



# LEGISLATIVE FINANCE COMMITTEE

## 59<sup>TH</sup> Montana Legislature

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March 16, 2006

TO: Representative Debby Barrett, Co-Chair  
Representative Chris Harris, Co-Chair  
Environmental Quality Council

FROM: Representative Rick Ripley, Chairman   
Resource Indemnity Trust Subcommittee of the Legislative Finance Committee

RE: Recommendations of the Resource Indemnity Trust Subcommittee

The Resource Indemnity Trust (RIT) Subcommittee recently completed the majority of the work recommended in HJR 36. The subcommittee developed a number of recommendations that will be heard by the full Legislative Finance Committee (LFC) at the June meeting. Two of the recommendations are directly related to program functions within the Department of Environmental Quality (DEQ) and the Department of Fish, Wildlife and Parks (FWP).

The subcommittee determined that there was not enough information or conflicting information regarding the operations of the Orphan Share program and the Future Fisheries Program to make significant changes in funding structure to these programs. The subcommittee is requesting the LFC request performance audits on both of these programs. Because EQC has oversight of both agencies involved, the subcommittee wished to notify you of their intent, and invite you to be a co-requestor of the audits. A summary of the issues is provided for your information.

The Orphan Share program was designed to provide a mechanism to cover the cost of remediation when a responsible party is no longer economically viable. The process requires entities to expend resources, reclaim land and then request reimbursement from the fund. Early on, the program identified seventy sites with an orphan share liability, of which sufficient information existed to estimate remedial costs on thirty-nine sites. The financial responsibility of these thirty-nine sites was estimated between \$22 and \$30 million. The fund has remitted \$1.4 million in claims since the program's inception in FY 1998. The legislature has appropriated the same amount for the same two sites for the last three biennia. The goal of the performance audit would be to identify why remediation of orphan share projects are not being completed.

The issues surround the Future Fisheries program is two fold. First, the program does not keep financial records in accordance with state accounting policies. Fiscal staff is unable to identify the actual expenditures to this program due to the fact that encumbered contract costs are not

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Exhibit 20

recorded on the state accounting system. In doing this, we are unable to determine what projects actually made it to the ground and how much did they cost. This is further confused by the fact that there are three funding sources available, plus federal dollars. Second, the process in which the program operates is in need of review. Statute does direct the department to provide an annual report, however it does not contain the information legislators need to assure performance. The goal of this audit would be to identify what process is used to select projects, how projects are monitored and if the activity meets the intent of the law.

If you have any questions regarding the actions of the RIT subcommittee, please do not hesitate to contact me or subcommittee staff, Barbara Smith.