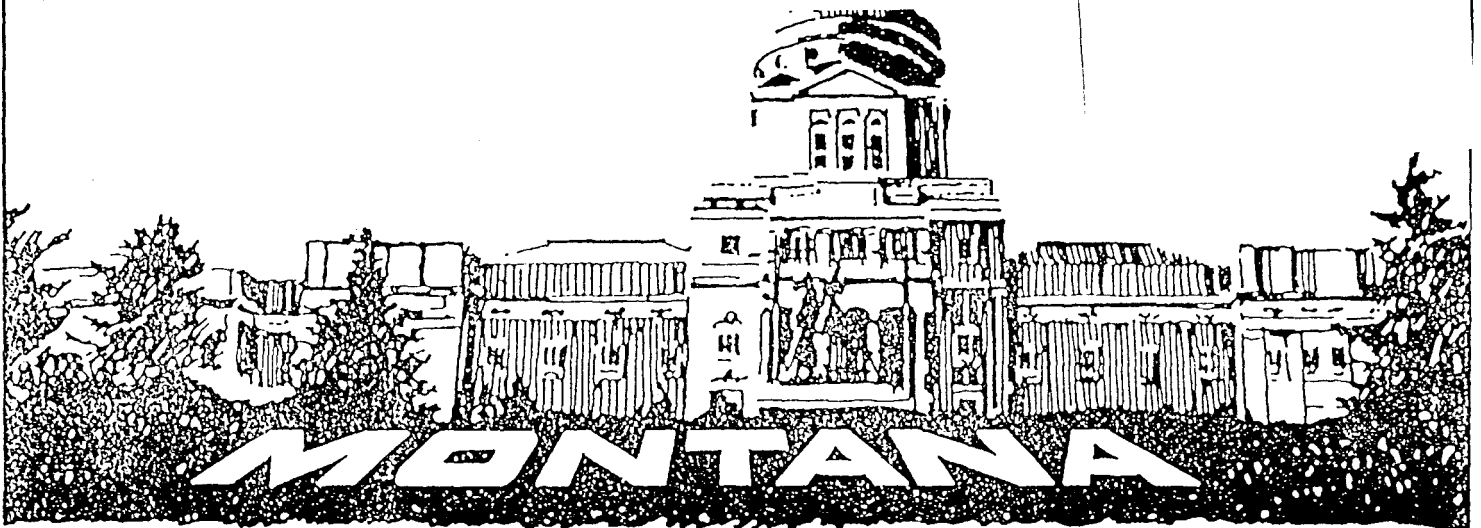
EXHIBIT 6

DATE 1-16-95

HB 6+8

BUDGET ANALYSIS 1997 BIENNIUM

VOL. I



OFFICE OF THE
LEGISLATIVE
FISCAL ANALYST

HELENA, MONTANA • JANUARY 1995

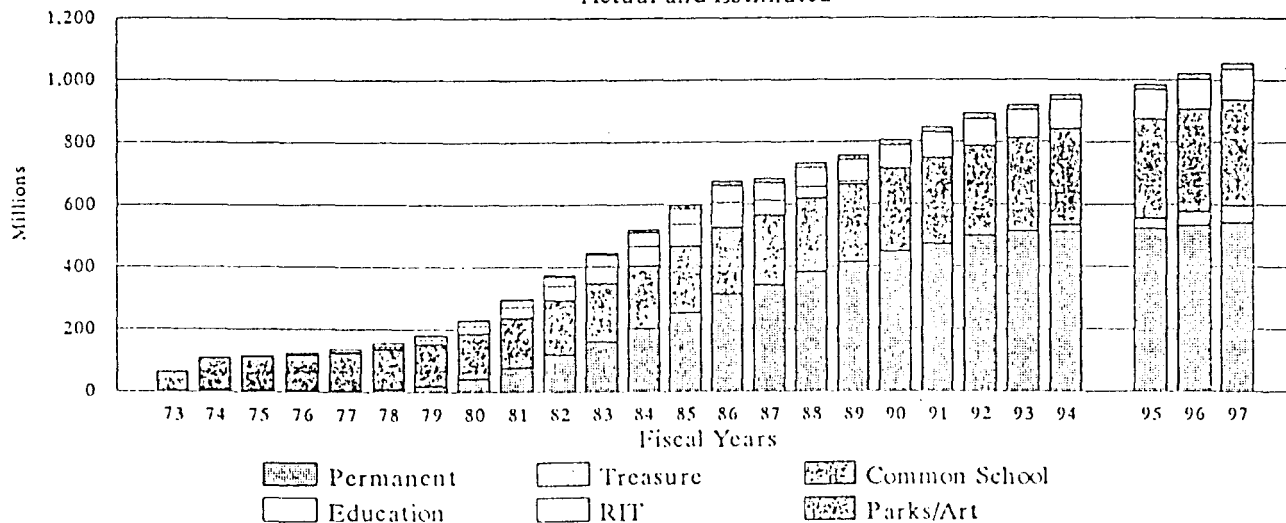


TRUST FUNDS -- BALANCES AND INTEREST EARNINGS

Table 1
Selected Trust Fund Balances
Including Projected Investment Earnings

Fiscal Year	Permanent Coal Tax Trust Fund	Treasure St Endowment Trust Fund	Common School Trust Fund	Education Trust Fund	Resource Indemnity Trust Fund	Parks Acquisition Trust Fund	Arts Protection Trust Fund	Noxious Weed Trust Fund	Total Trust Fund
A 73	\$0	\$0	\$64,223,773	\$0	\$0	\$0	\$0	\$0	\$64,223,773
A 74	0	0	108,998,870	0	1,141,385	0	0	0	110,140,255
A 75	0	0	113,064,188	0	3,287,456	0	0	0	116,351,644
A 76	0	0	117,849,628	2,227,793	5,552,291	278,725	0	0	125,908,437
A 77	0	0	123,281,528	6,039,530	8,232,247	758,308	0	0	138,311,613
A 78	6,268,262	0	129,949,247	8,983,763	10,646,851	1,174,356	0	0	157,022,479
A 79	16,940,538	0	137,716,735	12,339,549	12,574,209	1,475,732	0	0	181,046,763
A 80	39,964,765	0	147,527,943	23,905,146	16,204,531	3,565,371	0	0	231,167,756
A 81	75,187,459	0	163,163,556	33,624,170	21,165,464	5,325,746	0	0	298,466,395
A 82	309,384,250	0	176,467,865	44,338,477	28,328,946	7,480,418	0	0	374,952,020
A 83	158,358,806	0	189,390,417	52,665,410	36,181,889	9,481,542	0	0	446,078,064
A 84	202,936,358	0	201,319,109	60,925,268	42,986,128	11,565,460	0	0	519,732,323
A 85	252,420,524	0	214,764,544	70,500,922	47,396,179	13,859,181	0	0	598,941,350
A 86	309,384,250	0	217,677,906	79,761,708	53,039,675	16,222,131	0	443,184	676,528,854
A 87	339,883,180	0	227,687,073	44,091,429	56,861,627	16,613,608	0	824,550	685,961,467
A 88	381,180,287	0	239,553,633	33,671,110	61,750,961	16,581,042	0	1,070,972	733,808,005
A 89	411,838,993	0	254,128,428	8,651,477	66,665,000	16,608,706	0	1,320,720	759,213,324
A 90	446,511,416	0	268,496,362	0	72,811,618	17,936,701	0	1,688,370	807,444,467
A 91	470,322,655	0	280,326,496	0	77,324,921	18,882,548	0	2,121,973	848,978,593
A 92	496,465,569	0	291,753,603	0	82,489,898	12,588,366	7,051,506	2,584,254	892,933,196
A 93	511,474,640	0	300,782,863	0	86,890,369	12,538,119	6,863,579	2,534,844	921,084,414
A 94	511,754,471	20,520,830	310,735,129	0	89,316,268	12,538,119	7,025,290	2,518,875	954,408,982
Forecasted Fund Balance									
F 95	522,193,813	31,701,156	320,776,949	0	91,779,375	12,538,119	7,308,599	2,500,000	988,798,011
F 96	532,669,644	42,915,167	330,873,476	0	94,047,996	13,106,221	7,592,762	2,500,000	1,023,705,266
F 97	542,547,783	53,504,215	340,942,649	0	96,261,888	13,642,662	7,861,088	2,500,000	1,057,260,285
Forecasted Investment Earnings									
F 95	41,806,569	1,720,541	23,879,598	0	7,764,110	887,866	506,328	240,000	76,805,012
F 96	41,802,757	2,626,972	23,690,516	0	7,760,370	919,492	512,082	240,000	77,552,189
F 97	42,213,236	3,510,824	23,982,113	0	7,881,869	966,020	525,983	240,000	79,320,045

History of Selected Trust Fund Balances
Actual and Estimated



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Vincent B. Kogoh	JVCD + MSE	
Don Schiller	MSE	
Doug Racholt	"	
Chuck Gordon	Mile High CD	
Carol Brooker	Sanders County	
Patsy Meredith	ESCD + Plains Baseball	
Dean Hawn	ESCD & Plains Baseball	
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Eddie A. Mager	ESCD Hot Springs	
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