

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By **CHAIRMAN JACK WELLS**, on January 14, 2005 at 8:30 A.M., in Room 350 Capitol.

ROLL CALL

Members Present:

Rep. Jack Wells, Chairman (R)
Sen. John Brueggeman (R)
Sen. Mike Cooney (D)
Sen. Bob Keenan (R)
Rep. Ralph L. Lenhart (D)

Members Excused: None.

Members Absent: Sen. Jon Tester, Vice Chairman (D)
Rep. Carol C. Juneau (D)
Rep. John E. Witt (R)

Staff Present: Laura Dillon, Committee Secretary
Catherine Duncan, Legislative Branch
Mark Bruno, OBPP

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

Committee Business Summary:

Hearing & Date Posted: HB 6, 1/14/2005; HB 8, 1/14/2005;
HB 11, 1/14/2005

Executive Action:

Reference book is: Governor's Budget, State of Montana, Treasure State Endowment Program, Fiscal Years 2006-2007, Volume 5; and the Governor's Budget State of Montana, Fiscal Years 2006-2007, Renewable resource Grant and Loan Program (RRGL), Volume 7.

CHAIRMAN WELLS went over committee protocol for the audience and then opened hearings for projects under HB 11, Treasure State Endowment Program (TSEP); and HB 6 and HB 8, Renewable Resource Grants and Loans (RRGL).

Libby Project #18 Page 121 (TSEP)

Jim Edgcomb, Department of Commerce, TSEP presented the project for sewer system expansion and improvements in the town of Libby. The project has been recommended for full funding at \$500,000.

Libby Project #24 Page 75 (RRGL)

Pam Smith, Department of Natural Resources and Conservation (DNRC), RRGL, stated that the Libby project gained points in both technical feasibility and renewable resources categories. The project has been recommended funding for \$100,000.

Proponents' Testimony:

Jason Mercer, Morrison Maierle Engineers, distributed copies of written testimony on behalf of the City of Libby (Exhibit 1).

EXHIBIT(jlh10a01)

REP. RALPH HEINERT, HD 1, spoke in support of the grant request for the town.

CHAIRMAN WELLS announced that **SEN. AUBYN CURTISS, SD 1**, wanted to go on record in support of the Libby Project.

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

Custer Area Project #20 Page 131 (TSEP)

Mr. Edgcomb said \$500,000 had been recommended for this project. The grant money will fund sewer system improvements to the Custer Area Yellowstone County District.

Custer Area Project #32 Page 94 (RRGL)

Ms. Smith stated that DNRC has recommended full funding of \$100,000 for this project.

Proponents' Testimony:

Patrick Murtagh, Montana Engineering and Administration, presented the case for the Custer Area Project. He distributed copies of his testimony for the committee (Exhibit 2). There are many health and safety concerns with the old structures. The new proposal seeks to address some of the problems with the old system for the lowest possible cost to the community.

EXHIBIT(jlh10a02)

Don Seader, Custer Area Water and Sewer, testified that there was waste water leaking from the sewer system into the groundwater. The groundwater is in violation of Department of Environmental Quality (DEQ) water standards and it is likely that surface water is in violation as well. The improvements proposed are the least costly repairs necessary to maintain the system within DEQ regulations.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 13.6}

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

Upper and Lower River Road Project #28 Page 167 (TSEP)

Mr. Edgcomb described this project as part of a larger plan to ultimately provide water and sewer service to an area adjacent to the City of Great Falls. The project has been recommended funding of \$500,000.

Upper and Lower River Road Project #14 Page 50 (RRGL)

Ms. Smith said the project ranked well in all categories and was recommended for \$100,000 in funding.

Proponents' Testimony:

Rolland Leithetser, Upper and Lower River Road Sewer District, stated that the area in question contained a very diverse population. The district has spent a great deal of time researching an acceptable solution for everyone. The proposed project will conserve water and improve the condition of groundwater. He distributed written testimony that included project background and specifics (Exhibit 3) and commented that the project engineer would field questions from the committee.

EXHIBIT(jlh10a03)

REP. MIKE MILBURN, HD 19, went on record in support of the project.

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

{Tape: 1; Side: A; Approx. Time Counter: 13.6 - 18.9}

Sheridan Project #24 Page 149 (TSEP)

Mr. Edgcomb said the Town of Sheridan has been recommended for funding of \$500,000. The project funds will pay for various water system improvements.

Sheridan Project #9 Page 37 (RRGL)

Ms. Smith told the committee that the Sheridan Project had been recommended for \$100,000 in funding by DNRC.

Proponents' Testimony:

REP. DIANE RICE, HD 71, said she supports the project and said the town had been very successful with TSEP funded projects in the past.

Joel Rekilcher, ENTRANCO Engineering, read a letter of support from Christopher Mumme, Mayor of Sheridan, and distributed copies to the committee members (Exhibit 4). The current water structure is in poor condition. The project will replace leaky water lines and hydrants, and water meters will be installed.

EXHIBIT(j1h10a04)

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

Woods Bay District Project #39 Page 220 (TSEP)

Mr. Edgcomb said \$500,000 is recommended for the Lake County Water and Sewer District to fund this project. The funds will be used for water service improvements and to connect the adjacent Sheaver's Creek Water District with the Woods Bay system.

Woods Bay District Project #39 Page 220 (RRGL)

Ms. Smith said the project has been recommended for funds of \$100,000 by DNRC.

Proponents' Testimony:

Lyle Witman, Woods Bay Water and Sewer District, testified that the current system often leaks has to be repaired often. The system pump is overworked trying to keep up with the leaks. The soil in the area makes it hard to detect leaks and both time and money are wasted trying to pinpoint the location of the leaks. The system also is in need of more water storage and pressure.

Mike Frazier, Thomas Dean and Hoskins Engineer, stated that the project will be coordinated with the Sheaver's Creek Project, which was approved to receive TSEP funds in 2003.

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

Ranch District Project #35 Page 200 (TSEP)

Mr. Edgcomb said this project was recommended for a reduced grant amount of \$360,000. This limits the award to \$7,500 per benefitting household. The proposal will replace the current Ranch District Water System.

{Tape: 1; Side: A; Approx. Time Counter: 18.9 - 30.8}

Ranch District Project #23 Page 72 (RRGL)

Ms. Smith stated that the Ranch District Project had been recommended for the full funding of \$100,00 because it ranked well with renewable resource benefits.

Proponents' Testimony:

Mahlon Randall, Ranch County Water District, handed out copies of his presentation in support of the project (Exhibit 5). He estimates that the entire system needs to be replaced.

Mr. Randall said inaccurate demographic information was responsible for the reduced grant recommendation. He gave an example of another community with higher median income that was receiving the full amount of TSEP grant money. Mr. Randall feels the district will have to raise their rates to make up for the reduced amount of state funding.

EXHIBIT(jlh10a05)

{REP. WITT entered the meeting at 9:10 A.M.}

SEN. KEENAN testified that he had worked with Mr. Edgcomb to better understand the grant application process and understands the hardship that the community is facing. He does not believe the project application gives an accurate representation of the community's financial need. He cited the concern that the amount of empty lots in the community could lead to TSEP funds ultimately benefitting a private developer. **SEN. KEENAN** stated that many homes in the community were built on two lots, so this may not be a realistic concern.

Opponents' Testimony: none.

Questions from Committee Members and Responses:

CHAIRMAN WELLS asked why the development was referred to as Ranch County.

Mr. Randall replied that the community was called "The Ranch" by its original developer.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 15.8}

Bigfork District Project #47 Page 258 (TSEP)

Mr. Edgcomb presented the Bigfork County Water and Sewer District Project. The district failed to meet all of the hardship criteria on the application and is recommended for a reduced grant amount. \$262,000 will be awarded to the district if there are sufficient funds.

Bigfork District Project #57 Page 154 (RRGL)

Ms. Smith said the project didn't score well in renewable resource points because the application failed to show its connection to pollution in the Flathead River. The project is still being recommended for funding of \$100,000.

Proponents' Testimony:

Mike Frazier testified that it was hard to get groundwater pollution data on this project due to the kinds of soils present in the area. Septic systems and sewer systems in the area are in violation of environmental standards, but the water passes too quickly through the soil to gain accurate data. However, there is

data available that shows high nitrate and phosphate levels in the Flathead river.

Mr. Frazier cited the unavailability of groundwater data as the reason the project did not qualify for the hardship criteria. He stated that pollutants are known to be getting into the river and this project would help mitigate those pollution levels.

SEN. KEENAN told the committee that the Flathead River flows very close to the applicant community. The home sites in the area are all using septic systems that are close to the water table. He said the project could not be completed on a reduced grant amount and asked the committee to administer the full amount of grant request.

Opponents' Testimony: none.

Questions from Committee Members and Responses:

CHAIRMAN WELLS asked if the rates on this application were calculated using the grant amount requested or the amount recommended.

Mr. Edgcomb said he believed the amounts were calculated using the reduced grant proposal.

CHAIRMAN WELLS asked if these were the rates that the community felt were too high to move ahead with the project.

Mr. Edgcomb answered that this was correct.

Town of Ryegate Project #43 Page 238 (TSEP)

Mr. Edgcomb said this project was a proposal for sewer system improvements. The project has been recommended for the full amount of \$394,081, provided they can show that the proposed design concept will be successful in the long-term.

Town of Ryegate Project #52 Page 143 (RRGL)

Ms. Smith stated that the project was recommended for the full amount of \$100,000, despite ranking low in technical feasibility.

Proponents' Testimony:

Mr. Edgcomb mentioned that the Town of Ryegate had contacted him to ask for project support on their behalf. They were unable to attend the hearing due to poor weather conditions.

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

CHAIRMAN WELLS concluded the hearing portion of the meeting and instructed the committee members that they would now hear an overview of the Regional Water Projects, presented by John Tubbs, DNRC.

{Tape: 1; Side: B; Approx. Time Counter: 15.8 - 30}

Regional Water Projects Overview

John Tubbs, DNRC, said that Montana has been a part of the Regional Water System since the 1990's. There are four Regional Water Systems in Montana:

- 1) North Central-Rocky Boy Regional Water
- 2) Fort Peck-Dry Prairie Regional Water
- 3) Central Montana Regional Water
- 4) Dry-Red Regional Water

The Fort Peck and Rocky Boy Systems are the only federally authorized systems in Montana. The North Central-Rocky Boy and Fort Peck-Dry Prairie Systems are the result of tribal and state government working together to resolve water quality issues in the area. The Central Montana and Dry-Red Regional Water Systems are both new proposals for the state.

Fort Peck-Dry Prairie Regional Water

Mr. Tubbs presented the committee members with a map of the water distribution lines in the system. He explained that the Town of Culbertson has an oversized water system that works as part of Regional Water by distributing water to smaller communities in the area.

EXHIBIT(jlh10a06)

SEN. KEENAN asked how deep the water lines were buried.

Mr. Tubbs replied that the lines were buried from six to seven feet deep.

REP. WITT asked how many miles of water line were contained in this system.

Mr. Tubbs answered that there are over 3,000 miles of pipeline within the system.

Mr. Tubbs said the tribes are working with outside communities to address the issue of poor groundwater in eastern Montana.

SEN. KEENAN asked what was previously in their water to make it colored.

Mr. Tubbs replied that iron, manganese, and sulfates often account for changes in the water color.

Mr. Tubbs stated that 22 communities are served by the regional water system. The Fort Peck System is 100 percent federally funded and the Dry Prairie System receives around 76 percent in federal funds.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 14.7}

North Central- Rocky Boy Regional Water

Mr. Tubbs said the water system was comprised of many lines that were already in existence. The system extends water lines into the Rocky Boy Reservation. There are 20 previously existing water systems that have been brought into this project. The regional system intake is adjacent to the Tiber Dam. The final engineering on the project was finished in 2004 and the final design is expected to being in 2005 or 2006. The Rocky Boy Water System receives 100 percent of its funding from federal sources. The North Central System is funded around 80 percent federally.

Central Montana Regional Water

Mr. Tubbs said the Central Montana Water System was able to drill a well near Utica by using coal board dollars. Currently much of the Central Montana area relies on the Musselshell River for its water supply and the river is known to run dry during drought.

Dry-Red Regional Water

Mr. Tubbs commented that this project has secured a \$30,000 grant to begin a preliminary engineering study.

{Tape: 2; Side: A; Approx. Time Counter: 14.7 - 21.4}

Mr. Tubbs said the TSEP Regional Water Fund was enacted in 1995. Its purpose is to provide the funding for Regional Water Systems. The TSEP Regional Water Fund receives its money from Coal Severance Tax Revenues collected. The fund should have a remaining balance of \$20,460 after the appropriations for HB 11 and HB 2. Federal money is requested for the tribal water systems.

SEN. KEENAN asked how SB 124 fit into the program.

Mr. Tubbs replied that SB 124 will authorize the use of state funds for the water systems in anticipation of federal money.

{Tape: 2; Side: A; Approx. Time Counter: 21.4 - 32.5}

REP. WITT asked if the department was anticipating more regional water projects in the future requesting funds.

Mr. Tubbs replied that the first priority for water funds goes to matching federal funds for construction costs.

REP. WITT asked if any funds had been earmarked for a specific project.

Mr. Tubbs answered that the two projects (North Central-Rocky Boy and Fort Peck-Dry Prairie) were competing for state funds and the department may use gap financing to get the construction started.

REP. WITT commented that the North Central Regional Water Project already had a lot of the infrastructure in place.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 4.2}

Mr. Tubbs said the state has the choice of matching federal funds or getting ahead of that match, but he did not think they should get too far ahead of the projects unless it's necessary. Mr. Tubbs went on to discuss some potential options the state had for financing these projects.

REP. WITT asked if regional water projects would have the option of using some of the funds allocated for the St. Mary's Project.

Mr. Tubbs replied that statute would have to be amended by the legislature for that to happen.

{Tape: 2; Side: B; Approx. Time Counter: 4.2 - 11.4}

Proponents' Testimony:

Annamarie Robinson, Bear Paw Development, stated that her organization has been working with the local governments to move these water projects forward for over a decade. There is a large benefit to small communities that can join together in a regional system. She listed some of the communities that would benefit from these water projects.

Dan Keil, North Central Regional Water Authority, spoke in support of the Regional Water Projects. He said the Rocky Boy Tribe had set aside some of the money they will receive from their water settlement to be used in the regional project. Mr. Keil felt that gap financing would help the project considerably.

Mr. Tubbs stated that members of the Dry Creek Rural Water Authority wanted to be noted in favor of the projects.

Opponents' Testimony: none.

Questions from Committee Members and Responses: none.

CHAIRMAN WELLS went over the procedure for voting proxies and then adjourned the meeting.

ADJOURNMENT

Adjournment: 10:40 A.M.

REP. JACK WELLS, Chairman

LAURA DILLON, Secretary

JW/LD

Additional Exhibits:

EXHIBIT ([jlh10aad0.PDF](#))