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AN ANALYSIS OF THE WITHDRAWAL IMPACT  
OF THE LIBBY DAM PROJECT ON  
LOCAL GOVERNMENT ADMINISTRATION:  
LINCOLN COUNTY, MONTANA

By

Richard D. Gillmore

B.A., Western Washington State College, 1972

presented in partial fulfillment of the requirements

for the degree of

Master of Arts

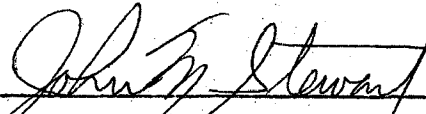
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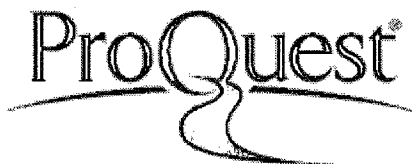


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## THESIS ABSTRACT

Gillmore, Richard D., M.A., March 1976. Political Science  
An Analysis of the Withdrawal Impact of the Libby Dam  
Project on Local Government Administration: Lincoln  
County, Montana (174 pg)  
Director: Dr. Peter Koehn

The purpose of this study is to analyze the impact of the federally sponsored Libby Dam construction project on the administration of local government units in Lincoln County, Montana. A boom and bust situation occurred in Lincoln County. Rapid population growth was experienced in anticipation of the project, followed by a general economic decline in conjunction with the completion of the project. For the local government units, the consequences of boom and bust were increased service needs relating to the rapid population growth and the problems encountered furnishing these needs. The extent of population loss anticipated following the construction project did not occur, thereby creating financial pressure on the county government to provide increased welfare outlays for unemployed dam workers and their families. Other county and municipal services were also affected by the sustained population growth created by the Libby Dam project.

The major conclusion is that the federal and State of Montana governments have not come to the aid of the local governments in Lincoln County to rectify the problems created by each. Related conclusions are that local officials and residents of Lincoln County did not exert as much pressure on the state and federal governments as they were able. However, federal and state governments have political, moral, and legal obligations to aid Lincoln County. Lincoln County local government units thought they were prepared for the dam project, but inadequate federal and state aid rendered them virtually helpless to handle the problems created by the project.

The primary method of research was the interview. County and municipal officials were interviewed in terms of their perceptions of the dam project impact. Followup questionnaires were sent, and all returned, to probe deeper into local officials' perceptions concerning the thesis topic.

Literature surveys were conducted in the areas of local government structure and functions, boom and bust, and the Libby Dam project, to furnish a basis for the analysis. The scope of the study is necessarily narrow in terms of federal activity impacts in a rural area. There are, however, implications of this study to other areas experiencing construction project impacts. Colstrip, and surrounding areas of Montana, are the examples discussed in the thesis.

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## CHAPTER I

### INTRODUCTION

The purpose of this thesis is to analyze the effects of a major, federally-funded, construction project on the administration of local government units in Lincoln County, Montana. Between 1966 and 1973 the federal government spent approximately \$446,000,000 on a hydro-electric dam project seventeen miles north-northeast of Libby, Montana, on the Kootenai River.<sup>1</sup> The Libby Dam project was authorized to provide power generation, flood control, and recreation potential for the area. Between 1960 and 1970, the project created an average of just under 2,000 jobs during the summer months.<sup>2</sup> The creation of jobs for the project brought about a rapid population influx into the area that was measured at 44 percent between 1960 and 1970.<sup>3</sup> This population influx put strains on the local government units in the County. According to the three

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<sup>1</sup>The Western News, Libby, Montana, August 21, 1975.

<sup>2</sup>Libby Dam employment figures provided by Libby Office of U.S. Army Corps of Engineers, July 14, 1975.

<sup>3</sup>U.S. Department of Commerce, Bureau of the Census, Characteristics of the Population: Part 28, Montana. 1970, p. 71-73.

Lincoln County Commissioners, the influx of people seeking employment created additional needs for certain services that local government units were unable to furnish.<sup>4</sup>

The thesis attempts to demonstrate that, through adequate preparation and outside financial help, a local government can successfully handle the strains placed upon it by the impact of a large construction project. In the case of Lincoln County, Montana, and affected municipal governments, there was adequate preparation in terms of impact statements and economic and social projections. These projections, however, were made after the project began. However, outside federal and state aid has proved to be inadequate. It is argued that the federal government had obligations to the Lincoln County area to rectify problems directly attributable to the Libby Dam project.

The Lincoln County budget was insufficient to meet requirements for the period of construction activity. This created a condition which necessitated emergency expenditures and budget transfers. The municipal governments experienced less in the way of budgetary problems during construction activity. The city of Libby, however, has experienced a 400 percent budget increase during the last ten years as a result of the growth trend caused by

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<sup>4</sup>Interview with Lincoln County Commissioners, June 5, 1975.

the dam project. The city did not immediately perceive the need for services as did the County government, as growth was restricted by an ordinance banning mobile homes, as well as an overall housing shortage in the city. (Note: this ordinance was enacted in 1938 in response to fire department concern over the high flammability of trailers at the time<sup>5</sup>). However, financial problems have more recently plagued the city due to a rise in local government costs and loss of tax revenue due to a migration pattern out of the city.<sup>6</sup>

A loss of tax revenue stemming from the flooding of 28,000 acres of taxable land and the loss of federal timber revenue, because of flooding, are the current problems facing the county government.

One technique of analysis used in this thesis is the comparison of projected impact data to the situation that was created as a result of the Libby Dam project. The thesis will divide the impact data into three periods. The first period covers the pre-construction phase and includes the history of the Lincoln County area. The second period relates to the construction years 1966 to 1973. The third, and most important period for the thesis, is the withdrawal phase of the project beginning in March

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<sup>5</sup>Libby City Ordinance 226, April 5, 1938

<sup>6</sup>Interview with Libby Mayor Fred Brown, June 5, 1975.

1973. This period includes a discussion of the current problems facing Lincoln County.

Projected economic and political data was furnished by the Economics Department at the University of Montana.<sup>7</sup> An environmental impact statement was published by the Seattle District Army Corps of Engineers Office.<sup>8</sup> The sociological effects were researched and a study was published by the Montana State University.<sup>9</sup> Interviews with local officials conducted during June, July, and August 1975 provided a good deal of information concerning the impact of the dam project. Interview responses were compared with revenue and expenditure figures reported on the Lincoln County budget for the years 1960 to 1975, the city of Libby budget 1959 to 1975, and copies of school district expenditures and enrollment figures for 1967 to 1971. These budgets furnish hard data to help substantiate the interviews. After an initial comparison was made

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<sup>7</sup>John H. Wicks, John M. Griffing, and E.M. Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana (Missoula: Bureau of Business and Economic Research, University of Montana, 1969)

<sup>8</sup>U.S. Army Corps of Engineer District, Seattle, Washington, Libby Dam and Lake Koocanusa, Kootenai River, Montana: Draft Environmental Impact Statement (Seattle: The Corps of Engineers, October 1971)

<sup>9</sup>Hugo Tureck, Social Impact of the Libby Dam, Lincoln County: The Case of Absentee or Extra-local Influence (Bozeman: Department of Sociology, Montana State University, July 1972)

between interview responses and related budget figures, a questionnaire was mailed to the Lincoln County Commissioners, the Mayor of Libby, and the Mayor of Rexford, Montana. The purpose of the questionnaire, mailed in August 1975, was to probe deeper into the impact of the dam project after the initial impact was discovered. The questionnaires were all returned by early September and yielded information that was complementary to earlier interviews.

The thesis is related to the boom and bust phenomenon often associated with major construction projects such as the Libby Dam. Boom comes in terms of economic stimulus created by a construction project. This stimulus often causes a rapid population increase in anticipation of jobs. Bust occurs following the withdrawal of the project or its completion and causes a general decline in economic activity. This decline is reflected in a substantial population decrease attributed to the project completion and subsequent lay-offs in employment.<sup>10</sup>

For the local governments of the area the boom in population creates increased needs for local services. Consequences of the boom are felt in terms of increased budgetary requirements to furnish these services.

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<sup>10</sup> Kutak, Rock, Cohen, Campbell, Garfinkle, and Woodward, A Legal Study Relating to Coal Development-Population Issues: Responding to Rapid Population Growth (Washington D.C.: Old West Regional Commission, 1974) p. 3



Consequences of the bust are felt as a loss of revenue because of the population decrease.<sup>11</sup>

It will be shown that Lincoln County has not experienced a significant loss of population, but has felt a general economic decline directly attributable to the Libby Dam project. This decline is in terms of a tax base erosion for the county government caused by the flooding of private taxable land and a timber revenue loss. The flooding was caused by the creation of the reservoir behind the dam.

Withdrawal of a large construction project can place severe strains on the local governments of an area. If high numbers of employees are laid off following the completion of a project and are not absorbed into other employment, the local government on the county level can anticipate higher welfare and unemployment demands if those people remain in the county. If many people leave the area, the local governments can expect a loss of personal property tax revenue in terms of automobiles, mobile homes, and other personal property subject to local taxation. An area that has sales tax will experience a subsequent loss of this revenue. Property tax revenue will likely decrease if many residents leave the area

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<sup>11</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana, p. 15

following a project completion.<sup>12</sup>

Another withdrawal strain on local governments can occur if the labor turnover is absorbed into other employment areas. Local government units are often reluctant to make major service improvements, i.e., sewer facilities, roads, police and fire protection, if they anticipate a migration from the area after a project is completed.<sup>13</sup> The addition of permanent service improvements can alleviate temporary needs, but if a major population migration occurs from the area, the local governments must continue to finance certain unnecessary services. If many people remain in the area, on the other hand, the local government units must permanently improve services to handle permanent needs. In this case they can permanently improve services hoping that many people will remain to pay for them, or wait to improve services until it is indicated that enough will remain employed in the area to warrant permanent improvement. The latter can create problems as service demands and needs are often immediate and government reaction requires more time.<sup>14</sup> These problems will be discussed in

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<sup>12</sup>John S. Gilmore, and Mary K. Duff, A Growth Management Case Study: Sweetwater County, Wyoming (Denver: University of Denver Research Institute, 1974) p. 4

<sup>13</sup>Kutak, Rock, Cohen, Campbell, Garfinkle, and Woodward, A Legal Study Relating to Coal Development-Population Issues: Responding to Rapid Population Growth, p. 25

<sup>14</sup>Ibid.

greater length in a chapter on the boom and bust phenomenon.

The thesis opens with a description of the Libby Dam project in terms of the costs, purpose, and environmental impact. Chapter II is an introduction to boom and bust and its relation to Lincoln County. Chapter III discusses the structure and functions of county and municipal governments to serve as a basis for the succeeding analysis of the impact of the Libby Dam on the local governments of Lincoln County. The following three chapters discuss the influence of the Libby Dam project in terms of the three time periods noted above. They are: the historical and pre-construction period, 1808-1965; the period of major construction activity, 1966-1973; the withdrawal period from 1973 to the present. Following the analysis of the Libby Dam impact on Lincoln County, the final chapters will recommend possible ways of alleviating the current problems faced by the local government units. Recommendations will be made concerning the possibility that alternate local government arrangements can rectify some of the current problems. Other recommendations center on the need for a larger federal role in such impacted areas and the possibility of state help in alleviating county government finance problems. This final chapter includes a summation of the findings and a look toward other major project impacts, such as Colstrip, Montana,

and ways to alleviate some of the problems that may be faced by the local governments of the area.

## CHAPTER II

### THE LIBBY DAM AND LAKE KOOCANUSA PROJECT

The Libby Dam project represents the biggest construction project ever to be undertaken in Lincoln County, Montana. The purpose of this chapter is to describe the project in terms of its costs, environmental impact, and the reasons for its construction.

The Libby Dam and Lake Koocanusa Project, located in Lincoln County, Montana, is a multiple purpose project included in the International Water Development Plan of the Columbia River Basin in the United States and Canada. The project was authorized for flood control, at-site power generation, and related water uses such as recreation. The project cost a total of \$446,000,000. Authorization for the project was by the Flood Control Act of 1950, Public Law 516.<sup>1</sup> Under the provisions of a treaty between the United States and Canada, the project was to begin water storage within seven years after construction began. Construction began in June of 1966 and flood control storage became operational in March of 1973.

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<sup>1</sup>U.S. Army Corps of Engineer District, Seattle, Washington, Libby Dam and Lake Koocanusa, Kootenai River, Montana: Draft Environmental Impact Statement (Seattle: The Corps of Engineers, October, 1971) p. 1.

The dam project is located on the Kootenai River in northwest Montana. The dam site is 219 miles upstream from the confluence of the Kootenai and Columbia Rivers, and about 17 miles upstream from the city of Libby, Montana.<sup>2</sup>

The reservoir created by the dam, Lake Koocanusa, is 90 miles in length; 48 miles in the United States, and 42 miles extending into British Columbia, Canada. The lake, at full pool elevation of 2,459 feet, has a surface area of 46,500 acres.<sup>3</sup> Of this area approximately two-thirds is in the United States. In total the lake has a usable storage of 4,965,000 acre-feet, and shoreline of 229 miles. The above mentioned treaty, signed in 1964, provides that Canada must assume the responsibility for project development and any impacts where the lake extends into British Columbia.<sup>4</sup>

The main Libby Dam was completed, except for the powerhouse, in March 1973. The dam is a concrete structure 420 feet in height from the bedrock, with a length at the crest of 3,000 feet. The power generating aspect of the dam consists of the installation of eight 105,000 kilowatt generating units (turbins and generators) at the main dam

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<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

<sup>4</sup>The Western News, Libby, Montana, August 21, 1975.

site. The first four turbines are in place, and an additional four units are scheduled to be in place by 1985. Actual power generation will not commence until sometime in 1976, however.

A reregulating dam and reservoir also was authorized by the Flood Control Act of 1950. This dam, tentatively located approximately 10 miles downstream from the main dam, is necessary to handle the volume of water that will be used to power the turbines at the main dam facility. The main purpose of a reregulating dam is to smooth out the water releases to acceptable flows that will not damage fisheries or endanger fishermen and the general public.<sup>5</sup> Environmental impact statements have been prepared for the possibility of installing four more power generating units at the reregulating dam, but final statements and Congressional fund allocations have yet to be made.

The Libby Dam project was undertaken to help the Federal power system handle the demand for the Pacific northwest's power supply. The Federal power system provides about 50 percent of the Pacific Northwest's power supply and has approximately 80 percent of the area's bulk power transmission capability. When power production

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<sup>5</sup>U.S. Army Corps of Engineer District, Seattle, Washington, Libby Dam and Lake Koocanusa, Kootenai River, Montana: Draft Environmental Statement, Libby Additional Units and Reregulating Dam (Seattle: The Corps of Engineers, June 1974), p. 2-20.

commences, Libby Dam's generating units will help meet the area's increasing demand for power, but will by no means completely satisfy the demand. Total completion of the dam in 1985 will add a total of 854,000 kilowatts of power to the Pacific northwest power system. Of this total, 270,000 kilowatts will be generated at Libby Dam and 584,000 kilowatts will be attributed to increased production at the five Canadian and ten U.S. powerplants downstream from Libby.<sup>6</sup>

Lincoln County will receive no compensation for the dam project. However, generated power from the Libby Dam will be available for the immediate area, but will not be offered at reduced rates. Originally the Federal power Commission did not intend to retain electrical output in the local area of Lincoln County and Montana. In 1967, Senator Mike Mansfield requested an authorization to attain preferential power reservation for the local area from the Libby Dam. On May 4, 1967, the authorization was granted by the Department of the Interior.<sup>7</sup> It is true that generated electricity will be available for the local area, but at the standard rate.

The second major purpose of the dam project is to provide flood control for downstream areas. Recurring

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<sup>6</sup>Draft Environmental Impact Statement, October 1971, p. 7.

<sup>7</sup>The Western News, Libby, Montana, May 17, 1967



flood damage occurs to land protected by levees in the flood plain of the Kootenai River, extending about 70 miles above the town of Bonner's Ferry, Idaho, to Kootenay Lake, British Columbia. The existing levee system provides partial protection to about 34,000 acres of fertile land in the U.S. and Canada.

The Kootenai River itself is the third largest tributary of the Columbia River, and contributes about 18 percent of the runoff of major floods on the lower Columbia. Libby Dam, together with Canadian water storage, and existing storage in the Columbia Basin, would be sufficient to control the largest recorded flood.<sup>8</sup> The largest recorded flood, in 1894, had a peak discharge of 1,240,000 cubic feet per second. Control of flooding can be reduced to 800,000 c.f.s. at The Dalles, Oregon. Fifteen percent of the total flood reduction would be directly attributable to the Libby Dam, as a component of the Columbia River Treaty projects. Additional flood protection will be provided to lower Columbia River areas such as Portland, The Dalles, and Hood River, Oregon, and Vancouver, Kelso, and Longview, Washington.

The third major purpose of the Libby Dam project is to create a large recreation area by the inundation of approximately 28,000 acres of land. The project will

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<sup>8</sup>Draft Environmental Impact Statement, October 1971, p. 8.

change the area from a river oriented pattern to a lake oriented pattern. The creation of Lake Koocanusa has converted 4,750 surface acres of the Kootenai River to a 28,850 acre lake. The lake, as a recreation resource, will increase demand for facilities. The Forest Service plans for the ultimate development of twenty-two authorized recreation areas, ranging from primitive to commercial complexes. About 13,000 acres of public land is available in the U.S. to provide recreation and public access to the project area. The Army Corps of Engineers has noted that the aesthetic qualities of the shoreline can be maintained in the near natural state by proper planning and the prevention of unsightly development.<sup>9</sup> The Army Corps of Engineers has stated that recreation revenue generated from the dam may reach \$1 million a year. It is hoped by the local government of Lincoln County that recreation generated by tourism will help offset the loss of taxable property caused by the creation of the reservoir, Lake Koocanusa.<sup>10</sup> If no compensation for the dam is made available to the county government from the federal government, the county will have to rely on tourism to offset revenue losses. If recreation revenue is less than anticipated, the county will thus face shortages of revenue that will affect yearly budgets.

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<sup>9</sup>Ibid., p. 9

<sup>10</sup>Interview with Lincoln County Commissioners, June 5, 1975

On its face, then, the Libby Dam project offers power generation, flood control, and recreation facilities as its products. On another level the project's construction has had positive and negative effects on the environmental setting of the area.

Lake Koocanusa inundated a considerable amount of land. The Lake has removed nearly 2,000 acres from cultivation, over 6,500 acres from natural grazing, over 7,000 acres from private forests, 150 acres from residential development, 80 acres from industrial use, and 8,370 acres from National Forest lands. The towns of Rexford, Warland, and Gateway were also inundated and had to be relocated. Their combined population was about 350.

In terms of transportation facilities, the lake covered 43 miles of the Burlington-Northern mainline tracks, 42 miles of Montana state highway 37, 92 miles of forest development roads and 28 miles of Lincoln County roads. The railroad line has been relocated to the east of Lake Koocanusa, including the construction of a seven-mile-long tunnel.

Environmental changes occurred in relocating Highway 37 and the forest development road because of the amount of acreage required. The highway was also relocated to the east of the lake. Road construction caused the loss of 1,253 acres of wildlife habitat for the highway, and 886 acres for the forest development roads. It was noted

that on the east side of the lake there are greater concentrations of wintering wildlife, particularly a herd of big horn sheep, which are an endangered species.<sup>11</sup> Wherever possible, the alignment of the roads has been changed to protect the environmental features. Also, all streams designated by the Montana Fish and Game Department as significant for fish propagation have been crossed by bridges or culverts with fish passage facilities. Game trails have also been constructed underneath bridges to encourage animals to cross beneath rather than crossing the highway.

Over 14,000 acres of wildlife habitat has been lost by the construction of the dam and related projects. The relocation of the railroad has resulted in the loss of 2 miles of natural free-flowing streams because of channel changes. Channel changes disrupted an additional 9.7 miles of streambed.<sup>12</sup>

Another adverse effect due to the filling of Lake Koocanusa was the amount of flotsam that came to the surface of the reservoir. Initial disposal of this debris was handled by the Corps of Engineers. The current plan is to dispose of additional debris by tilling it into the soil at designated clear-cut areas. The problem to be

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<sup>11</sup>Draft Environmental Impact Statement October 1971, p. 2

<sup>12</sup>Ibid., p. 20

faced are increased fire hazards, damage to wildlife habitat, erosion, and the possibility of degrading the water quality by ground water leaching through the disposed material and into the stream course. There are, however, alternate means of disposal being experimented with, such as recycling (making pressed logs), improved burning techniques, and other methods of burial rather than tilling.

Downstream from the dam, the physical and biological characteristics of fish habitat will be changed because of river fluctuations and differing water temperatures. The river fluctuations will be due to power generation operations and it will reduce fish food organisms by stranding them when the water level decreases, thus killing them. Also, the temperature of the water released may affect the spawning of different varieties of fish. Colder water temperatures in the spring may delay Cut-throat trout spawning, and warmer temperatures in the winter may cause earlier spawning of mountain whitefish.

Added to the list of negative environmental impacts has been the loss by inundation of twenty-five known archeological sites. Two of the most promising sites have been salvaged, however, by the University of Montana.

Although the Libby Dam has created many adverse environmental effects, there are some effects of a positive nature. The project will provide flood control and recreation facilities for the people of Montana, the

surrounding states and Canada. Other aspects that are of a positive nature are in the areas of water quality and mosquito control.

The construction of the Libby Dam and reregulation dam will have little effect on the water quality of the area according to the Corps of Engineers. After the completion of the project, including the installation of the power units, the water released will be clearer than before the project.<sup>13</sup> Water clearness will be due to sediment retention in the lake.

Downstream from the dam the major concern is the effect of the release of water and the subsequent fluctuations of the water level. According to the Corps of Engineers' studies, at periods of high discharge, fluctuations will be limited to no more than one foot per hour and four feet per day during the summer recreation period, and two feet per hour and six feet per day the rest of the year.<sup>14</sup> Actual fluctuations will not be known until power generation is begun in 1976. Studies are being done that will indicate the impact of the Libby and reregulating dams peak operations on the whole of the Columbia River system.

Completion of the project has also helped to control the mosquito population around Bonner's Ferry, Idaho. This

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<sup>13</sup>Ibid., p. 23

<sup>14</sup>Ibid.

area has experienced a severe mosquito problem for many years, but the flood control initiated by the Libby Dam has helped to eliminate this yearly nuisance.<sup>15</sup>

Concern was expressed by local residents about the actual dam itself and the loss of the aesthetic value of the area due to the huge concrete structure. The Corps of Engineers said the impact on the natural area would be minimized, if possibly, by: integrating the design of the dam, powerhouse, and visitor facilities into one single unit. They said they would disturb nature as little as possible and, where it is disturbed, restore it to simulate the natural setting. Also, informal landscape treatment around the dam will complement the natural topographic features of the area and provide a transition between the man-made features of the project and the natural surroundings.<sup>16</sup> When viewing the dam and the surrounding area, it is doubtful that the natural setting has been restored. It is hard to imagine the natural setting before the dam was built because the concrete structure now occupying the area totally detracts from the environmental setting. A person should see the dam site as it now exists to determine for themselves the aesthetic impact. It is hard to perceive, however, that a transition between the man-

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<sup>15</sup>The Western News, Libby, Montana, August 21, 1975

<sup>16</sup>Draft Environmental Impact Statement, October, 1971, p. 9.

made features and natural surroundings has been made.

To enhance the visual impact of the lake during low water level periods, stumps have been removed at the lowest water level. Stumps have been cut flush with the ground at a level almost 200 feet below the full pool elevation, and large shrubs and bushes have been removed.

The Libby Dam has had a significant effect on Lincoln County in terms of the environmental impacts created by the construction project. It also affected the local government units of the county by the increase in population associated with dam construction employment.

In relation to the thesis topic the pre-construction period did not affect the local government units of Lincoln County as did the construction phase and withdrawal phase. This period is important because the Lincoln County area was made aware of the construction project as early as 1943.

The construction phase began in 1966 and ended in March 1973, with the completion of the dam minus the beginning of power generation. The withdrawal phase began in March 1973, and continues today.



### CHAPTER III

#### BOOM AND BUST

The boom and bust phenomenon can be simply defined as a rapid population growth of an area for a specific period of time, followed by a population decrease at the end of that time. The definition precludes sustained growth over a period of time, or gradual growth, or no growth. One of the major characteristics of this phenomenon is that the boom phase is distinguished by short-term expansion rather than long-term growth.<sup>1</sup>

This phenomenon occurs as an economic stimulus of a large construction project being introduced into an area. Rapid population growth occurs in anticipation of employment opportunities. Population decline occurs following the completion of a construction project or an exhaustion of a natural resource, such as coal. Employments are terminated causing workers to leave the area if they cannot find other employment in the area.

Consequences of rapid population growth are felt by

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<sup>1</sup>Montana State Department of Planning and Economic Development, Six County Areawide Impact Study: Malstrom Deployment Area, Montana Report No. 3 (Helena: Department of Planning and Economic Development, 1972) p. 3

local government units as needs for the expansion and the improvement of services, schools, and utilities. The local economy experiences an upturn as more money is introduced into the area as a result of construction or mining.<sup>2</sup> The bust phase occurs in terms of population decline, and a general economic decline of an area following the withdrawal of the cause for rapid population influx.

Literature surveyed for the purposes of this thesis concerning the boom and bust phenomenon relates almost entirely to development in the western United States. The main reason for this regional treatment is the diverse nature of this phenomenon. Even in the western United States the reasons for, and conditions of boom and bust, are different from area to area. In fact, only one universal trend has been noted, that being the demand for housing in boom situations.<sup>3</sup> By focusing on the western United States, it will be easier to note general conditions of the region, particularly in mountain and plains states where one-industry economics prevail. Another similarity for western boom growth is the tendency for boom and bust situations to occur in relatively sparsely populated areas.

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<sup>2</sup>Paul E. Polzin, Water Use and Coal Development in Eastern Montana (Missoula: Bureau of Business and Economic Research, University of Montana, November 1974) p. 14.

<sup>3</sup>Kutak, Rock, Cohen, Campbell, Garfinkle, and Woodward. Coal Development - Population Issues, p. 7.

The boom and bust discussion will begin with a description of the general conditions of the boom phase as relates to the western United States.

In the western United States a boom is currently underway in the states of Montana, North Dakota, Wyoming, Arizona, New Mexico and Utah.<sup>4</sup> These localities are experiencing rapid population growth in anticipation of the development of the coal mining and coal gasification industry. As the United States moves toward its goal of energy self-sufficiency, the exploitation of all its natural resources is the selected means of attaining this goal.<sup>5</sup> The exploitation of the natural resources to attain energy self-sufficiency is part of the federal government's history of increasing control over natural resources. The federal influence over energy development got its major start in the 1930's with the New Deal.<sup>6</sup> The New Deals' answer to the economic depression rested partially with federal control of coal deposits, natural gas, and electricity.<sup>7</sup> National politics have evolved to

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<sup>4</sup>Ibid., p. 1.

<sup>5</sup>Montana State Department of Natural Resources and Conservation, Draft Environmental Impact Statement on Colstrip Electric Generating Units 3 & 4, 500 Kilowatt Transmission Lines and Associated Facilities. Volume I (Helena: Department of Natural Resources and Conservation, November 1974) p. 12.

<sup>6</sup>David H. Davis, Energy Politics (New York: St. Martin's Press 1974) p. 178.

<sup>7</sup>Ibid.

the point of giving a larger role to the federal government for energy development. This stems from the fact that a need has arisen, due to high import costs, to develop internal resources expediently. The federal government can furnish the large amounts of capital needed to develop natural resources, at a time when private companies may not have the necessary finances.<sup>8</sup> As a result, increased federal involvement in energy policy has been at the expense of state and intra-state areas. The assumption that state and local governments have certain rights autonomous of the national government has been eroded in the arena of energy politics. An example currently exists in Montana where the federal government has ownership of under-ground coal deposits in the eastern half of the state. These areas can be developed by the federal government regardless of public sentiment. It is obvious that state control over its own land that yields a valuable natural resource will continually be diminished as the federal government exercises its control for the sake of national energy development.

This relates to the thesis in that the federal government controls navigable waterways and may, as with the Libby Dam, develop these waterways to accomodate hydroelectric power generation. These developments can

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<sup>8</sup>Ibid., p. 180

be detrimental to the local area in terms of politics, economy, and environment. Government exploitation of an area creates obligations for it to rectify local problems that are attributable to its activities. If the federal government creates a boom situation it should be responsible for this condition as well as consequences of it.

In terms of short-term growth situations, areas of Montana and North Dakota have experienced this phenomenon in conjunction with the now abandoned Safeguard Antiballistic Missile System. Areas of Arizona, California, and Colorado have experienced booms in relation to the development of resort areas. Lake Havasu in Arizona and Aspen, Colorado are experiencing rapid development of the recreation industry. Petaluma, California and Boulder, Colorado are experiencing the development of suburban, industrial areas.<sup>9</sup>

There are a few general problems to be noted that have accompanied boom growth. These include housing, utilities, local government services, schools, environment, transportation, and intergovernmental relations.<sup>10</sup>

Housing represents the only universal problem. Of course, the provision of utilities to houses is related to housing demands. The only differences in housing

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<sup>9</sup>Kutak, Rock, Cohen, Campbell, Garfinkle, and Woodward, Coal Development - Population Issues, p. 28-48.

<sup>10</sup>Ibid., p. 8-11.

demand are the types of housing required. Temporary residents, such as construction workers, impose different demands than do permanent residents, as they tend to be more transient and to require housing on a short-term basis. In relation to construction workers, the demand they place on housing takes the form of rentals and mobile homes, which usually puts little pressure for permanent developments. This situation was particularly true in Lincoln County, Montana, where most Libby Dam construction workers resided in mobile homes.

In terms of utilities, a demand for sewers, water, and power will occur with the demand for housing. If the population increase is temporary, the facilities may remain overburdened because of the high cost of new facilities and the probability that the costs would not be recovered.

For the local governments of these areas the provision of services represents the major problem. In terms of services, the provision of fire protection, police protection, and health and welfare may become inadequate due to rapid population increases.<sup>11</sup> Most of the costs for the services are supplied by tax revenues, but in some instances taxation does not immediately satisfy the demand due to time lags involved in property reassessment. In

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<sup>11</sup>John S. Gilmore, Mary K. Duff, A Growth Management Case Study: Sweetwater County, Wyoming. p. 3.

terms of schools, the school districts within an area may be affected almost immediately by the population influx of school-age children. Due to this fact the cost of schools is likely to be the major dollar burden in terms of an area's services, created by rapid population growth.<sup>12</sup>

The environment, and its regulation, is another concern associated with rapid growth. In a population boom, environmental regulation tends to lag behind the need for it.<sup>13</sup> Most areas have been reluctant to construct treatment facilities to accommodate temporary population increases. This has led to the pollution of air and water and the loss of scenic attractions.

The transportation problem is generally considered in terms of congestion and the increased cost of road maintenance. If the influx is of a temporary nature, these may be the only transportation problems. If the growth is permanent, the transportation network would have to be expanded.<sup>14</sup>

Intergovernmental relations and barriers to these relations can hinder a local government's ability to cope

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<sup>12</sup>Russell M. Ross and Kenneth F. Millsap, State and Local Government and Administration (New York: Ronald Press Co., 1966) p. 125.

<sup>13</sup>Coal Development - Population Issues p. 10.

<sup>14</sup>Ibid.

with the demands placed upon it by a boom situation. In most states, legislative power is solely in the hands of the state government unless expressly delegated. The only problems county and municipal governments can solve are those that the state government authorizes them to handle. The major concern of these local government units is the slowness with which state governments usually act, if at all, to help alleviate pressing problems. Often the problems go unsolved.

It is important to reiterate that all the problems discussed above do not occur in any one area. The scope and nature of these problems vary depending on the area, the nature of the population influx (permanent or temporary), and the social and demographic characteristics of the affected area.

Boom and its impacts are sometimes followed by a bust, depending on many circumstances. The next section will describe the bust situation with reference to areas in the western United States.

During the boom period rapid population and economic growth is sustained. Once the period of construction has expired and project completion or natural resource exhaustion has occurred, the bust stage sets in. The major effects of this phase are the general economic decline due to a loss of tax revenue, loss of population, and occasionally the necessity of local government units



to maintain services and facilities that are no longer needed. Bust has not occurred in conjunction with the boom as one would anticipate, particularly in the western United States. To clarify, the absense of a bust is only in terms of a lack of population decline, not economic decline. (As will be discussed in a succeeding chapter,) consequences of the boom continue in areas such as Lincoln County, even after the Libby Dam project was essentially completed. The consequences of the boom in Lincoln County are a continuing rise in the cost of local government. The total general fund expenses and revenue category of the county was \$228,194 in 1965, compared to \$684,803 in 1975.<sup>15</sup>

In the western United States, there are a few examples of a boom and bust phenomenon. To begin, Lincoln County, Montana, experienced this in the 1920's. The logging industry was booming and new sawmills were built all over the county. Many people became wealthy during this time. It did not last, however. Once the trees were cut from low lying areas, the logging drastically declined. The technology of the time had not perfected ways of logging in the higher, inaccessible areas. Consequently, fortunes were lost, sawmills shut down, and the area slipped into financial distress for years to

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<sup>15</sup>Budget for Lincoln County, 1965 and 1975.

come.<sup>16</sup> For early Lincoln County, the bust came about due to the exhaustion of the county's only substantial resource; trees.

Other areas of Montana and North Dakota have experienced a situation almost like a boom and bust. This is in reference to the anticipation of Safeguard Anti-ballistic Missile systems in Conrad, Montana, and Langdon, North Dakota. Langdon experienced rapid population influxes beginning in May 1970.<sup>17</sup> The area around Conrad, Montana was preparing itself for the influx of construction workers when the A.B.M. program was abandoned.<sup>18</sup>

A bust of sorts was felt in Langdon due to the loss of construction workers because of the A.B.M. abandonment. But with federal help the area was able to solve its problems regarding the furnishing of local government services, particularly schools. This aid was in the form of impact funds stemming from federal defense projects. The authorisation for impact funds for a defense-related government project came from the 1971 Young-Mansfield Bill that appropriated up to \$17 million to alleviate the effects of the A.B.M. complex construction. The money was

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<sup>16</sup>Richard W. Poston Small Town Renaissance: A Story of the Montana Study (New York: Harper and Brothers, 1950) p. 147-148.

<sup>17</sup>Coal Development - Population Issues, p. 60

<sup>18</sup>Six County Areawide Impact Study: Malstrom Deployment Area, Montana p. 48

made available through existing federal programs for aid to federally-impacted areas. It is important to note that almost all of those areas found to experience a boom in population are still experiencing the consequences of boom growth trends.

The problems of furnishing local government services have continued in those areas experiencing the withdrawal of a major project. Examples of a project withdrawal are found in Williston, North Dakota, Navajo Reservation, Arizona, and the focus of the thesis, Lincoln County, Montana. Other areas, to be discussed later, are experiencing consequences of boom growth, also.

In Williston, North Dakota, the boom was associated with an oil find in the late 1950's. In two years the population increased from 7,000 to 12,000.<sup>19</sup> The city felt increased demands for housing, schools were overloaded for a time, and increased road maintenance was needed to cope with heavy truck traffic. The demand for schools and public facilities was met partly with state aid from an oil production tax. The state tax was returned to the communities affected by the boom.\* North Dakota created a tax on the source of growth in the area. The oil production tax at least partially alleviated some of the financial problems that had been faced in Williston. For

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<sup>19</sup>Coal Development - Population Issues, p. 36

\*Exact amounts and proportions were unavailable.

Lincoln County, similar alleviative measures could have been applied to the Libby Dam in terms of compensation. This compensation could have been a monetary percentage of electricity produced, or a reduced rate for electricity for the Lincoln County area.<sup>20</sup>

After oil exploration had ceased the population of Williston did not greatly decline. A partial explanation is the fact that the city experienced an influx of farmers from the countryside, but the possibility exists that oil related workers found other employment in the area.<sup>21</sup>

Local officials were reported as stating that the oil production tax was a great aid in solving service related problems for local government units.

In the area of the Navajo Reservation located in Arizona the growth experienced was due to coal mining and gasification plants. Two mines and two proposed gasification plants are located on the reservation.

The Four Corners Power Plant, the combination of mines and gasification plants, was dedicated in 1963. The plant is located near Page, Arizona. Construction of a generating plant began in April 1971 and peak employment was reached two years later, at approximately 2,500. The population of Page was 2,374 before construction. The

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<sup>20</sup>Ibid.

<sup>21</sup>This situation obtains in Lincoln County, Montana.

total population of Page was 2,374 before construction. The total population of Page increased by 6,300 to 8,664 in April of 1973. After the generating plant was built the population of the area experienced a small decline of approximately 1,500 people. The remaining construction workers and others counted in the 1971-73 influx are thought to be waiting for the beginning of the coal gasification complex construction.<sup>22</sup> Page experienced overcrowding of schools, problems of water supply and sewage disposal, severe housing shortages, and overtaxing of fire, police, and health facilities.

The experience for Page is a continuing problem of providing local government services for the remaining population. The anticipation of further construction employment has left the area with an inflated population. A more severe problem will likely occur with the projected need for 7,000 construction workers for future projects.

The situation in Williston and Page represents a boom followed by continuing rates of growth. The completion of projects that created a population influx did not appreciably reduce the demand for local government services or the population itself. Although the reasons for continuing growth are different, the two areas did not experience a decline in population, but, a loss of

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<sup>22</sup>Coal Development - Population Issues, p. 34

tax revenue, or a general economic decline, has occurred. In terms of Lincoln County, Montana, as well, the local government units have experienced a loss of tax revenue and a general economic decline, but not a population decline. Currently, Sweetwater County, Wyoming, is experiencing rapid population growth and a reduction in industrial productivity, with resulting pressures on the local governments of the area to provide services.<sup>23</sup> This area has seen a population growth of 19 percent a year since 1970. The population has grown from 18,000 to about 37,000 in five years. Basically this period has been affected by coal mining and construction.

The major problems for this area are provision of adequate housing, schools, health and welfare, and other local government services. Population growth continues, at a time when industrial productivity has declined by almost 40 percent, primarily because of labor turnover. These two factors have caused local services to suffer. Local government revenue has not caught up to the boom, and the quality of life has deteriorated as a result.<sup>24</sup>

Consequences of the boom are expected to continue in this area as the coal industry continues to expand. As this industry expands the population is projected to

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<sup>23</sup>Gilmore and Duff, A Growth Management Case Study,  
p. 34

<sup>24</sup>Ibid.

increase to 59,000 up to 89,000 by 1980. This area will no doubt experience local government service problems in the future, as did Lincoln County during the Libby Dam construction. A reason is that population growth is often faster than local government's ability to react.

Boulder County, Colorado, has experienced a rapid population growth from 67,000 in 1965 to 156,000 in 1973. Three reasons have been given for this growth: the University of Colorado, an I.B.M. manufacturing plant, and aerospace industrial development. The growth in these three areas alone has placed strains on the local governments because of rapid population growth due to industrial development, and the expansion of the University of Colorado.

Colstrip, and Forsyth, Montana are currently in what can be called an anticipatory phase of coal development. Seven counties in eastern Montana are preparing for a boom, with the major population impacts to be in the two towns.<sup>25</sup> Forsythe is gearing up for the population increase expected for the strip mining of coal from the Fort Union Coal Region, which extends from Canada through Montana, North and South Dakota, and Wyoming. Colstrip is preparing for the possibility of the construction of two coal-fired electric generating units near the

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<sup>25</sup>Paul Polzin, Water Use and Coal Development in Eastern Montana, p. 14.

town.

Both these towns and the surrounding counties are predicted to accomodate "mammoth new developments accompanied by increased population, instant cities, and a 'boom and bust' economy."<sup>26</sup> The town of Colstrip has substantially changed since the Polzin study. The Western Energy Company, the owners of Colstrip, has invested millions of dollars for community development. This development has been for new buildings, parks, landscaping, and public services.<sup>27</sup> The Department of the Interior will contribute \$526,000 for the development of recreation facilities.<sup>28</sup> The boom has begun, but community development plans have been made to provide housing, services, and schools for the anticipated growth trend.

In essence, the areas mentioned above have experienced, or will experience, the sort of development associated with the boom phenomenon. As the areas expand in anticipation of coal development there will be continued pressure on local government units to provide services to maintain the quality of life in the area. This assumption is made from the boom and bust literature that

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<sup>26</sup>Ibid., p. 2

<sup>27</sup>The Missoulian, Missoula, Montana. November 2, 1975.

<sup>28</sup>Ibid.



suggests that rapid population growth and service needs occur much faster than local government's ability to react. Another factor is that actual population impact on an area is not easily predicted and local government units begin reacting only after the influx has occurred.<sup>29</sup>

In conclusion, the boom and bust literature shows the occurrence of rapid population growth, followed by pressure on local government units to provide services. In some instances, the withdrawal of the cause of growth creates financial problems for local government units, in terms of population decline and loss of tax revenue. In a majority of areas, however, a population loss has not occurred following the removal of the cause of growth. Consequences of the boom are still felt as many people remain in the area finding other employment or anticipate, with unemployment compensation and welfare, other job opportunities. In this case local government units must improve services on a permanent basis and provide increased welfare outlays. It will be shown that this situation currently obtains in Lincoln County, Montana. Following the completion of the Libby Dam project many employees remain in the area, finding employment in the wood products industry or going on welfare until new employment is found. A loss of tax

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<sup>29</sup>Gilmore and Duff, Growth Management Case Study, p. 3.

revenue and rising costs are the main problems facing the area today.

The next chapter will analyze the structure and functions of local government units in Lincoln County to provide a basis for the discussions relating to the Libby Dam impact on these units. The chapter will examine the local government's obligations to provide services and how these are financed.

## CHAPTER IV

### LINCOLN COUNTY LOCAL GOVERNMENT

Lincoln County began its political development as an administrative subdivision of the Montana state government in 1909. The city of Libby is the county seat.

As with other county governments, whether they be national or specifically in Montana, Lincoln County derives its powers from the state constitution.<sup>1</sup> Basically the state constitution of Montana grants Lincoln County the powers of judicial administration, assessment and collection of taxes, conduct of elections, maintenance of peace and order, and the recording of legal documents.<sup>2</sup> The state requires that each county have at least three commissioners, who are elected to administer those laws as specified by state statute. The state also empowers only the county commissioners, or agents and officers acting under the authority of the commissioners, to administer the state statutes governing county activities.<sup>3</sup>

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<sup>1</sup>John C. Bollens, American County Government. Beverly Hills, California: Sage Publications, Inc., 1969) p. 10

<sup>2</sup>Montana, Revised Codes Annotated (Choate and Weitz, 1947). Vol. II Part 1, Sec. 16-804

<sup>3</sup>Ibid., Sec. 16-1001

The Revised Codes of Montana limit the county's power by not permitting it to give or loan credit, make any donation to any individual or corporation, or become a subscriber to or shareholder in, any company or corporation.<sup>4</sup> The constitution also prohibits counties from becoming indebted for any reason to an amount not to exceed 5 percent of the valuation of the county's property.

Section 16-2419 of the Montana Revised Codes classifies counties in seven categories based on their taxable valuation. This practice is primarily for the purpose of regulating salaries and bonds. First class counties are those with a taxable valuation of \$50 million or more; second class counties fall in the \$30 million to \$50 million range. The scale is reduced accordingly to a valuation of less than \$5 million for a seventh class county. The taxable valuation of a county's property equals approximately 30 percent of the assessed full value of the property as computed by the county assessor.<sup>5</sup> As of fiscal 1975 Lincoln county would be classified as a fourth class county with a taxable valuation of \$18,758,499.<sup>6</sup>

Under provisions of the state constitution, Lincoln County government is organized with three commissioners

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<sup>4</sup>Ibid., Sec. 16-805

<sup>5</sup>Montana Association of Counties, Montana Counties on the Move (Helena: The Association, 1974) p. 67

<sup>6</sup>Budget for the year ending June 30, 1975, Lincoln County, Montana

providing administrative leadership. They fix the mill levies that are assessed against property in the county. They act on all proposed budgets for all the county's offices and school districts. All claims for county monies for any purpose are passed on by the commissioners. They let all contracts to which the county is a party. They appoint such officers as the county physician, nurse, agricultural agent, and home demonstration agent. The commissioners establish, consolidate, or change the boundaries of election precincts. They fill office vacancies, except the county attorney. They lay out, maintain, and manage the public highways and bridges. They act as a board of equalization to equalize assessments within the county. The commissioners order elections on propositions to raise money for public improvements.<sup>7</sup> They act ex officio as the County Board of Health and County Board of Public Welfare, although they may appoint a board and not serve themselves.<sup>8</sup>

The other elected county officials are a clerk, a sheriff, a treasurer, a superintendent of schools, a surveyor, an assessor, a coroner, and a public administrator, each serving a four year term.

As an administrative subdivision of the state

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<sup>7</sup>Montana, Revised Codes, Sec. 16-1001 to 16-1174

<sup>8</sup>Ibid., p. 62

government, Lincoln County's revenue and expenses are dictated by state statute. In Montana, county governments receive only 3 percent of their general revenue from state aid, compared to a national average of 36.7 percent in 1967.<sup>9</sup> A reason for this is the 1889 State Constitution provision that prohibited any widespread sharing of state tax revenue with counties, cities, and towns.<sup>10</sup> Careful wording of the constitution did allow the legislature to give counties portions of the state liquor, gasoline, and motor vehicle taxes.<sup>11</sup> The 1972 Montana Constitution did not include the 1889 prohibition on giving state tax revenue to counties, thus increasing the possibility that such local governments will receive more state aid.<sup>12</sup>

In 1970, most state aid to local areas went to school districts, rather than local governments. Census Bureau figures reported that state aid to Montana local governments amounted to \$57 million, but \$48 million of the amount went to local school districts.<sup>13</sup> The remaining amount, \$9 million, was distributed to the local government units.

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<sup>9</sup>Montana Counties on the Move, p. 53

<sup>10</sup>Ibid., p. 62

<sup>11</sup>Ibid.

<sup>12</sup>Ibid.

<sup>13</sup>Ibid., p. 64

For county governments in Montana, money generated from property taxation is the major revenue producer. Property taxation provided over one-third of Lincoln County's general fund revenue for fiscal 1975.<sup>14</sup> The remaining amount of revenue is categorized as cash on hand, receipts from fees and permits, and state and federal aid. The general fund expense and revenue category listed expenses totaling \$684,803. Taxation of the assessed property value, computed at \$13,065 mills, provided \$245,066.<sup>15</sup> In relation to the thesis, Lincoln County has lost 28,000 acres of taxable property and the revenue from 978,000 board feet of timber cut annually due to the creation of Lake Koocanusa, the reservoir behind the Libby Dam. Exact figures were not available, but development of the county area contiguous to Libby has helped offset the tax revenue loss attributable to the reservoir. The reservoir, however, did cause the irretrievable loss of property tax revenue. This erosion of the tax base will decrease Lincoln County's revenue and, because of the small amount of state aid, indicates budgetary problems if other revenues are not available.

In terms of state aid to local areas, it was noted that most of the funds allocated were for school districts.

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<sup>14</sup>Budget for the year ending June 30, 1975, Lincoln County

<sup>15</sup>Ibid.

Over one-third of states general outlays, both direct and intergovernmental, and almost half of local expenditures are for schools and other related expenses.<sup>16</sup> In Montana, local school districts are financed from four sources:

- 1) one-fourth of the personal income tax receipts;
- 2) one-fourth of corporate license tax receipts; 3) interest and income from school lands; and 4) appropriations made by the state legislature from the general fund.

Federal funds are also available from various sources.

The School Aid Act of 1965 makes funds available for libraries, laboratories, and other facilities that "strengthen trends toward specialization."<sup>17</sup> Other federal funds are made available for various services, such as school lunch programs, vocational agriculture, institutional on-the-farm training, home economics, trades and industrial education, Indians, guidance, and distributive education.

In Lincoln County, \$4 million was made available through the Army Corps of Engineers for the construction of schools and classrooms to handle the influx of school-age children with the increase in population attributable to the Libby Dam construction.

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<sup>16</sup>James W. Fesler ed., The 50 States and Their Local Governments (New York: Alfred A. Knopf, Inc., 1967) p. 125

<sup>17</sup>Ibid., p. 126



Another major state and local expense is in the area of transportation; money appropriated for the provision and maintenance of roads and highways. Out of a total valuation of over \$18 million, over \$700,000 of Lincoln County's 1975 budget was appropriated for road fund expense and revenue alone, which exceeded the total general fund requirement of \$684,803.<sup>18</sup> (see table 1)

Table 1

COMPARISON OF GENERAL FUND EXPENSE AND ROAD FUND EXPENSE:LINCOLN COUNTY, MONTANA, 1965-1975

	1965	1970	1975	10 Year Increase
Total General Fund Expense	\$228,194	339,571	684,803	456,609
Total Road Fund Expense	261,756	422,490	700,332	438,582

Source: Budgets for the years 1965, 1970, and 1975,  
Lincoln County, Montana

Other county expenditures, particularly important for Lincoln County during the Libby Dam construction, are for health and welfare. In terms of public health the Department of Health, Education, and Welfare contributes funds for general health programs to help the states build up and maintain its local health departments, control communicable diseases, improve sanitation, and other

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<sup>18</sup>Budget for the year ending June 30, 1975,  
Lincoln County

purposes.<sup>19</sup> The amount of financial assistance is a function of an area's needs, as determined by the Public Health Service, the administering agency for community health development. The Public Health Service gives grants-in-aid, advisory services, loan of personnel, and regulations.<sup>20</sup>

The Board of County Commissioners acts as the local health board with the help of an appointed physician. County health expenses are submitted by the commissioners to the state legislature in the fall of each year.

The County commissioners also act as the county welfare board. They appoint as many staff personnel as are necessary. The federal government contributes funds under the Aid to Dependent Children program, in fiscal 1975, Lincoln County received \$34,000 for the A.D.C. program based on requests by the County Welfare Department.<sup>21</sup>

The county commissioners are authorized by the state government to levy two types of taxes for welfare revenue. The first is an annual poll tax of \$2 on each resident of the county between the ages of 21 and 60.

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<sup>19</sup>John J. Hanlon, Principles of Public Health Administration (St. Louis, Missouri: The C.V. Mosby Co., 1969) p. 226

<sup>20</sup>Ibid.

<sup>21</sup>Budget for the year ending June 30, 1975, Lincoln County, Montana

This was not itemized on Lincoln County's 1975 budget. It was, however, in 1965. The second type of levy is a property tax that has reached 9.238 mills in Lincoln County in fiscal 1975, or a total of \$173,282.<sup>22</sup>

For public education in Montana, local school boards operate the school districts, and act as their own governing body and taxing authority.<sup>23</sup> On the county government level, a superintendent of schools provides financial supervision, and serves in an advisory capacity.<sup>24</sup>

The Board of County Commissioners in Montana counties sit with the school superintendent as a Board of School Budget Supervisors. Their duties are to review and make necessary adjustments in school district budgets within the county.<sup>25</sup> The commissioners also set the district tax levy to finance school budgets. The commissioners and school superintendent also have authority to determine school district boundaries.

State public education is financed through state funds and through local property taxes. It was noted earlier that in 1970 of \$57 million in state aid to local governments, \$48 million went to local schools. For

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<sup>22</sup>Ibid.

<sup>23</sup>Montana Association of Counties, Montana Counties on the Move p. 50

<sup>24</sup>Ibid.

<sup>25</sup>Ibid.

property tax purposes, each county must levy a total of 40 mills of property taxes for education, 15 mills for high schools, and 25 mills for elementary schools.<sup>26</sup>

In summary, Lincoln County, Montana, has a local government structure that resembles the majority of counties in the United States. About 85 to 90 percent of all counties in the United States have the traditional plural executive form of government.<sup>27</sup> This form consists of a board of county commissioners whose duties are specified by state statutes. The other elected officials in this form are chosen on the long ballot.

The small percentage of state aid to Lincoln County increases the importance of property taxation as a source of revenue. During the Libby Dam construction the county needed more revenue from taxation than was available through legal means. Section 16-807 of the Revised Codes of Montana restricted the increase in any budgetary item, except for elections and capital outlay, to a maximum of 5 percent of the previous year's budget. This state law hindered the county government as it needed more than a 5 percent increase for welfare and law enforcement, thus necessitating emergency budget expenditures.<sup>28</sup> Enacting

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<sup>26</sup>Ibid.

<sup>27</sup>National Association of Counties, From America's Counties, Today: 1973 (Washington D.C.: The Association, 1973) p. 12

<sup>28</sup>Interview with Lincoln County Commissioners, June 5, 1975

emergency budgets requires public hearings, which further lengthen the time required to react to service needs.

Lincoln County has a total of ten communities within its boundaries. For the purpose of the thesis only those communities immediately affected by the construction of Libby Dam will be mentioned. Particular attention will be paid to the city of Libby as it is the largest municipality and one of the most affected by the dam construction.

Montana's incorporated municipalities are classified on the basis of their population. This differs from county classification which is based on taxable valuations. This classification may allow special legislation by the state government that is generally prohibited by state statute.<sup>29</sup> Special legislation to aid municipalities is prohibited on the assumption that some local governments would be favored in legislation over others. By classification, state legislatures are allowed to serve the needs of a particular class of municipality rather than on an individual basis.<sup>30</sup>

In Montana, there are seven municipal classifications. The largest municipalities are those with 10,000 or more population and are termed first class. In a

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<sup>29</sup>Charles R. Adrian and Charles Press, Governing Urban America (New York: McGraw-Hill Book Company, 1968) p. 289

<sup>30</sup>Ibid.

descending order other cities and towns are either second class with a population of 5,000 to 10,000; either second or third class, 5,000 to 7,500; third class city, 1000 to 5,000; town or third class, 1,000 to 2,500; town, 300 to 1,000 and; those that may not incorporate, with less than 300 population.<sup>31</sup> In 1969 Libby was a third class city with a population of 2,828; Eureka was a town with 1,229 population; and Troy a town with 855. The town of Rexford, approximately 350, incorporated in 1966 to receive federal assistance from the Army Corps of Engineers to help relocate the town, as the filling of Lake Koocanusa would inundate the original town site.<sup>32</sup>

To attain an incorporated status is to become a public corporation under state law. To incorporate a petition must be signed by not less than 50 qualified electors. Incorporation allows a city or town "to provide for the special public needs of urban living that the county government cannot afford to meet."<sup>33</sup> State law allows the municipal government to make contracts, acquire, hold, and dispose of property, borrow money, and bring suit or be sued in a court of law. In Montana, the state constitution authorizes incorporated municipalities

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<sup>31</sup>Montana, Revised Codes, 1973, Sec. 11-201

<sup>32</sup>Questionnaire response from Mayor Jack Parrish, Rexford, Montana, July 1975

<sup>33</sup>James Fesler, The 50 States and Their Local Governments, p. 123

to prescribe the number, designation, terms, qualifications, and methods of appointment, election, or removal of city officers.<sup>34</sup> Every city or town also has executive (mayor), legislative (council), and judicial (police court or justice of the peace) powers. Cities are allowed considerably more power than counties; they are not so dependent upon, or restricted by, the state government.

In Lincoln County the municipalities of Libby, Eureka, and Troy each have the mayor-council form of government. According to state law this form requires the election of a mayor and two aldermen from each designated ward, or aldermanic election on an at-large basis. A police judge and a treasurer are also elected. The municipality may appoint a city attorney, city clerk, chief of police, street commissioner, jailer, and surveyor. The three Lincoln County municipalities under discussion have attorneys, clerks, and chiefs of police, but do not have street commissioners, jailers, or surveyors.<sup>35</sup>

City and town councils can enact by-laws, ordinances, orders, and resolutions. They can license industries and occupations, and impose penalties for failure to

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<sup>34</sup>Montana, Revised Codes, 1973, Sec. 11-101, 102

<sup>35</sup>Montana League of Cities and Towns, 1973 Directory of Montana Municipal Officials (Helena: The League, 1973)

comply. The levying and collection of taxes for general or specific purposes on all property within the city or town is also an important municipal function. Municipalities acquire revenue through property and other taxes. In Lincoln County, the municipality affected most by the Libby Dam project, Libby, receives most of its revenue from real and personal property taxes.<sup>37</sup>

For Libby, the population influx did not affect local finances or services because there was limited housing for new residents and a city ordinance banned mobile homes and trailers with wheels.<sup>38</sup> The city has felt indirect influences of the dam project, however. The population influx found the county area contiguous to Libby to be the most suitable area for residence, as the city could not absorb many residents. The area surrounding Libby has thus experienced a growth trend in terms of houses, trailer courts, and commercial enterprises. The increasing cost of Libby municipal government, due to the perceived need to upgrade services and the current inflationary trends have helped to create a reported out-migration from the city.<sup>39</sup> This migration trend by residents and businesses has eroded the tax base of the

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<sup>37</sup>Interview with Mayor Fred Brown, Libby, Montana June 5, 1975

<sup>38</sup>Ibid.

<sup>39</sup>The Western News, Libby, Montana, May 15, 1975



city. The condition of the city government will be examined in more detail in a later chapter.

The provision of services by county and municipal governments is a function of available revenue. It is obvious that the greater the amount of revenue the greater the chances are that the local government units will be able to furnish the service needs and demands of the citizenry. Local government units, however, are facing rapidly increasing costs at a time when revenue increases are much slower than costs. The Libby Dam project created service needs for the influx of population to Lincoln County faster than the county government could provide. To reiterate, enacting emergency budgets requires more time as public hearings are necessary under state law. Needs arose for increased expenditures for police protection and roads, as well as welfare. (see table 2).

Table 2

LINCOLN COUNTY EXPENDITURE INCREASE IN TEN YEARS  
FOR SHERIFF'S DEPT., WELFARE DEPT., AND ROAD EXPENSES

	1965	1970	1975	10 Year Increase
Sheriff's Dept.	\$ 33,220	46,784	154,090	120,870
Welfare Dept.	\$124,067	175,576	204,641	80,574
Road Expenses	\$261,750	422,490	700,332	438,582

Source: Budgets for the years 1965, 1970, and 1975,  
 Lincoln County, Montana

The next three chapters examine the influences of the Libby Dam project on Lincoln County local governments in terms of the three time periods noted earlier. These periods are pre-Libby Dam construction, including the historical development of the area to 1965, the period of major construction activity from 1966 to 1973, and the withdrawal phase from 1973 to the present.

## CHAPTER V

### PRE-LIBBY DAM CONSTRUCTION

Lincoln County, Montana, has a pre-dam history characterized by external influences on its economic and social development.<sup>1</sup> Following the first exploration of the area by David Thompson in 1808 the northwestern Montana area was exploited by the Hudson Bay Company. The company's main interest was the trapping of fur-bearing animals for sale on the eastern United States retail markets.<sup>2</sup> The period from 1808 to the 1860's was characterized by the construction of fur warehouses along the route of the Kootenai River, and the development of small communities near these warehouses. At this time the economy of the area was dominated, if not controlled, by the Hudson Bay Company.<sup>3</sup>

The period described above was dominated by exploitive and extractive economics, and homesteading was the beginning of social development. The fur trapping

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<sup>1</sup>Hugo Turek, "Social Impact of the Libby Dam, Lincoln County: The Case of Absentee or Extra-local Influence" (Bozeman: Montana State University, 1972) p. 10.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., p. 11

experienced in the 1860's was abandoned by commercial interests in the early 1870's, as fur traders moved north to capitalize on better prospects.<sup>4</sup>

Mining of gold and other precious minerals became the area's economic base in the 1870's and homesteading increased along the Kootenai River.<sup>5</sup> The pattern of homesteading was mainly restricted to the area immediately adjacent to the river because the mountainous terrain severely restricted travel and growth. This river-oriented growth pattern has continued in the area as most community development is in close proximity to the Kootenai and Tobacco Rivers.

The period from the first exploration of the area to the 1890's saw little in the way of political development. Small communities grew along the Kootenai and Tobacco Rivers, but until the 1890's this development was a function of the terrain of the area and the coming of the railroad.<sup>6</sup> The railroads' stopping-places were the sites of communities that relied on the railroads' economic influence to survive. Until 1890, then, the area was developing as an economic dependent of the railroad

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<sup>4</sup>James M. Hamilton, History of Montana: From Wilderness to Statehood (Portland, Oregon: Binford and Mort, 1970) p. 65.

<sup>5</sup>Ibid., p. 66.

<sup>6</sup>Historical data for this section furnished entirely by Hugo Tureck. The section ends at footnote #7.

and a political dependent of the state of Montana, formed in 1864 and admitted to the union in 1889. County political boundaries were formed during the 1890's for the western Montana area.

The pre-Libby Dam era of the county started the 1890's decade as a part of Flathead County. The economy of the area was totally extractive as logging and mining were the only means of survival. The northwest corner of Flathead County, as a result of the terrain, had little agricultural potential, thus creating an economic reliance on logging and mining, and the railroad to transport the products of these economic endeavors. Community development, then, was still a function of the railroad's location.

From 1890 to 1910 logging activity increased in the densely forested area of northwest Flathead County. Mining activity declined and there was little agricultural development which necessitated the turn towards the forest products economy to sustain those living in the area.

Early circumstances fostered the rural ethic that has dominated Lincoln County's development. This rural ethic is mainly a belief that the land will provide the means for survival for those who have the fortitude to create a life dependent only upon ones' self. But dependence on the railroad to transport goods, and on the seasonal nature of the logging industry, limited this self-reliance. Yet the rural ethic fostered an attitude

characterized by a few social contacts and distrust of outsiders.<sup>7</sup> Even though self-reliance was hard to achieve, the early residents of the county area were proud of their ability to exist with a minimum of outside controls. This love of the land with the economic and social ties to it describes the rural culture of the Lincoln County area as it entered the twentieth century.

The population of the area grew and fluctuated rapidly from 1900 to 1910. The Great Northern Railway expanded, created more jobs on the railroad and in the lumber industry, and allowed easier accessibility to outside markets. Rapid population growth was mostly related to the railroad expansion and subsequent lumber industry growth. The population fluctuations occurred as the railroad construction crews were added to, and then subtracted from the area.<sup>8</sup> The railroad, then, was largely responsible for the economic and social development of the area until the end of the first decade of the twentieth century.

The area became Lincoln County in 1909 after its separation from Flathead County. This era, until the 1920's, was another period of economic growth characterized by the expansion of the logging and wood products

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<sup>7</sup>Lee Taylor, and Arthur R. Jones, Rural Life and Urbanized Society (New York: Oxford University Press, 1964) p. 52.

<sup>8</sup>Tureck "Social Impact of the Libby Dam, Lincoln County:", p. 17.

industry.<sup>9</sup> The increase in technical knowledge combined with outside financial assistance allowed for the development of the lumber industry. The previous small, family logging enterprises continued to survive, but outside corporate monies expanded the industry with a number of large sawmills built in the county. By 1911 there were five lumber mills in the county located in Libby, Eureka, Warland, Fortine, and Troy.<sup>10</sup> The dominance of the lumber industry has established an essentially one-industry economy for Lincoln County.

The 3,728 square mile county area, with Libby as its county seat, had a population of 3,629 in 1910. Due to the expansion of the lumber industry the population doubled between 1910 and 1920. During this decade the lumber industry's output was estimated at 170 million board feet annually. Lincoln County was experiencing an economic boom.<sup>11</sup>

The economic boom lasted until the middle of the 1920's. Due to the mountainous geography of the area the eventual exhaustion of low-land timber stands halted the boom. Technology had not advanced to the point where timber stands in the high elevations could be reached

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<sup>9</sup>Ibid., p. 46

<sup>10</sup>Richard Poston, Small Town Renaissance: A Story Of the Montana Study (New York: Harper and Brothers, 1950) p. 147.

<sup>11</sup>Ibid.

economically or safely. The low lands were completely logged out thus precluding winter activities. Previously, the low lands provided work and lumber during the winter, but the exhaustion of these timber stands and dangerous winter conditions in the high elevations spelled the eventual ruin of most lumber companies.<sup>12</sup> By 1926 the sawmills in Eureka, Troy, and Fortine were closed. Lincoln County's 1926 lumber output was only a fraction of the boom production. Many people who accrued fortunes during the boom went broke. Many left the area, leaving those who remained to struggle for a living. The only economic bright spot of the time was the town of Libby, as the J. Neils Lumber Company, the towns largest employer, somehow managed to remain in operation.<sup>13</sup>

By 1930 the combination of the lull in the lumber industry and the depression made economic recovery virtually impossible. This economic bust was to last until the 1940's.

The next in the series of outside influences that helped the county out of its economic problems was the U.S. Forest Service. The Forest Service introduced a cooperative approach to the lumber industry that used advancing technology to assist the ailing economy. In essence, the county's 76 percent total land area being Federal forest

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<sup>12</sup>Ibid., p. 148

<sup>13</sup>Ibid., p. 150



land necessitated the cooperation between lumber companies and the Forest Service.<sup>14</sup> The Forest Service had perfected logging techniques which allowed higher elevations to be reached. Through cooperation the lumber companies were guided by the Forest Service and eventually regained an economic footing in the area.<sup>15</sup> The cooperation between the Forest Service and the lumber industry allowed the economic development that is the base of the county's economy. Today, the lumber and wood products industry is the dominant economic input in Lincoln County.

In 1943 the rural, one-industry dominated Lincoln County area experienced the first effects of another external influence. The United States Army Corps of Engineers made known the plans for a massive federally-funded hydroelectric dam project on the Kootenai River.<sup>16</sup> By 1946 the U.S. Geological Survey had completed a study of the Kootenai River and on July 7, 1948, the site was selected.<sup>17</sup>

The Libby Dam project has had a tremendous effect on the Lincoln County area from 1943 to the present. During the planning stage, from 1943 to 1965, Lincoln

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<sup>14</sup>Ibid., p. 152

<sup>15</sup>Ibid., p. 155

<sup>16</sup>Tureck, "Social Impact of the Libby Dam", p. 48

<sup>17</sup>The Western News, July 28, 1948

County residents were continually made aware of the project's effects. Articles appearing almost weekly in Libby's The Western News described probable population increases, loss of part of the tax base because of inundated lands, and environmental effects of such a project.<sup>18</sup>

From 1948 to 1965 Lincoln County attempted to prepare for the dam project. Many county residents were upset that such a project would ruin the lumber industry because of flooded lands; that it would benefit only electricity consumers hundreds of miles away; and it would ruin the quality of life in the area by bringing in many outsiders.<sup>19</sup> It was eventually realized that the Army Corps of Engineers was going to build the dam regardless of public sentiment.<sup>20</sup> Even though sentiments were against the project the Corps of Engineers continued with preparations and by 1965 their presence had become accepted in the community.<sup>21</sup> This acceptance was not a function of their activities, but only because the Corps had been in the area for so long.<sup>22</sup> Individual Corps personnel were accepted as members of the community, but there are unfavorable opinions of the Corps of

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<sup>18</sup>Ibid.

<sup>19</sup>Ibid., p. 55

<sup>20</sup>Ibid.

<sup>21</sup>Ibid., p. 56

<sup>22</sup>Ibid.

Engineers as a collective entity.<sup>23</sup> These opinions are based on dissatisfaction with the Corps and the lack of environmental remedies promised to the area.

The planning stage of the dam project, combined with the construction phase, has been an influence on Lincoln County for over 30 years. Thus the Libby Dam project has been an influence on the county for almost half of its existence. The county was formed in 1909; the dam project was announced in 1943; and the dam, mostly completed in 1973, is a monument to the outside economic influences that have controlled Lincoln County's development from the beginning. These influences have been, for the most part, an advantage for the county. The railroad opened the area for development and helped the wood products industry. The U.S. Forest Service helped the county stave off economic ruin, and today is a part of the county's dominant industry. But the Libby Dam project has not been the advantage to the county that the other influences have been.

The dam project created a population influx that was felt in terms of a 44 percent increase between 1960 and 1970.<sup>24</sup> The county had never experienced such an

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<sup>23</sup>Interview with Paul Verdon, editor, The Western News, December 8, 1975.

<sup>24</sup>U.S. Department of Commerce, Bureau of the Census, Characteristics of the Population Part 28: Montana, 1970. p. 71-73.

increase at any time previously. It can be asserted that this growth trend would not have occurred without the dam project, as the wood products industry could not have created the same number of jobs as did the dam project over a ten year period. The dam project employed almost 2,000 people for the summer months between 1968 and 1971.<sup>25</sup> The wood products industry employment totalled less than 2,000 for the years 1967 to 1971.<sup>26</sup>

The population influx was anticipated by local residents and the local government units. However, county residents, along with the Corps, are to blame for inadequacies in preparation. The Corps of Engineers did not publish specific data concerning dam project impacts, and the county residents were guilty of not demanding published materials. The Corps published an environmental impact statement but it did not appear until five years after the project began. The statement was published only because of a requirement of the Environmental Protection Act of 1969. The county government experienced problems providing its services to the new residents, and had budgetary problems during and after construction of the dam. The succeeding chapters of the thesis will

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<sup>25</sup>The Western News August 21, 1975.

<sup>26</sup>Telephone interview with Montana Unemployment Compensation Commission personnel, Libby, Montana, October 30, 1975.

analyze the effects of the dam project on the local government units of Lincoln County, with particular emphasis on the withdrawal phase.

In conclusion, the development of Lincoln County is a function of different economic influences from outside the area. These influences, including the Hudson Bay Company, the railroad, and the Forest Service have been positive forces on Lincoln County's development. The Libby Dam project has not been as positive an influence, however, due to the adverse environmental, economic, and political impacts. In one respect it did aid the overall economy of the area by increasing the per capita income of residents above the state average.<sup>27</sup> The county average was \$2,899 in 1969 compared to the state average of \$2,712. On the negative side, however, the dam project influenced the county by eroding the tax base of the county government, because of flooded private and federal timber lands, creating increased demands for local services by the population influx, and contributed to the rising cost of the administration of local government units. However, it is possible that local government units may be able to provide a higher quality of

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<sup>27</sup>U.S. Army Engineer District, Seattle, Washington, Draft: Environmental Impact Statement: Libby Dam and Lake Koocanusa, Kootenai River, Montana, Libby Additional Units and Reregulating Dam (Seattle: The Corps of Engineers, June 1974) p. 2-25.

of services if it is known that a rapid population influx will remain in a given area. Plans for service development could be made based on estimated revenue increases. Special tax districts could be planned. The problem for Lincoln County, however, stems from the projected population decline following the dam project. It has been asserted that local government units are often reluctant to make permanent service improvements if there is a real possibility that a substantial population decrease will occur, thus burdening the local unit and the remaining taxpayers with the maintenance costs of unneeded services.

The succeeding discussions will analyze the Army Corps of Engineer's Libby Dam project in terms of its influence on the local government units. It is asserted that local officials and residents thought they were prepared for the project, but because of state laws governing local government activities and unmade and unfulfilled promises by the Corps of Engineers, the local government units, regardless of preparations, must be aided by the outside influences that have created the administrative problems.

## CHAPTER VI

### PERIOD OF CONSTRUCTION AND IMPACT ON LINCOLN COUNTY LOCAL GOVERNMENTS

The Libby Dam and Lake Koocanusa project began in June of 1966. Four years later, in 1970, Lincoln County had a population of 18,063. About two-thirds of this population (12,045) lived in or adjacent to the city of Libby. The incorporated city of Libby had a population of 3,286. As mentioned above the population has grown rapidly since 1960, and most rapidly since construction began on the Libby Dam.<sup>1</sup>

The city of Libby, being the county seat, has had some turnover of residents since 1960, but the mobile home restriction and limited changes in the city boundaries have kept the city population fairly stable. The county area that lies adjacent to Libby has fewer building restrictions and, in 1970, the population of this area was primarily made up of construction workers.

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<sup>1</sup>This demographic and social profile of Lincoln County is included as a general overview of the area. The information for the entire section is furnished by the Army Corps of Engineers in, Libby Dam and Lake Koocanusa, Kootenai River, Montana, Libby Additional Units and Reregulation Dam, p. 2-25

Since 1965, approximately 9,000 people have moved into the county area. About 60 percent of these were from outside the county and 36 percent from outside Montana. Most of these changes occurred in the area contiguous to Libby.

The median age of county residents is 24.5 years compared with 27.1 for the State of Montana. The median amount of schooling completed for county residents is 12.1 years; and 98.5 percent of the county's population is white.

The median age of Libby residents is 26.6 years. The median amount of schooling completed for Libby residents is 12.2 years; and 99.3 percent of the city's population is white.

The total personal income of residents in Lincoln County more than doubled between 1965 (\$31,627,000) and 1969 (\$70,798,000). This increase was due to the construction of Libby Dam. Median family income in both Lincoln County and Libby exceeded the state average in 1969. Per capita income in the county was \$2,899, compared to a state per capita income of \$2,172. Average income levels were slightly higher within Libby than for the county.

Economically, Lincoln County encompasses 3,728 square miles. Of that total 3.715 square miles are land, and 13 are water. In 1970 State and Federal forest land



accounted for 96.1 percent of the county land. The large lumber and wood products industry's base is provided by Ponderosa pine, Douglas-fir, and other coniferous species. Douglas-fir provides the area with one of the nation's largest Christmas tree industries. Agriculture plays a small role in Lincoln County's economy. In 1970, about 66,000 acres, or 2.9 percent of total land use, was committed to agriculture. The majority of farm land is in the Tobacco River valley.

Urban land totalled 12,800 acres, or about 0.5 percent. The remaining 0.5 percent were mineral deposits: included in this area are the world's largest known vermiculite deposit eight miles east-northeast of Libby, and large copper and silver ore deposits about twenty miles southwest of Libby.

Libby is the center of the county's economic activity. Most of the wood products industry is located within the city limits or nearby. The St. Regis Paper Company, formerly J. Neils Company, is the largest employer in the area averaging approximately 1,000 workers during the summer months. Several other saw mills are located in cities throughout the county, including Eureka, Troy, and Rexford.

The main commercial business activity takes place in Libby, and the towns of Eureka and Troy. The major employers in the county and Libby are the manufacturing and

construction industries. Forty-five percent of the total employment in 1970 was related to these two industries. Construction increased from about 5 percent in 1960 to almost 22 percent in 1970. This increase was largely attributable to the construction of the Libby Dam. Professional, sales, and services workers accounted for over 25 percent of the total employed persons in 1970.

A high percentage of the labor force (76.4 percent in 1970) are male workers which reflects the predominance of wood products and construction employment. The 1970 census shows a high concentration of craftsmen, and manufacturing and transport businesses. Of county employment, these categories make up 41.5 percent of the labor force.

Unemployment has been a problem in Lincoln County, primarily due to the seasonal nature of employment, particularly in the wood products industry. Another factor in the recent past (1965-1973) was the attraction of more construction workers to the area in anticipation of the dam project than were available jobs. An average of 11 percent of the county labor force was unemployed in 1972.

Returning to the dam project, it created a situation that tested the ability of the area's local governments to adapt to major changes, especially increased population and the need for county services.

Service needs were perceived most at the county level. Increased needs for county services occurred primarily in the areas of education, public welfare, and law enforcement.<sup>2</sup> Also, with the population increase, an increased need for housing was experienced that ultimately had to be absorbed by the county rather than the city of Libby. In terms of city politics, there was no effort by the city to remove the ordinance banning trailers. In fact, when city ordinances were recodified in 1966, after the dam project began, there was never any subsequent attempt to remove the ordinance.<sup>3</sup> Removal of the ordinance would have allowed trailer park development and increased personal property tax revenue for the city. However, the fear of trailer fires and a distrust of outsiders fostered by the rural ethic are the major reasons for not lifting the ordinance. This assumption is based on a statement by the Mayor of Libby noting the city council's disinterest in having a transient population within the city, and an unfavorable attitude by county residents to become annexed into the city.<sup>4</sup>

Some land speculation occurred, mostly by individuals, with the hope of reselling land at an inflated price when

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<sup>2</sup>Interview with Lincoln County Commissioners, June 5, 1975

<sup>3</sup>Interview with Libby City Attorney C.E. Crocker, December 8, 1975

<sup>4</sup>Interview with Mayor Fred Brown, Libby, Montana June 5, 1975

the dam project began.<sup>5</sup> Rising property valuations and market prices indicate a generally increased interest in Libby property. In conclusion, the failure to remove the mobile home ordinance can be attributed to the combined impacts of land speculation, resistance to annexation, and negative feelings about transient populations. The combination of these factors have kept city growth to a minimum, while the county has experienced a 44.1 percent population increase since 1960.<sup>6</sup> At the same time Libby's population increased by only 16.2 percent.<sup>7</sup>

New homes built in Libby averaged about 40 per year before the dam project began.<sup>8</sup> Between 1967 and 1969 the figure climbed to 195, including homes and apartment dwellings.<sup>9</sup> After 1969 the rate dropped, and has averaged around 30 a year.<sup>10</sup> The rapid increase between 1967 and 1969 was attributed to continuing anticipation of employment on the dam project, and the resulting population influx.<sup>11</sup> Recently the factors

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<sup>5</sup>Ibid.

<sup>6</sup>U.S. Department of Commerce, Bureau of the Census. Characteristics of the Population, Part 28, Montana (Washington D.C.: Department of Commerce, 1970) p. 71

<sup>7</sup>Ibid.

<sup>8</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975

<sup>9</sup>The Western News, Libby, Montana, August 21, 1975

<sup>10</sup>Ibid.

<sup>11</sup>Ibid.

of higher interest rates, construction costs, and overall inflation have been blamed for the decline.<sup>12</sup>

The county's population grew by 44.1 percent between 1960 and 1970. This rate was due primarily to the influx of people seeking employment on the dam project. As Table 3 shows, other counties in Montana did not experience such a rapid rate of population growth over this period. At this time, these counties were not experiencing anticipation or the effects of major construction projects. It is reasonable to assume that the Libby Dam project was the main cause of the population influx. The lack of a diverse economy also precludes an assumption that other industries absorbed the influx.<sup>13</sup>

Table 3

COUNTY POPULATIONS

	1960	1970	%
Lincoln County	12,537	18,063	44.1
Missoula County	44,663	58,263	30.0
Lake County	13,104	14,445	10.0
Hill County	18,653	17,358	7 loss

Source: U.S. Department of Commerce, Bureau of the Census. Characteristics of the Population, Part 28, Montana. (Washington D.C.: Department of Commerce, 1970) p. 71

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<sup>12</sup>Interview with Lincoln County Commissioners, June 5, 1975

<sup>13</sup>Also see The Western News, May 5, 1975

The population influx into the area, for the most part, had to reside in the county. Housing in Libby and Eureka was scarce, although Eureka had no ban on mobile homes. Even without an ordinance banning mobile homes, new residents chose to reside in the county. This assumption is based on the fact that Eureka experienced a population decline between 1960 and 1970, from 1,229 to 1,195.<sup>14</sup>

Mobile homes in the county increased from 204 in 1967 to over 2,000 in 1968.<sup>15</sup> The over-2,000 figure held until late 1972. By 1975, it fell to 1,887.<sup>16</sup> The small decline is a function of the completion of the dam project, but more importantly indicates that many people remained in the area, thus dispelling the belief that the conclusion of the dam project would be followed by a large scale exodus from the area.

The rapid population increase was perceived by local officials as an immediate need to upgrade present services and fund newer ones on the county government level. These services needs placed burdens on the county's ability to meet increasing financial requirements for

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<sup>14</sup>Characteristics of the Population, p. 71

<sup>15</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana p. 44

<sup>16</sup>The Western News, August 21, 1975

service provision.<sup>17</sup> The County Commissioners stated that the population influx created an immediate increased demand by new residents for all county services.<sup>18</sup> (A point of distinction is necessary in the context of demands. Demands are defined as an expression of opinion that an authoritative allocation with regard to a particular subject matter should or should not be made by those responsible for doing so. Demands are thus articulated by segments of a political arena, in the present case by people in Lincoln County. Demands are distinguished from needs in that needs are assumed and demands are specifically articulated.<sup>19</sup>) For Lincoln County, demands were articulated by individuals seeking the county services of water and sewer facilities for trailer parks. Individuals contacted the county commissioners expressing the demand for these services, which were eventually provided.<sup>20</sup> This particular instance represents the most successful demand satisfaction by any group in Lincoln County. In the last five years community meetings have been held concerning the need for special water and sewer

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<sup>17</sup>Interview with the Lincoln County Commissioners, June 5, 1975

<sup>18</sup>Ibid.

<sup>19</sup>David Easton, A Systems Analysis of Political Life (New York: John Wiley and Sons, Inc., 1965) p. 40

<sup>20</sup>Interview with Lincoln County Commissioners, June 5, 1975

districts South of Libby.<sup>21</sup> No action has been taken by the city of Libby or the county, indicating a lack of responsiveness by local officials. In 1960 and again in 1966 the city Chamber of Commerce tried to organize areawide meetings to discuss publicly immediate and future needs. These meetings never materialized.<sup>22</sup> The Greater Libby Area Development group (GLAD) published a pamphlet in 1968 outlining the community's needs, but no subsequent action was ever taken by the group.<sup>23</sup> To conclude, Lincoln County residents are not, and were not, politically mobilized to the extent of following through with proposals to better the area. Increased community participation may have helped eliminate the problems with the Corps and state and federal governments that created tenuous relations between these entities and the local area.

The county commissioners felt that the population influx indicated a need for school expansion, an increase in police protection, and an increase in welfare outlays. These needs and demands were based on an assumption that a population increase would place strains on existing services therefore indicating a need to increase those

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<sup>21</sup>Interview with Paul Verdon, editor, The Western News, December 8, 1975

<sup>22</sup>Ibid.

<sup>23</sup>Ibid.



services.<sup>24</sup> These needs were particularly expressed in terms of budgetary increases on the county level.  
(see table 4)

Table 4

LINCOLN COUNTY BUDGET INCREASES 1965-1975

	1965	1970	1975	% Increase
General Fund	\$228,194	339,571	684,803	300
Road Fund	\$261,756	422,490	700,332	268
Poor Fund	\$124,067	175,576	204,641	165

Source: Budgets for the fiscal years 1965, 1970, 1975,  
Lincoln County, Montana

The county budget needed major increases beginning in fiscal 1966, but due to the state law prohibiting any county from increasing its budget more than 5 percent from the previous year, Lincoln County was unable to meet its budgetary requirements.<sup>25</sup> The state legislature refused to lift the budget restriction during the Libby Dam construction.<sup>26</sup> Also, state legislators from the area were asked by the county commissioners to introduce a bill to eliminate the restriction.<sup>27</sup> No bills were ever

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<sup>24</sup>Conservation with Leo Collar, Lincoln County Commissioner, November 6, 1975

<sup>25</sup>Interview with Lincoln County Commissioners, June 5, 1975

<sup>26</sup>Ibid.

<sup>27</sup>Ibid.

introduced by Lincoln County legislators.<sup>28</sup> However Senate Bill 208, 1969, to eliminate the restriction was introduced by Joseph Reber (D Lewis and Clark County), Carl Rostad (R Meagher County), and Jack McDonald (D Cascade County). It was passed by a vote of 53-0, including William Hafferman (D Lincoln County) voting "aye". It was signed February 28, 1969 by Governor Forrest Anderson. The major budgetary problems for Lincoln County had already taken place, however. The state's refusal to lift the restriction forced the commissioners to transfer funds from other areas of the budget to law enforcement and welfare. This was accomplished by assigning unused portions to these two areas, and through the authorization of emergency budgets.<sup>29</sup>

Law enforcement represented one of the fastest growing budget items in Lincoln County. Because of an assumed need for law enforcement increases created by the population influx, the budget for the county sheriff increased from \$33,220 in 1965, to \$154,000 in fiscal 1975.<sup>30</sup> This increase was reflected in the addition of one undersheriff, 15 deputies, and four dispatchers.

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<sup>28</sup>Examination of the House and Senate Journals of the Thirty-Sixth through Forty-Second Montana Legislative Assembly documented the fact that no bills were introduced by Lincoln County legislators.

<sup>29</sup>Ibid.

<sup>30</sup>Lincoln County budgets for the fiscal years 1965 and 1975.

Funds for law enforcement were often legally obtained from unused portions of other budget items.<sup>31</sup>

The county welfare department felt an increased need to add to its budget to meet a rise in welfare applications. Between 1965 and 1975 the county's poor fund expenditures nearly doubled, from \$124,067, to \$215,921. The Aid to Dependent Children program experienced a four-fold increase during the same time period.<sup>32</sup> To help alleviate welfare demand, the Lincoln County Commissioners in 1968, 1969, and 1970, authorized emergency budgets for the welfare department, which totalled about \$15,000 per year. An offsetting factor to these increases in welfare outlays came in 1968 with the county's eligibility under the federal food stamp program. Food stamp eligibility offset the total dollar amount of welfare as it must be assumed that previous welfare funds were used by recipients to buy food. General relief under the county budget totalled \$30,174 in 1965, and \$36,050 in 1970.<sup>33</sup> In 1960, as an example of pre-Libby Dam construction expenditures, the general relief category was budgeted for only \$18,500.<sup>34</sup>

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<sup>31</sup>The legality of this practice was noted by a Missoula County Attorney legal assistant who found no state legal citation to the contrary.

<sup>32</sup>Lincoln County budgets for the fiscal years 1965 and 1975.

<sup>33</sup>Ibid.

<sup>34</sup>Budget for the year ending June 30, 1960, Lincoln County, Montana

Between 1960 and 1965 the general relief category rose by \$12,000, while the 1965 to 1970 period rose by less than \$6,000. Without the food stamp program the general category may have increased much more during the dam project, as the other categories experienced, explaining the rise in the total county poor fund. The rise was from \$124,067 to \$175,576 between 1965 and 1970.<sup>35</sup> The 1965 and 1970 years were compared to show the probable effect on the county budget of the food stamp program instituted in 1968.

The county's increase in welfare outlays has been, for the most part, attributable to the construction of the Libby Dam. The increase in expenditures occurred in direct relation to the construction project. The county welfare department noted that the attraction of more workers to the area than available jobs helped create the welfare need.<sup>36</sup> Another reason was the seasonal nature of the construction industry that was responsible for winter layoffs. (See Table 5). The table shows the first major employment, beginning in 1967, to the peak construction year of 1970 and the decline in employment beginning in 1971. The seasonal nature of the county's economic base, the lumber industry,

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<sup>35</sup>Ibid., 1965 and 1970.

<sup>36</sup>Interview with William Willard, Lincoln County Welfare Department, July 12, 1975

EMPLOYEES

2,500

TABLE 5

EMPLOYMENT TRENDS ON THE LIBBY DAM PROJECT FOR THE YEARS 1967-74

82

2,000

1,500

1,000

500

0

Jan  
1967

May Aug

Jan  
1968

May Aug

Jan  
1969

May Aug

Jan  
1970

May Aug

Jan  
1971

May Aug

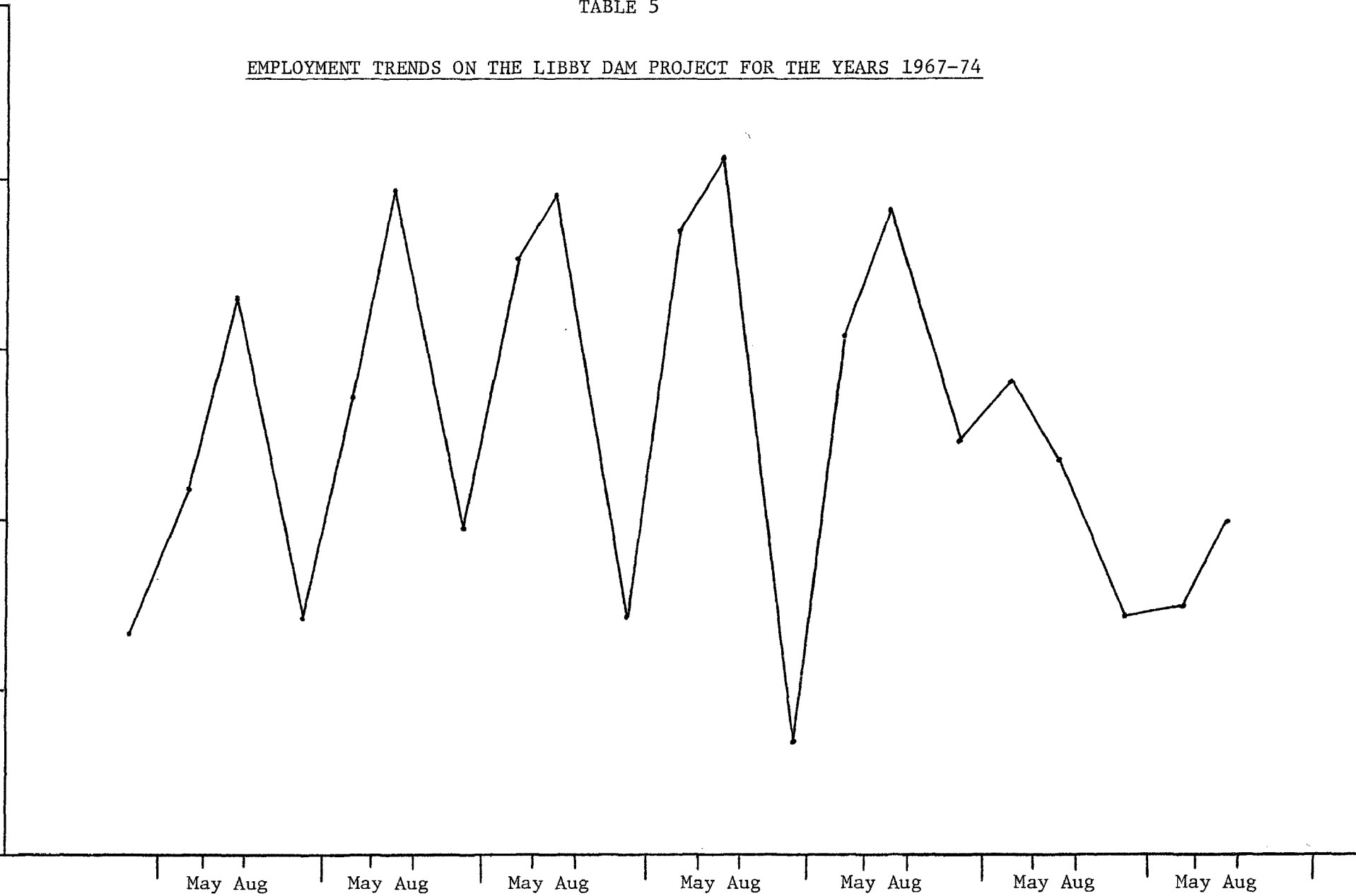
Jan  
1972

May Aug

Jan  
1973

May Aug

Jan  
1974



combined with the Libby Dam project, added to the welfare department's burden during the years of the project. Lincoln County, not having a very diverse and seasonal economy, experienced the layoffs of many workers in these two industries who were unable to find employment during winter months.<sup>37</sup>

Public education felt the most noticeable effect of the population influx created by the dam project. A previous chapter discussed the structure of public education program in Montana as a state controlled, locally administered service. Aid to public education is the largest state contribution to local areas.

In the fall of every year school district budgets are calculated by the school boards, county superintendent of schools, and the county commissioners. These district budgets are figured on anticipated growth rates in a given district. For Lincoln County during the construction of the dam, the situation was one of anticipated growth, but slow response in receiving federal impact funds for the area.<sup>38</sup> Both county and city school districts, primarily Libby and Eureka, experienced the increase in school enrollment anticipated at the beginning of the Libby Dam construction. Between school years 1962-63

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<sup>37</sup>Ibid.

<sup>38</sup>Interview with County Superintendent of Schools, May 9, 1975

and 1965-66 the city of Libby experienced an increase of 350 students, from 1,968 to 2,319. With the beginning of construction of the dam in 1966 to the peak construction year of 1970-71, Libby school population increased by 955, from 2,319 to 3,274.<sup>39</sup> County school population figures show the same growth trend: 1962-63, 2,804 students as compared with the 1970-71 figure of 4,071.<sup>40</sup>

The point to be made concerning the increase in school enrollment is not the amount of increase or the speed with which it occurred. It is that the county and city school districts were ready for the increase but the federal monies for impacted school districts did not arrive as anticipated. On August 11, 1966, the county school superintendent C.R. Engebretson stated, in The Western News, that Lincoln County school officials had been in contact with federal authorities since 1953 regarding the impact of the Libby Dam on the county's schools.<sup>41</sup> In the article Mr. Engebretson claimed that the federal government failed to fulfill its obligations to the taxpayers because promised federal funds had not yet been received. The reason was the slow response by federal authorities. Although county officials had

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<sup>39</sup>Lincoln County School enrollment, 1963 to 1974.

<sup>40</sup>Ibid.

<sup>41</sup>The Western News, Libby, Montana, August 21, 1975

applied for impact funds two years prior to 1966, they were not forthcoming because of a stipulation in Public Law 815 concerning federal activities in a given area. The law states that it is designed to reimburse school districts for student impact on those districts due to federal activities. However, no funds will be paid until after the students can be counted. The essence of the problem for Lincoln County was a shortage of classrooms until the influx of students had been counted and new growth estimates made by the school officials, for the Army Corps of Engineers and the Department of Health, Education, and Welfare. The Department of Health, Education, and Welfare eventually channeled the funds through the Corps after Congressional authorization.

H.E.W. had its hands tied by Public Law 815 and was kept from making the necessary adjustments to accomodate the new students. While waiting for the impact funds, the Lincoln County school board decided on October 20, 1966, to use a group of surplus quonset huts to alleviate overcrowding in the Libby area schools.<sup>42</sup> Finally, in the Spring of 1967, Congress allocated \$4 million in impact aid for Lincoln County school districts. On April 20, 1967, construction began on a total of 65 classrooms.<sup>43</sup>

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<sup>42</sup>Ibid., October 20, 1966

<sup>43</sup>Ibid., April 25, 1967



The various projects were completed in late 1969 and early 1970.

In summary, the construction of the Libby Dam created two main problems for the efficient administration of the Lincoln county government. The first problem was the rapid population influx that created a financial strain on county service provision. The second problem was related to the first in that state law prohibited a budgetary increase of more than 5 percent of the previous years budget. This restriction made the county commissioners enact time consuming emergency budgets for welfare outlays and necessitated the transfer of uncommitted monies to the Sheriff's Department. A related problem not previously mentioned was the increased work load that was placed on county government departments, particularly welfare and law enforcement. Increased welfare cases necessitated an addition of 8 caseworkers in the department.<sup>44</sup> The Sheriff's Department increased its staff by 11. The county attorney hired 3 workers, county treasurer hired 3, and the county clerk and recorder hired one extra employee.<sup>45</sup>

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<sup>44</sup>Interview with William Willard, Lincoln County Welfare Department, July 12, 1975

<sup>45</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana, p. 62

For the cities and towns, the problems experienced as a direct result of the dam project were less severe. Mayor Fred Brown of Libby asserted that the problem of housing was practically non-existent for the city due to the mobile home ordinance and the disinterest in property annexation by the city into the county.<sup>46</sup> The lack of expansion was further stifled because fear by city residents that property annexation would increase taxes to pay for services required by residents of recently annexed property.<sup>47</sup>

The city of Libby experienced an increased need for police protection during the Libby Dam construction mainly due to an increase in traffic. According to Mayor Brown, the city's law enforcement increase was a direct result of the county's budgetary problems at the time. By increasing the size of the city's police department by 2 officers it was felt, by the city council, that they could temporarily expand jurisdictions to help the county. The amount for police protection increased from \$32,552 in 1965 to \$58,383 in 1970. The federal government helped with law enforcement by making Concentrated Employment and Training Act (CETA) funds available through

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<sup>46</sup>Interview with Mayor Fred Brown, Libby, Montana June 5, 1975

<sup>47</sup>Interview with Marvin Sather, City of Libby Local Government Study Commissioner, June 6, 1975

a matching grant program in 1970.\*

Mayor Brown asserted that Libby remained in relatively good financial shape during the dam construction. He maintained that the increase in spending for health and welfare on the county level was the reason for its budgetary problems, whereas the city expenses did not need to be increased as much. This assertion must be challenged, however. The city of Libby has felt a 400 percent increase in its budgets in the last ten years. (See Table 6)

Table 6

LIBBY BUDGET INCREASES 1965-1975

	1965	1970	1975	% Increase
General Fund	\$53,745	113,959	202,726	377
Streets and Alleys	\$18,000	38,561	47,300	262
Parks and Playgrounds	\$11,470	13,615	17,950	156
Fire Department	\$ 6,221	9,556	12,730	204

Source: Budgets for the fiscal years 1965, 1970, 1975, Libby, Montana

The Mayor's assertion indicates a lack of awareness of, or lack of concern for, such drastic increases. He may have been implying that the general condition of Libby's finances was sufficient to meet expenses, but a 400 percent

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\*Exact CETA fund information was unobtainable

increase cannot be taken lightly. It is hard to envision the municipal government being in relatively good financial shape with this sort of increase and the migration out of the city noted earlier. A different leadership arrangement is indicated to rectify this casual attitude concerning the city's finances. Mayor Brown himself stated that the city is seriously contemplating the hiring of a city manager to oversee administration.<sup>48</sup>

The other municipalities in Lincoln County were not affected by the dam project to the point of creating administrative problems. Libby was affected mainly because of its close proximity to the dam project, which is only 17 miles north of the city. The town of Rexford, which will be discussed further relating to the Army Corps of Engineers, experienced the unique situation of having to relocate due to the inundation of the old town site by Lake Koocanusa. Administrative problems were handled by the Relocation Division of the Seattle District Army Corps of Engineers office.

The administrative and financial problems that faced Lincoln County local government units were discussed in terms of the individual units. It is important at this point to discuss the relations among government units

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<sup>48</sup>Interview with Mayor Fred Brown, Libby, Montana  
June 5, 1975

as the Libby Dam project involved the federal and state, as well as Lincoln County governments. It is in the context of intergovernmental relations that provides the focus of this section. The first intergovernmental relation to be discussed is between the state and local units.

The relation between the Montana State government and Lincoln County government is one of a legal nature. A previous chapter discussed the legal tie of county governments to the state in terms of the county being an administrative subdivision of state government. The relationship is one of state law dictating county activities.<sup>49</sup> During the construction of the Libby Dam the relations between the state government and Lincoln County government were strained because of the 5 percent budget restriction imposed on the county. This restriction caused the county commissioners to transfer monies within the budget and enact emergency budgets to alleviate increased needs that would have gone above 5 percent of previous year expenditures.<sup>50</sup> The state government was advised of the problem facing the county but refused to lift the restriction.<sup>51</sup> In this one area the inter-

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<sup>49</sup>National Association of Counties, County Government in America, p. 132

<sup>50</sup>Interview with Lincoln County Commissioners, June 5, 1975

<sup>51</sup>Ibid.

governmental relations were poor as the state did not come to the assistance of its legal responsibility, the county. It is the duty of the state to help insure the financial solvency of its legal responsibility. The Libby Dam project created a unique situation for Montana counties, as no other administrative and financially disruptive venture was occurring in the state at the time. The lack of state assistance may have been a product of fear by the legislature that financial aid to one county may bring the wrath of the others. (The exact reasons for the state's refusal to help Lincoln County are not immediately known, nor can they be accurately documented.) A responsibility by the state is indicated, however, particularly in light of the legal ties between the state and county governments.

Another level of intergovernmental relations is between the federal and local governments. In terms of the Libby Dam project the federal and local relations were most noticeable between the Army Corps of Engineers and the county municipal governments..

The Army Corps of Engineers was responsible for the Libby Dam project. Its responsibilities were the initial preparations, including meetings with local citizens to explain the project and its effects, site selection for the dam, and the bidding and letting of

various construction contracts.<sup>52</sup> The authority for such projects is included in the Flood Control Act of 1950 which authorizes the Corps to develop any navigable waterway for the combined purposes of flood control and power generation. Another responsibility is the publishing of an environmental impact statement beginning in 1969 which supposedly analyses a project's effects on the environmental setting of the area. Such a statement was published in October 1971. It came five years after the project began, however, which meant that the statement would be only a written version of what had already occurred.

The Corps of Engineers had further responsibilities to the Lincoln County area. The federal activity in the area required funds to alleviate school overcrowding, the relocation of the town of Rexford, construction of roads and railway lines, and the mitigation of adverse environmental impacts. The financial assistance totalled approximately \$4 million for school construction, approximately \$2 million for the Rexford relocation, over \$54 million for road and highway development, over \$60 million for railroad relocation and \$269,000 for a new county airport.<sup>53</sup> The above financial responsibilities

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<sup>52</sup>The Western News, August 21, 1975

<sup>53</sup>The Western News, August 21, 1975, summary of prime contract expenses.

have been met by the Corps to date.

To mitigate environmental impacts, the Corps has responded much slower than for schools, Rexford relocation, and road and highway development. It promised to build a fish hatchery to replace fish losses due to the dam, and because of the alteration of a river-oriented area to a lake-oriented area. Game losses attributed to road building and clearing of land are to be replaced. And recreation facilities were promised for the Lake Koocanusa area, including campgrounds, boat ramps, and docks.<sup>54</sup> These promises have yet to be satisfactorily fulfilled.<sup>55</sup> These unfulfilled promises will be further discussed in the next chapter concerning the withdrawal impacts of the dam project.

The Army Corps of Engineers promised to rectify problems of a physical and environmental nature, i.e., relocation of Rexford, road and railway relocation, and the mitigation of adverse environmental effects. In a political and social context, however, the Corps only alleviated the problem of the population impact on local school districts.

There are other problems that are a direct result of the dam project the solutions of which have not been

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<sup>54</sup>Interview with Lincoln County Commissioners,  
June 5, 1975

<sup>55</sup>Ibid.



promised by the Corps. For the county government, there had been no attempts by the Corps to alleviate the costs involved in increasing the numbers of administrative personnel needed during the dam construction. No promises were made to help upgrade the local services affected by the project, particularly law enforcement and welfare. The Corps did not promise to furnish the area with any compensation for the dam project in terms of reduced electrical costs to residents or a monetary percentage of the amount of electricity produced by the dam.

The influx of population attributed to the project, (about 4,000), created a need to expand social and recreational facilities such as parks, playgrounds, theaters, community centers, etc. The information obtained for this study gave no indication that the Corps planned for any of these developments.

In essence, there are responsibilities other than environmental and physical that the Corps must assume to alleviate the problems created specifically by the Libby Dam project. A succeeding chapter will furnish recommendations for alleviating these federal activity impacts.

During the preparatory phase of the dam project, local officials asserted that they were well prepared for the project in terms of the environmental and political effects.<sup>56</sup> The officials that were contacted stated that

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<sup>56</sup>Interview with Lincoln County Commissioners and Mayor of Libby, June 5, 1975.

they had read the environmental impact statement in 1971, and a study conducted in 1968 by Dr. John Wicks of the Department of Economics at the University of Montana on the economic impact of the project.<sup>57</sup> Dr. Wicks' study projected the possible effects of the dam project on local services, as well as on the overall economics of the county.<sup>58</sup> Local officials and residents were told of the projected impacts by Corps personnel at community meetings. However, local residents were lax in not demanding written impact data to fall back on in later years when dam impact problems were evident. Thus, local inactivity, combined with federal and state responsibilities that were not met, created the local government problems that are the subject of this thesis. Local officials knew there would be rapid population growth, but the federal government did not help provide local services to alleviate the strain on existing services, except schools. The state government would not lift the budget restriction. Local officials knew vaguely of the environmental impacts, did not demand written statements, and the federal government has not mitigated them as promised. Local officials knew of the tax base erosion caused by the reservoir, but no compensation was,

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<sup>57</sup>Ibid.

<sup>58</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction, p. 62

or will, be given.

In summary, city and county local government officials asserted that the intergovernmental relations experienced during the Libby Dam construction were adequate.<sup>59</sup> However, the facts hardly bear out this assertion. If the relations were adequate, in view of the facts, it is hard to imagine what adverse relations would look like. Local officials may have expected much worse in terms of the project's effects, thereby creating a rationalization that the dam project was not as bad as anticipated. If this were not the case it is hard to understand the local official's reasoning. It may be that a high degree of toleration was the rule for coping with the dam project. This feeling was possible since local officials expected the project's completion to relax problems. The population was expected to decrease thus alleviating the need for increased budgets and service provision. The reality of the situation is that the project's withdrawal did not decrease the population and therefore did not decrease the local government expenditures, at a time when tax revenue has been decreased.

The next chapter analyzes the Libby Dam project in terms of the withdrawal impact on the local government units.

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<sup>59</sup>Interview with Lincoln County Commissioners and Mayor of Libby, June 5, 1975

## CHAPTER VII

### POST LIBBY DAM CONSTRUCTION: WITHDRAWAL IMPACT ON LINCOLN COUNTY LOCAL GOVERNMENTS

The majority of work on the Libby Dam was completed in March of 1973 with the beginning of flood control storage. Four turbines have been installed in the powerhouse along with one generating unit. The first power from the unit to "go on the line" occurred in conjunction with the dam dedication ceremonies conducted on August 24, 1975, with President Ford attending. Power production from all four generators is scheduled for July 1976.

With the completion of the major portion of work on the dam, it was anticipated that most of the population influx attributed to the dam's construction would leave the area.<sup>1</sup> However, the projected migration from the area did not occur. The census for 1970 showed a total county population of 18,063. The following year, 1971, was the peak year of construction employment, at 2,118, during the month of July. Yet, by August of 1973, when the dam project was essentially complete the county population had

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<sup>1</sup>John H. Wicks, John M. Griffing and E.M. Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana, p. 63.

climbed to 19,481, although employment on the project had declined to 942. (see table 5) Even with employment decline, the total county population had actually increased. However, the county did experience a drop of 1,100 people between July 1973, and July 1974, to 18,381.

According to the Lincoln County Commissioners and the County Welfare Department, some dam project employees were able to secure other employment in the Lincoln County area.<sup>2</sup> It must be assumed that those finding employment still reside the area contiguous to Libby. For previous dam employees finding employment in the area, there are only a few construction or blue collar activities where they might have been absorbed such as the St. Regis Lumber Company, the U.S. Forest Service, and the W.R. Grace and Company vermiculite mine.

The large increase in welfare outlays indicates that many dam employees could not immediately find other employment. In May 1971 there were 81 families on welfare, representing 322 people. By August 1973, after the dam was essentially completed, there were 376 families on welfare, representing 1,207 people. In December 1973 the figure rose to 391 families and 1,290 people. By May 1975 the figure climbed to 518 families, representing 1,703

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<sup>2</sup>Precise ex-dam employee versus new employment figures were unobtainable.

people.<sup>3</sup> The trend is one of increasing need for welfare after the dam project was completed. Some ex-dam employees may have found employment in the area, but the welfare cases indicate that the figure was low.

Lincoln County has continued to face increased needs for services after 1973, as indicated by the welfare case-load increase. Even considering the population decline, the increased need for services is still evident in budgetary terms.

For the county government, the lack of a sizable population decline and increased service needs are reflected in the county's budget. There are three main reasons for the county's financial problems: increasing cost of government as a whole, the loss of much needed timber revenue, and the erosion of the county's tax base. These three factors, together with other related problems, such as inflation, have tested the county government's ability to function efficiently. Each of these problems can be seen as a result of the Libby Dam project.

In fiscal 1965, the taxable valuation of Lincoln County was assessed at \$10,420,000. By fiscal 1975, the taxable valuation had nearly doubled from the 1965 figure, to \$18,758,000.<sup>4</sup> The significance of this rapid increase

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<sup>3</sup>Welfare figures provided by William Willard, Lincoln County Welfare Department. July 12, 1975.

<sup>4</sup>Budgets for Lincoln County, Montana, for years ending June 30, 1965 and June 30, 1975.

can be seen in the increased need for local government services, which will be analyzed.

Budget figures for law enforcement and welfare substantially increased over the ten-year period. In fiscal 1965, the Sheriff's Department was allocated \$33,220, or 13.1 percent of the total general fund expenses.<sup>5</sup> For fiscal 1975, the Sheriff's Department received \$154,090, or over 25 percent of the total general fund expenses.<sup>6</sup> This increase indicates the county's need for increased police protection and a willingness by the county commissioners to commit a higher percentage of total funds for that purpose. After 1965 the city of Libby was an alleviating factor for county law enforcement as the city temporarily expanded its jurisdiction to aid the county until the county was financially able to provide for itself. Currently, the county law enforcement budget is adequate to handle the need, although the budget had to triple to provide adequate protection.

The need for increased allocations for law enforcement continued even after the completion of the dam project. The population influx attributed to the project is the main reason for the increases. These increases created budgetary problems for the county

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<sup>5</sup>Ibid.

<sup>6</sup>Ibid.

government as the commissioners had to transfer unused portions of the budget for law enforcement and enacted a \$12,550 emergency budget in fiscal 1968.<sup>7</sup> The lack of a population decline has maintained the need for increased police protection in the post 1973 period, after the dam project was essentially completed.

Pre-1973 and post-1973 periods are characterized by steady growth in budgetary requirements. In 1970, the total poor fund expense was \$175,076. In 1974 the figure had risen to \$217,271. In 1970 the medical assistance category required \$15,500. In 1974 this figure was \$22,500.<sup>8</sup> Over this four year period, the staff increases noted in the previous chapter increased the personnel salary category from \$18,000 in 1970 to \$36,000 in 1974, or exactly double.<sup>9</sup> For the foster home category the four year increase was \$3,500 in 1970 to \$12,000 in 1974.<sup>10</sup> Basically these categorical increases indicate a rising need for welfare assistance by county residents even after the dam project was completed. The reason for these increases, as with other budget items, is the lack of a major population decline following the completion of the dam project.

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<sup>7</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana, p.60

<sup>8</sup>Budgets for the years ending June 30, 1970 and June 30, 1974, Lincoln County, Montana.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid.



The Aid to Dependent Children program, funded by the federal government, experienced a budgetary increase from \$14,000 in 1970 to \$34,000 in 1974.<sup>11</sup> For the state of Montana, the unemployment compensation claims paid to Lincoln County had almost tripled between 1969 and 1974. The pre-1973 figure was \$284,635 in 1969, compared to the post-1973 figure of \$638,746 in 1974.<sup>12</sup> The federal and state governments, therefore, also felt the withdrawal impact of the Libby Dam project in terms of welfare-related expenses.

An exception to the categorical increases in welfare outlays has occurred in the general relief category. In 1970 this category required \$38,300, compared to a decrease to \$37,600 in 1974.<sup>13</sup> The reason for this trend was the county's eligibility under the federal food stamp program which served to offset any substantial increases in this area.<sup>14</sup>

In summary, welfare-related expenses have increased for the county, as well as federal and state governments, following the completion of the Libby Dam project.

The welfare case increases combined with the related

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<sup>11</sup>Ibid.

<sup>12</sup>Unemployment compensation claims for the years 1969-1974. Montana Unemployment Compensation Commission.

<sup>13</sup>Budgets for the years ending June 30, 1970 and June 30, 1974, Lincoln County, Montana.

<sup>14</sup>Interview with William Willard, Lincoln County Welfare Department, July 12, 1975.

expense increases indicate the inability of many ex-dam project employees to find employment in other areas of Lincoln County. Welfare and unemployment are likely to be a continuing financial burden in view of the seasonal nature and instability of the area's economic base, the lumber industry. The St. Regis Paper Company, the major employer of the area at around 1,000 workers, recently announced a 120 man temporary layoff due to "market conditions."<sup>15</sup> The lumber industry usually experiences slack periods during the winter, because of severe weather that restricts logging. This fact, combined with unfavorable economic conditions and increasing welfare needs due to the withdrawal of the Libby Dam project, indicates continuing high welfare needs in Lincoln County.

The withdrawal of the Libby Dam project also has affected the state service area of public education, in terms of decreasing enrollments. Lincoln County was assisted by the Army Corps of Engineers in furnishing \$4 million and 65 classrooms for the influx of school age children during the Libby Dam construction. The acquisition of needed school facilities was a slow process, but was eventually successful in alleviating the need. Once these problems were solved the school districts were able to function adequately.

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<sup>15</sup>The Missoulian, Missoula, Montana, November 6, 1975

Withdrawal of the dam project has decreased the number of pupils in the local schools. Even prior to the dam's completion county school enrollment began declining. School year 1969-70 experienced a drop of 60 pupils; 1970-71, a drop of 160 pupils; 1973-74, a drop of 70; and 1974-75, a drop of 88.<sup>16</sup>

The school population figures represent one area that substantiated the anticipated decrease associated with the completion of the Libby Dam and related projects. The 1970-71 school year decrease is related to the completion of the railroad tunnel, near Trego. An elementary school was built in the town of Trego to accommodate the school-age children whose parents were employed on the tunnel. Trego had a three room school, but the new school was built to accommodate 350 new pupils. An interesting point is that the maximum number of students at the Trego school reached 89 in 1969 instead of the predicted 300.<sup>17</sup> After the tunnel was completed in 1969 almost all of the workers left the area, and consequently the students departed. This mini-exodus left the Trego school with 65 students for the year 1970-71. According to Bob Hettig, county local government study commissioner, the newer Trego school is not needed at

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<sup>16</sup>Lincoln County School Enrollment, 1969-1974.

<sup>17</sup>Lincoln County School Enrollment, 1969-1970.

this time, and probably won't be needed for some time in the future.

The problem county residents face in 1975 concerning schools, particularly in Trego, is that it must continue paying for their maintenance and upkeep, even though portions of some schools are unused. School enrollment in the Trego district was decreased by half between 1969 and 1974. The 1969 enrollment was 89, compared to 43 in 1974.<sup>18</sup> Considering this decrease the total taxable valuation of the district only decreased from \$723,263 in 1969 to \$559,958 in 1974, or a difference of \$166,305. According to Mr. Hettig the decrease would have been more if the district did not have to pay for maintenance of unused classrooms.<sup>19</sup> Unless the school-age population increases substantially the county will have to continue financing unused classrooms.

In terms of overall county financial situation, the taxable valuation had nearly doubled during the years of the Libby Dam construction. This increase was primarily due to a rise in the market value of property. According to the County Commissioners, the possibility existed that the population influx created an increased need for property. But the main reason for the taxable valuation

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<sup>18</sup>Lincoln County School Enrollment, 1969 and 1974.

<sup>19</sup>Interview with Bob Hettig, Lincoln County Local Government Study Commissioner. May 9, 1975.

increase was the increase in personal property in the county.<sup>20</sup>

The amount of personal property in Lincoln County doubled during the Libby Dam construction years, from \$3,267,156 in 1960, to \$6,979,618 in 1973.<sup>21</sup> (Real property is fixed in location, whereas personal property, particularly automobiles, mobile homes, and other vehicles, can be moved). During the Libby Dam project the County received the above noted increase in personal property taxes. After the project, however, much of this tax base is gone because almost all of the increase represented construction contractor's equipment that has subsequently been removed from the area.<sup>22</sup> Without the personal property tax increases the county's total taxable valuation would have been \$8,082,952 in 1966, and \$10,267,281 in 1973, a substantial decrease from the actual figures.

The point of this discussion is that the Libby Dam project has created future problems for the county government in terms of taxable valuations of property. The first problem is the loss of much of the personal property tax as construction equipment was removed. The second problem is the loss of timber revenue and the removal of

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<sup>20</sup>Interview with Lincoln County Commissioners, June 5, 1975.

<sup>21</sup>The Western News, August 21, 1975.

<sup>22</sup>Interview with Lincoln County Commissioners, June 5, 1975.

private land from the tax roles.

Both problems are occurring at a time when local government costs are still increasing. The loss of tax revenue and rising taxable valuations means that taxpayers are being asked to pay more for local government services. This is based on the fact that the Libby Dam project flooded 25,000 acres of private taxable land, and means the loss of 978,000 annually cut board-feet of lumber in timber revenues. In fiscal 1975, Lincoln County had to raise \$539,704.33 in property tax revenue, compared to \$302,877.01 in fiscal 1965.<sup>23</sup> The rise between 1965 and 1975 has been attributed to the loss of a portion of the tax base being passed on to taxpayers to help cover increased governmental costs.<sup>24</sup>

The rise in the taxable valuation was predicted to decrease for the years following the completion of the dam because of the removal of personal property and the predicted population decrease.<sup>25</sup> However, an overall decrease has not occurred. A decrease of \$10 million has been felt in terms of personal property, but this has not decreased the total taxable valuation.<sup>26</sup> The reason

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<sup>23</sup>Budgets for the years ending June 30, 1965 and June 30, 1975, Lincoln County.

<sup>24</sup>Interview with Lincoln County Commissioners, June 5, 1975.

<sup>25</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana p. 56

<sup>26</sup>The Western News, August 21, 1975.

for the total valuation increases following the construction of the Libby Dam is the remaining population in the area, with the resulting need for county services. The problem for county residents is rising property taxes to pay for these services. County residents are expected to pay for local government services, but the long run consequences of tax base erosion and increasing government costs will continue to add to the taxpayer burden. It is true that the county has lost a certain amount of tax revenue that is irretrievable, but there is an offsetting factor involved. This factor is the increasing development of the county area contiguous to Libby, i.e., homes and commercial buildings. This development is important for the county as taxable valuations increase proportional to increased land usage.<sup>27</sup> Although the county has benefitted from this development, the land inundated by the reservoir will never be recovered for tax purposes, regardless of continuing developments of other areas. In light of this offsetting factor, if the population of the county does not increase in the future as rapidly as the previous ten years, the county government should be able to handle service needs. This is based on the assumption that rapid population increases occur faster than a local governments ability to finance

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<sup>27</sup>Interview with Lincoln County Clerk and Recorder, December 8, 1975

service needs.<sup>28</sup> For Lincoln County, the previous discussions indicate the population growth and subsequent local government reaction was definitely slow. According to the Lincoln County Commissioners, the county government has finally resolved some of the budgetary increase problems may be felt, but with no boom growth expected in the near future, they should be more easily resolved. The recovering of the loss of tax base and timber revenues are the main problem areas that the county has to deal with. The final chapter will offer recommendations for the solution to these problems.

Libby, the municipality most affected by the Libby Dam project, did not experience the increase in the level of total taxable property as did the county.<sup>30</sup> Most new construction in the area has occurred outside the city limits. The only significant taxable valuation rise occurred between 1967 and 1968, an increase of \$471,938, or 24.5 percent above the previous year.<sup>31</sup> The increase was due almost entirely to the annexation of an area

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<sup>28</sup>John S. Gilmore and Mary K. Duff, A Growth Management Case Study: Sweetwater County, Wyoming, p. 3.

<sup>29</sup>Interview with Lincoln County Commissioners, June 5, 1975.

<sup>30</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975.

<sup>31</sup>Wicks, Griffing, and Hutchinson, Impact of Libby Dam Construction on the Economy of Lincoln County, Montana, p. 57



containing the city's new junior high school.<sup>32</sup> After 1968, no major annexations have occurred, and none are anticipated in the near future because annexation can only result from petition by the residents of the area to be annexed.<sup>33</sup> The 1968 annexation was attributed to the hard work of school officials who apparently convinced county residents of the city's need for the school.<sup>34</sup> The current feeling is one of opposition by county residents to any further city expansion.<sup>35</sup>

The city's overall economic situation in the last ten years, 1965-1975, has experienced a 400 percent increase in budgetary requirements. In fiscal 1965 the general fund expense category was budgeted at \$53,745. In fiscal 1975 the same category had risen to \$202,726, a ten year increase of \$148,981.<sup>36</sup> The problem for Libby is the provision of services at a time when the tax base of the city is reported to be diminishing at a slow, but constant rate.<sup>37</sup> The reported decrease in the tax

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<sup>32</sup>Ibid..

<sup>33</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975.

<sup>34</sup>Interview with Marvin Sather, City of Libby Local Government Study Commission, June 6, 1975.

<sup>35</sup>Ibid.

<sup>36</sup>Budgets for the years ending June 30, 1965 and June 30, 1975.

<sup>37</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975.

base is a function of current out-migration from the city into the county by residents as well as commercial enterprises.<sup>38</sup> This developmental pattern can be witnessed along Highway 2 outside of the city limits in terms of expanding residential and commercial buildings. This pattern can be seen as an advantage for the county in terms of increasing tax revenue from new development. At the same time, residents and businesses must pay for the increasing cost of city government, as a result of the out-migration.

The 400 percent increase in the city budget over the last ten years is a result of an increased need for services, as well as upgrading the present services.<sup>39</sup> The increasing complexity of government and budget management is placing "an overwhelming burden on the existing structure of city government."<sup>40</sup>

In relation to the thesis the Libby Dam project is a partial cause of Libby's rising budget requirements, particularly the law enforcement service that was expanded to help the county until it could provide adequate police protection on its own. Although the city population did

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<sup>38</sup>Interview with Terry Schultz and Marvin Sather, City of Libby Local Government Study Commissioners, June 5, 6, 1975..

<sup>39</sup>Interview with Marvin Sather, City of Libby Local Government Study Commissioner, June 6, 1975.

<sup>40</sup>The Western News May 15, 1975. Progress report by city local government study commission.

not experience a large population influx, the city's temporary aid to the county for increased law enforcement and the rising cost of government have rapidly increased law enforcement financial needs. During the Libby Dam project the police department experienced from \$32,360 in 1965 to \$68,750 in 1971.<sup>41</sup> Between fiscal 1971 and 1974 the increase was from \$68,750 to over \$118,000.<sup>42</sup> In essence, the rising cost of city government and the loss of revenue from the current reported migration pattern, can be attributed to the county growth trend caused by the Libby Dam project. The Mobile Home ordinance has had greater ramifications than the city probably anticipated as a developmental pattern in the county is a direct result of Libby's unwillingness to allow mobile homes and county residents unwillingness to be annexed. Thus, the migration into the county is the city's fault, as well as the impact from the dam project.

Mayor Fred Brown asserted that the city of Libby is in relatively good financial shape following the construction of the Libby Dam, but increased costs, rising budgets, and the migration pattern all serve to refute his assertion. It can be stated that the Mayor's unwillingness to come to terms over the facts is a function

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<sup>41</sup>The Western News, August 21, 1975.

<sup>42</sup>Ibid.

of the "weak mayor" system of government in Libby. To regain a measure of control over the city budget, the Mayor has recommended the hiring of a full-time, professional administrator in the form of a city manager, to administer to the city's needs.

The Mayor noted that federal aid to the city in the form of Concentrated Employment and Training Act funds, approximately \$30,000 in fiscal 1965, have also served to partially alleviate rising costs, but the Mayor noted a need for increased federal aid in terms of upgrading housing, and the need for low-cost housing in the city.<sup>43</sup>

The Mayor noted that a Libby Dam growth-related problem affects the city and county to date. A sewage disposal problem exists as the county does not have sewage disposal facilities, even with the growth attributed to the dam project. In fact, the county is not budgeted for such. The city of Libby has the only sewage plant and the county has expressed a desire to use the city's facilities. In terms of rectifying the problem, both governmental units are awaiting the city and county local government study commission recommendations for an approach to a solution.

Another intergovernmental problem was briefly described above in terms of housing needs. Mayor Brown

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<sup>43</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975.

noted that the city applied for federal aid to the Department of Housing and Urban Development for upgrading present housing, low-cost housing, and the utility services to them. The request was denied, however, in 1971. Better provision of low-cost housing may attract new residents now living in the county, as a result of the growth trend and migration pattern attributed to the Libby Dam project.

In summary, the Libby Dam project did not create problems of the magnitude felt by the county in terms of the city of Libby. However, the growth trend in the county created by the dam project, the rising cost of city government, and the reported diminishing of the tax base, are the current Libby Dam withdrawal problems facing the city. Recommendations for the resolution of these problems will be offered in the following chapter.

The town of Rexford was the municipality experiencing a direct effect of the Libby Dam project. As noted earlier the entire town was relocated, as the previous town site was inundated by Lake Koocanusa. According to Mayor Jack Parrish, Rexford became incorporated in 1966 in order to qualify for federal aid and to deal with the Army Corps of Engineers as one entity.<sup>44</sup> Incorporation is a legal status that allowed Rexford to obtain federal aid as well

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<sup>44</sup>Questionnaire response from Mayor Jack Parrish, Rexford, Montana, July 23, 1975

as state aid, State aid is in the form of revenue that is collected from the sale of liquor and gasoline. Without the incorporated status the town would have had to relocate on its own. A relocation without federal aid would have been very costly in terms of buying property, erecting buildings, and providing services. Incorporation, then, gave the citizens of Rexford the needed political clout to deal with such a venture.

Residents of the town formed a non-profit Rexford Townsite organization to handle the purchase of a new town site and to sell lots to the new residents. Mayor Parrish stated that the Relocation Division of the Seattle District Army Corps of Engineers office was of great help during the moving process. Legal fees and design engineer costs were paid by the Corps, which were over and above the normal expenses for relocation. The Corps built a city hall and fire station, completed in June 1971. The Rexford School was completed in November 1971. Street paving, water supply system, sewer system, and a sewage treatment plant were completed in 1972.<sup>45</sup>

The withdrawal impact of the dam project has left the residents of Rexford with a new town and few administrative problems. Any administrative problems that occurred

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<sup>45</sup>U.S. Army Corps of Engineers District, Seattle, Washington, Libby Dam and Lake Koocanusa, Kootenai River, Montana. Final Environmental Impact Statement (Seattle: The Corps of Engineers, October 1971) p. 2

during the dam project were handled by the Corps of Engineers. Mayor Parrish asserted that the town has had to levy no taxes for service provision as they are all paid for. Current revenue obtained from the state government is reported as adequate to cover service maintenance costs.<sup>46</sup> A survey conducted by The Western News concluded that Rexford residents are relatively satisfied with the new town.<sup>47</sup>

Recently, there have been criticisms by local residents of the Army Corps of Engineers' relocation of Rexford. Most of these criticisms concern the present location of the town. The complaints stem from the location, which is situated on a bench overlooking the north end of Lake Koocanusa. Most complaints concern the amount of wind that apparently blows up the reservoir. Although these criticisms are probably valid, the Corps is not entirely to blame. The site acquisition and relocation was coordinated by the Rexford town council, the Montana Highway Department, the Forest Service, and the Corps. Complaints concerning the town's relocation should be directed to all coordinating agencies rather than the Corps of Engineers specifically. The reason to blame the Corps alone is obvious, however. Without the

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<sup>46</sup>Ibid.

<sup>47</sup>The Western News, Libby, Montana, August 21, 1975

Corps' entire Libby Dam project, of course, the town of Rexford would logically not have had to relocate. This line of reasoning can, of course, be applied to all problems encountered as a result of the dam project. It is possible that hard feelings regarding the Libby Dam will linger long after the project has been completed. The rural area that is Lincoln County experienced a politically, economically, and socially disruptive federal government intervention that occurred regardless of public sentiment. It is understandable that some hard feelings may be directed toward the Corps of Engineers for years to come.

With the exception of Rexford, the Libby Dam project did not directly affect municipal governments to the extent the county government experienced. In Libby the most obvious reason is the lack of municipal growth due to county resident's unwillingness to have taxes increased to pay for services to new areas because of annexation. This situation particularly obtains in the city of Libby where population growth had been slow, at a time when county growth had been rapid. The next section will analyze the current situation in Lincoln County and the Army Corps of Engineers. Many promises were made by the Corps and many remain unfulfilled at the present time. Other promises could have been made in terms of the Corps' obligation to the area because of



problems created by the Libby Dam project.

Many complaints have been lodged against the Army Corps of Engineers before, during, and after, the construction of the Libby Dam. Even as early as the 1940's, residents of Lincoln County were apprehensive about the proposal to dam up the Kootenai River. However, it became apparent that regardless of public sentiment the dam would be constructed to help sustain the Northwest's power needs and supply flood control for downstream areas.

Prior to the construction phase, the Corps assured Lincoln County residents that the adverse environmental impact would be mitigated to the best of their ability. As far back as 1948, the Corps promised to construct a fish hatchery in the county in lieu of a fish ladder over the dam. Yet, when funds were appropriated for the dam, none were allocated for the fish hatchery by the U.S. Congress. The Corps requested a fund allocation, but Congress did not act due to the unresolved question of the location of the hatchery. Just prior to construction the Corps revealed plans for a fish hatchery that would cost approximately \$750,000. Today, ten years later, the cost has escalated to over \$5 million and no appropriations have been made by the U.S. Congress.<sup>48</sup> According to the Lincoln County Commissioners the problem of the

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<sup>48</sup>Interview with Lincoln County Commissioners, June 5, 1975

hatchery location is still unresolved. Mentioning only "politics" as the reason, they said that a proposal for the hatchery was made for an area East of the continental divide, in the Helena area. This proposal has upset the commissioners and residents who see no logical reason for the Lincoln County fish hatchery to be located some 300 miles away.<sup>49</sup> Currently, residents have complained that fishing has decreased to a point of being nonexistent downstream, and reservoir fishing is little better.

The second problem area concerns the recreational aspects of the Libby Dam project. The Corps of Engineers maintained that one-third of the project's benefits, including flood control and power generation, would be the added recreational potential and revenue for the county government. The county commissioners stated that the Corps promised that county and municipal revenue generated from tourism had the potential of reaching \$1 million a year. This revenue would come from visitors to the area who would use camping and boating facilities along the reservoir. But, Leo Collar, County Commissioner, stated that it would be a miracle if Lincoln County received one-tenth of \$1million this last summer from tourism.<sup>50</sup> The main reasons for the lack of tourism stems from inadequate camping areas and the placing of some of

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<sup>49</sup>Ibid.

<sup>50</sup>Ibid.

the boat ramps.

The campground development is not entirely the fault of the Corps of Engineers. The U.S. Forest Service was initially in charge of the camp area development. Due to financial cuts, an agreement was made whereby initial recreational development would be the Corps' responsibility. More funds are expected in 1977, and when completed the camping areas will be returned to the Forest Service for operation and maintenance.<sup>51</sup> Until that time there will be only a few developed places to camp along the 48 miles of reservoir.

The placing of some of the boat ramps along the reservoir can be viewed as comical at best. The ramps have been anchored at the full pool elevation of the reservoir. The reservoir reaches full pool elevation for two or three months of the year, effectively eliminating the use of these ramps to fishermen and other boaters the other nine or ten months when the reservoir elevation is drawn down.

A related problem concerns the lack of safety precautions at the boat ramps and the overall safety factor of the reservoir. There are no emergency services for the reservoir although the responsibility lies with the State Fish and Game Department. The Fish and Game

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<sup>51</sup>The Missoulian, August 21, 1975

Department does not have adequate funds to provide patrol boats and other equipment, thus the reservoir has been declared a hazard to the health and safety of users by the Rexford town council. County Commissioner Jum Morey noted that the unsafe nature of the reservoir is further complicated by the sudden and often violent winds that come up on the reservoir. He mentioned that the wind factor was not as great upstream on the Kootenai River before it was dammed to create the Lake Koocanusa reservoir.

Another promise that remains unfulfilled is the guarantee that game losses would be mitigated. The construction of Libby Dam caused the loss of about 28,000 acres of game range in the Kootenai River drainage. Approximately 15,000 acres of the total are considered to be critical to the wildlife habitat of the area. To date this situation has not been rectified.

The Corps of Engineers' Libby Dam project had other effects that were not of a totally aesthetic nature. As noted earlier, the Corps made no promises to compensate the county for the loss of timber revenues and tax base erosion. No promises were made to alleviate any increased service needs, other than schools, that were directly related to the project. However, there is no indication that local officials have ever asked the Corps to help. The concluding chapter will recommend possible solutions to these problems relating to the federal government's

obligations to the Lincoln County area.

To conclude, the withdrawal phase of the Libby Dam project has created the "bust" usually associated with boom and bust phenomenon. A boom occurred in terms of population growth. Local government officials of the area, particularly in the county government, responded to the boom in terms of increased needs for local government services. The boom created operational problems in terms of meeting budgetary requirements, especially for the county government. The main problem was the time element involved in enacting emergency budgets. This practice, requiring public hearings, further lengthened the amount of time that the county had to react to perceived service needs. Municipal governments, particularly the city of Libby, were indirectly affected by the project. Libby's current problems are increasing budgetary requirements to meet service needs because of rising costs, at a time when a reported migration, as a result of county development stemming from the dam project, is occurring from the city into the county. An erosion of the tax base is another reported problem for the city.

For Rexford, the municipality directly affected by the dam project, there appear to be no administrative or budgetary problems as the Corps of Engineers was responsible for alleviating them during, and after, relocation

until any occurring problems were solved.

An advantage for the county during the construction of the dam was the doubling of the valuations of real as well as personal property. But the withdrawal of \$10 million of contractor's equipment after the project, the loss of tax revenue from private property inundated by Lake Koocanusa, and the loss of timber revenue, indicate continuing financial strains for the county, although the county has experienced increased taxable valuations because of new development around the city of Libby. The fact that most of the population influx attributed to the project have remained in the area, combined with revenue losses, show a continuing financial burden on the county, as well as the taxpayers. It was noted above that the county is catching up in terms of service provision costs versus the population influx, but it is almost three years after the withdrawal of the project, thus indicating a slow local government response to perceived needs.

For the city of Libby, one evident withdrawal problem is a result of its own activities. The migration trend from the city is a result of the county pattern of development relating to the dam project that occurred because the city had no desire to allow growth, in terms of mobile homes or boundary expansion. The reported migration pattern is burdening those remaining in the city

with the expenses of updating present services and furnishing new ones. As the tax base is decreased by the migration, higher city taxes would be anticipated to cover service needs. Current city residents may become unwilling to continue paying higher costs just to maintain services. It will be recommended in the concluding chapter that the city combine its services with the county to alleviate this service cost problem.

The Libby Dam project magnified the problems already faced by the local government units, particularly the county, and intensified the need to solve administrative problems that might have occurred anyway. Judging from the state of the economy and the increased cost of local government administration noted earlier, the population influx attributed to the dam project served to intensify service provision problems. Without the dam project, the population would have increased, but less rapidly, as a ten-year, 44 percent increase would have been unheard of for an area with the economic background of Lincoln County. There is no logical way that the wood products industry in Lincoln County could absorb another 1,000 workers, let alone 1,800, over the last ten years. (The St. Regis Paper Company, the area's largest employer, averages about 1,000 employees, excluding winter months.<sup>52</sup>

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<sup>52</sup>Conservation with Russ Hoppe, St. Regis Paper Company, October 20, 1975.

The Libby Dam project averaged about 1,800, excluding winter months.) There simply would not have been the population growth trend without the Libby Dam project.

The county welfare category, noted to be high because of the seasonal nature of the wood products industry increased from \$93,650 in 1960, to \$124,067 in 1965, an increase of \$30,417. In comparison the 1970 figure rose to \$175,576, an increase of \$51,509. These increases reflect the impact of a rapid population influx to an area and, in terms of welfare, indicate the seasonal nature of both wood products and Libby Dam construction. Another explanation for the welfare increases is the attraction of more workers than available jobs between 1965 and 1970.

The Welfare problem is likely to continue in future years until the county can recover from the withdrawal of the dam project. An indication is for increased federal aid to rectify this problem because the federally-funded Libby Dam project was the reason for the problem.

There are withdrawal consequences for Lincoln County that are likely to arouse more adverse public sentiment, aside from the possibility of higher taxes. The unfulfilled promises by the Corps of Engineers are likely to create continuing problems between the Corps and local residents. Dealing with the federal government can be a painstaking process, and rectifying the fish hatchery,



game mitigation, reservoir safety, and boating facility problems will be resolved only by extreme diligence by Lincoln County local government officials.

One of the aspects of a boom and bust situation that did not occur in Lincoln County was the newcomer versus oldtimer problem. In other projects, such as the Colstrip project, the newcomers have experienced hard times becoming accepted and settled due to almost hostile sentiments by local natives.<sup>53</sup> This situation can be compared to Libby, but the Libby situation was not of outright hostility. Newcomers to the Colstrip area do live in trailer courts, but some have had to live in tents because of an unwillingness by locals to sell part of their land for housing. Most of the locals with land suitable for trailer parks live in the county.<sup>54</sup> In Libby, newcomers at least had the choice to live in the county, because Lincoln County landowners were not as unwilling to furnish land for trailer park development as are Rosebud County landowners.

In Lincoln County, the newcomer versus oldtimer problem seems to have been alleviated to some extent by

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<sup>53</sup>Montana, State Department of Natural Resources and Conservation. Draft Environmental Statement on Colstrip Generating Units 3 and 4, 500 Kilovolt Transmission Lines and Associated Facilities (Helena: Department of Natural Resources and Conservation, 1974) p. 301

<sup>54</sup>Ibid.

the amount of time that local residents had to prepare for the project. Of course, problems occur in any area where a large influx of new people is experienced. In Lincoln County, a few minor incidents occurred between locals and newcomers. These incidents were mostly alcohol induced skirmishes at local taverns.<sup>55</sup> The residents of Lincoln County knew of the proposed dam project as early as 1943. With the passing years it became evident that the project would be built regardless of public sentiment and, as noted in an earlier chapter, by the time the project began in 1966, the Corps of Engineers' personnel were accepted as part of the community. It is logical that the 23 year preparation period probably diluted the effect of the impending dam project. Local residents had plenty of time to adjust to the idea of a rapid population growth. They also anticipated the post-construction era as a time when only the dam would be left, not the people associated with it.

The next chapter will offer recommendations concerning the withdrawal of the Libby Dam project. The recommendations are considered in terms of strengthening intergovernmental relations. The intergovernmental relations are those between the federal and local governments, state and local governments, and county and municipal governments.

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<sup>55</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975.

## CHAPTER VIII

### EVALUATION OF ADMINISTRATIVE PERFORMANCE IN LINCOLN COUNTY AND RECOMMENDED ALTERNATIVES

Lincoln County experienced a 44 percent population increase during the Libby Dam project. This boom was caused in anticipation of job availability on the dam construction project. A bust was experienced following the completion of the project that was felt not as a population loss, but rather an economic decline reflected in an increase in the number of people seeking welfare assistance, and the loss of revenues on the Government level.

In terms of recommendations for Lincoln County and other areas experiencing similar economic boom trends, alleviative measures taken by the entity responsible for the boom can be helpful to the impacted area.

For Lincoln County, recommendations center on three areas of intergovernmental relations that played an integral part during the Libby Dam project. These relations need to be assessed in order to identify areas where changes might have benefitted residents in terms of the construction, and particularly, withdrawal impact of the Libby Dam project. The three areas of intergovernmental

relations to be discussed are: federal and local; state and local, and; county and municipal.

It has been suggested that the local government units of Lincoln County were not well prepared for the projected impacts of the Libby Dam construction. The thesis maintains that the local governments were unable to avoid the boom because the federal government moved in on the state and local governments and erected the dam regardless of public sentiment. Consequently, the county area experienced a rapid population growth that put strains on the local government's ability to provide services. They were also unable to avoid the consequences of the boom, because of a lack of federal and state government assistance. Local officials asserted that they did everything they could to alleviate problems arising from the dam project.<sup>1</sup> The county commissioners asked the area's state legislators to propose eliminating the 5 percent budget restriction which was not followed through by the legislators. Local officials and residents could have aided themselves by applying more pressure on the Corps of Engineers to express in writing the projected dam project impacts, either directly or through the state legislators. Failure to do this has resulted in

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<sup>1</sup>Interviews with Paul Verdon, editor, The Western News; Marvin Sather, Libby Local Government Study Commission; Eleanor Vaughn, Lincoln County Clerk and Recorder, December 8, 1975

continuing tension between the Corps and Lincoln County residents. This tension concerns the yet unfulfilled promises made by the Corps to rectify environmental impacts.

The federal and local relations are those that directly involve national agencies with local government units; e.g., the Army Corps of Engineers and Lincoln County local governments. This relationship is a consequence of the federally sponsored Libby Dam project.

Intergovernmental relations between the national government and local governments in general have increasingly bypassed state agencies.<sup>2</sup> The national government has assumed an increasing role in aiding and advising local government units.<sup>3</sup> Briefly, the federal aid to localities is in terms of grants-in-aid, revenue sharing, federal impact funds for defense-related impacts, and aid for highways and welfare.<sup>4</sup> In Montana, the 1972 Constitution has provided that areas of intergovernmental cooperation are virtually unlimited, in that counties and municipalities may cooperate with any other governmental unit.<sup>5</sup> This, of course, includes the federal government.

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<sup>2</sup>National Association of Counties, County Government in America (Washington, D.C.: The Association, 1966) p. 135

<sup>3</sup>Charles R. Adrian, and Charles Press, Governing Urban America. p. 295

<sup>4</sup>National Association of Counties, From America's Counties Today, 1973, p. 7

<sup>5</sup>Montana, Association of Counties, Montana Counties on the Move. p. 58

The federal-local relations were most noticeable between the Army Corps of Engineers and the Lincoln County local government units. The relations between the Corps and Lincoln County officials were reported to have been adequate in terms of communication and preparations. However, the fact still remains that the Corps verbally indicated the impacts rather than certifying in writing. It has been stated that the Corps told local residents "what they wanted to hear" rather than specifying the projects impacts.<sup>6</sup> However, it is as much the residents fault for not demanding written materials as the Corps' fault for not furnishing such.

For the period in which preparations were made for the project, the Corps met often with local residents and eventually furnished environmental impact data and partially funded an economic impact study for the area. Although the studies were published five years after the project began, local officials stated that the pre-dam preparations were not very specific, but served as a forewarning of the project's impacts.<sup>7</sup> They noted that a continuous dialogue occurred among local officials and Corps personnel.

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<sup>6</sup>Interview with Paul Verdon, The Western News, Eleanor Vaughn, Lincoln County Clerk and Recorder, C.E. Crocker, Libby City Attorney, December 8, 1975

<sup>7</sup>Interview with Lincoln County Commissioners and Mayor Fred Brown, Libby, Montana, June 5, 1975

From the eventual environmental data came the promises to mitigate fish and game losses, and provide boat ramps for the reservoir. However, as of November 1975, promises that were made before and during the dam project have not been fulfilled. The fish hatchery has yet to be funded, the game losses have not been mitigated, and the boat ramps were placed in such a way as to be usable only in times of full pool elevations.

An obvious recommendation is for the Corps of Engineers to fulfill the promises it made and press Congress for the necessary funds to construct the fish hatchery in Lincoln County. The hatchery has been promised since 1948, five years after the project was proposed. The Corps has been aware of the need for the hatchery for a period of time that should have been more than ample. The same situation pertains to game loss mitigation as the Corps promised to replace game losses and habitat resulting from the creation of the reservoir. In a political sense, the Corps should rectify this situation as fulfilled promises would indicate its willingness to make adjustments for environmentally disruptive projects under its auspices. The fulfilling of promises to one area affected by federal activities may decrease hostilities from other areas facing similar projects. The Corps may experience much greater hostility in the future if it is known that it does not honor agree-

ments. Even though water-use projects are built regardless of public sentiment, the Corps has a moral responsibility to use any means available to rectify those problems directly attributable to its presence in an area. The moral responsibility is in terms of the federal government's obligation to the people it theoretically serves. If moral responsibilities are not felt by the Corps, then local areas should apply as much political pressure as possible until promises are kept. It seems as though the Corps has delayed fulfilling its promises to Lincoln County with the hope that time will cause residents to forget what is due them. Therefore, if the Corps does not fulfill its promises on its own, Lincoln County should vociferously articulate the demand for satisfaction from the Corps of Engineers.

There are areas, other than environmental, in which the federal government could have aided Lincoln County in alleviating the dam project impacts. The major dam-related problem area is local government services. The population influx attributed to the dam project created rapid growth in the county, primarily due to a municipal ordinance in Libby prohibiting the placing of wheeled living vehicles within the city limits. A demand for trailer courts, and utilities to them, was voiced by local labor unions on behalf of project employees needing



housing.<sup>8</sup> The county provided utilities as best it could, but the sewage problem was difficult to deal with. The county budget does not include a category for sewage treatment or disposal, as most county residents have septic tanks for their disposal. The problem was somewhat alleviated by constructing large holding-tanks to store sewage until they needed to be pumped.<sup>9</sup> This alleviative measure was a short-term solution as the County Commissioners, as well as county residents, expected the population influx associated with the dam project to leave the area upon completion. Today, however, the population has not declined, the trailer courts still exist, and the sewer problem remains. The immediate problem for the county is the provision of permanent sewer service to those areas expected to be abandoned. A related problem is the developmental pattern contiguous to Libby that further warrants adequate sewer provision.

Although the federal government is not responsible for the choice that many people made to remain in the county, it is responsible for the initial population influx to the area. The point has been made that the county would have no logical basis to expect a 44 percent population increase without the dam project. As the

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<sup>8</sup>Interview with Lincoln County Commissioners, June 5, 1975

<sup>9</sup>Ibid.

federal government caused the influx it should be responsible for alleviating the impacts that it caused. In more concrete terms, as soon as it was evident the population was remaining in the county following the dam construction, the federal government should have begun plans to fund a sewage treatment plant or sewer development for those areas close to Libby that have felt the major population development.

The basis for federal aid for sewage treatment or disposal facilities could come from the Comprehensive Areawide Water and Sewer Planning Grants administered by the Department of Agriculture for the development of sewers and treatment plants for federally impacted areas.<sup>10</sup> The past practice of this program is the funding, through grants-in-aid, to areas impacted by a federal activity. To qualify, the county and municipal units affected by federal activities would have to document the developmental pattern created by the Libby Dam project as the basis of their current problem.

The basis for this recommendation comes from the Young-Mansfield Bill of 1971 (42 U.S.C. 1531) that would appropriate funds for community service development for

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<sup>10</sup>Montana, Department of Planning and Economic Development, Six County Areawide Impact Study: Malmstrom Deployment Area, Montana (Helena: Department of Planning and Economic Development, 1972) p. 52

those areas affected by defense related projects, such as the A.B.M. project. In terms of Lincoln County, it seems a legislative rewording of the bill to include all federally impacted areas, rather than only defense impacts, would give Lincoln County legal bargaining power to demand the alleviation of federally caused service problems.

There is no reason, barring the politics of fund allocations, to distinguish between the need for local government services in Lincoln County and Langdon, North Dakota, which experienced the effects of A.B.M. planning. The A.B.M. project and the Libby Dam project, both federally sponsored, created the same service needs in conjunction with a population influx. The national government's obligation in this area is clear as the population influx and consequent service problems in Lincoln County would not have occurred without the Libby Dam project.

In addition, sewage treatment and disposal funds could have helped the city of Libby in the respect that the city had to furnish all utilities to schools constructed by the Army Corps of Engineers.<sup>11</sup>

Another problem for the county, although not the magnitude of the sewage problem, stems from the Army Corps of Engineers construction of various roads in the county.

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<sup>11</sup>Interview with Mayor Fred Brown, Libby, Montana, June 5, 1975

The county government has had a problem committing its road maintenance equipment to some of the roads constructed by the Corps, the forest development road as the major example. These roads were the result of the Libby Dam project due to the inundation of existing roadways by Lake Koocanusa, and roads to the schools that were constructed to alleviate the school age population influx. As these roads were a direct result of federal activity it is appropriate to recommend the necessity of federal funds under the Economic Development Grants and Loans for Public Works programs administered by the Federal Economic Development Administration. This is another program for the development of water facilities, sewers and access roads for federally impacted areas.

For Lincoln County, federal funds for roads and maintenance would partially alleviate the rising costs in these areas. (See table 7)

Table 7

COMPARISON OF ROAD MAINTENANCE AND ROAD FUND EXPENSE:

	<u>LINCOLN COUNTY, MONTANA, 1965-1975</u>			
	1965	1970	1975	10 Year Increase
Highway Maintenance	\$145,000	183,280	254,450	109,450
Total Road Fund Expense	\$261,750	422,490	700,332	438,582

The table shows the increases in these categories that are a result of increased traffic and road use because of the

population growth attributed to the dam project.<sup>12</sup>

A moral obligation was created when the Corps of Engineers' massive construction project effectively disrupted the lives of Lincoln County residents, beginning in 1943. This disruption continues today with the governmental and environmental problems created as a consequence of the project. The political implications were noted earlier in terms of the Corps' necessity to make amends to impacted areas, in order to decrease public hostility over its programs. In the environmentally conscious era in which we live, it would be wise for the Corps of Engineers to rectify problems that it creates, before it embarks on other such ventures.

In summary, it is indicated that the federal government is responsible for the withdrawal impact of a federal project such as the Libby Dam project. The federal government should rectify the problems in Lincoln county stemming from its unfulfilled promises concerning environmental impacts. It should also be responsible for population related developments in the areas of sewage problems and road maintenance. With federal aid the Lincoln County local government units could turn their energies toward solving the current problems of increasing

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<sup>12</sup>Wicks, Griffing, and Hutchinson, The Impact of Libby Dam Construction on the Economy of Lincoln County, Montana, p. 39

government costs and service maintenance that are attributable to the Libby Dam project.

In another vein, the administration of the Lincoln County government has been affected by the loss of tax revenue created by Lake Koocanusa. The lake inundated 28,000 acres of private taxable property from the county. It also caused the loss of the cutting of 978,000 board feet of lumber that generated timber revenue from the Forest Service.

To date, Lincoln County has no way of recovering this important loss of revenue, except by increasing the already heavy tax load in the county. A possible source of revenue could come from some sort of compensation for the dam project. As of now, neither the State of Montana, nor Lincoln County, can expect any compensation for the dam project. (Although, when the dam begins full electric generating capacity, electricity will be available for the state and county. However, the electricity will be offered at a standard rate, rather than reduced.<sup>13</sup> The local area's ability to obtain power stems from a 1967 request by Senator Mansfield for preferential power reservation. The request was granted on May 4, 1967, by the Department of the Interior.)<sup>14</sup> Considering the

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<sup>13</sup>The Western News, August 21, 1975

<sup>14</sup>Ibid.

economic impact on Lincoln County in terms of lost tax revenue, the federal government has a clear responsibility to determine alleviative measures to help recover this much needed revenue. As a continuing source of aid, the Army Corps of Engineers might offer the county a percentage in dollars of electricity produced, or electricity at a reduced rate to residents as compensation. If a percentage in dollars of electricity produced were offered by the federal government, rather than demanded in terms of a tax by Lincoln County, a distinction would be made between federal financial aid and a local tax. The U.S. Supreme court has previously denied to States the ability to tax the federal government.<sup>15</sup> This alternative would serve to partially alleviate the tax revenue loss felt by the county as a direct result of the dam project. The exact amount of compensation would have to be computed on the basis of the total amount of electricity produced at an average rate, as power demands vary.

The second alternative would aid local residents, but would contribute nothing to the local government units to alleviate tax losses.

Politically, either alternative should strengthen

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<sup>15</sup>McCulloch v. Maryland, 4 Wheat. 316 (1819)

the relationship between the Corps of Engineers and Lincoln County, as it would constitute a genuine effort by the Corps to act responsibility for the withdrawal impact of the Libby Dam project. Compensation for the project is one moral, economic, and political obligation the Corps has to Lincoln County to come to terms with the impacts it created on the county. The means of compensation noted above will be continuing benefits for the county that other-wise do not exist.

In summary, the federally-sponsored Libby Dam project was the cause of the boom that rapidly expanded the population of Lincoln County. The withdrawal of the project created a bust in that an economic decline has been experienced, most noticeable in terms of welfare. The bust occurs at a time when local government costs continue to rise because of the trends set in motion by the boom. The national government's continuing obligation is obvious as the growth, increased local government expenses, and revenue losses, are a direct result of the Libby Dam project.

There is one major intergovernmental problem area that the State of Montana could have rectified during the construction phase of the dam project. At the time state law put a 5 percent limit on the allowable increase of a county's budget from year to year. The county, as an administrative subdivision of the state government, has



all of its operational and administrative rules dictated by state law. The solution for Lincoln County during the construction phase could have been the state legislature's concession to lift the budget restriction during fiscal crises. During the project the county government had to transfer funds, use portions of unused expenses, and, most importantly, had to execute emergency budgets to cope with rising welfare and law enforcement needs. The Lincoln County Commissioners asserted that there was never an attempt by the state legislature to lift the restriction.<sup>16</sup> Although the problem for the county has passed, in that it has had no fiscal problems requiring more than a 5 percent budgetary increase since 1971, the 1972 Montana Constitution has enacted self-government powers that may alleviate future county problems. The 1972 Constitution has provided that a self-government county can perform any service not prohibited by state law, its charter, or the constitution.<sup>17</sup> This provision would allow local officials to act without having to wait for authorization from the state legislature. The State Commission on Local Government is currently researching tentative changes in state statutes to accommodate the new constitutional self-government provisions. It is possible that state law governing

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<sup>16</sup>Interview with Lincoln County Commissioners, June 5, 1975

<sup>17</sup>Montana Association of Counties, Montana Counties on the Move. p. 45

county budget procedures will be revised to allow them to handle emergency situations on their own. If this comes to pass, counties facing rapidly increasing costs and service needs may be able to make the necessary budget changes on their own, thus precluding legislative refusals as faced Lincoln County.

During, and after, the Libby Dam project the state government had an obligation to Lincoln County to help the county with the problems arising from federal activity in the area. As the county is an administrative responsibility to the county is clear. The state government should be obliged to act on behalf of its administrative extension during times of crises, as well as under normal conditions.

In the withdrawal period, the state should exert what pressure it may on the federal government to schedule means of compensating the county government for the dam project. If the federal government were to concede to state and local pressure to compensate the county for lost revenue, it would indicate the need for less state financial assistance. By not creating pressure on the federal government, the state would no doubt feel local pressure for it to increase local aid to compensate for lost revenue. If the county is to recover a measure of this tax revenue it must either look to state or federal aid. The current legal tie between state and local

governments does not allow the county to act on its own behalf, therefore creating a focus on the state or federal governments for aid. It would be far less costly for the state to campaign for county aid to the federal government, than to subsidize lost county revenue.

As far as can be determined the State of Montana did little to intervene on behalf of Lincoln County during the Libby Dam project. Small pressure was exerted on President Nixon in January 1971, by State Senator William Hafferman, to permit construction of the reregulating dam, which has not been started to date.<sup>18</sup> In February of 1972, Governor Forrest Anderson asked the Corps of Engineers to expedite the fish and game mitigation.<sup>19</sup> And, between 1971 and 1975, various state officials have tried to resolve the fish hatchery issue, to no avail.<sup>20</sup> The state's role, therefore, has been one of little activity, with no results. To reiterate, the previous discussion indicates a much greater need for the state government to protect its administrative, political, and legal responsibility, Lincoln County.

The relations between the county government and municipal governments, particularly the city of Libby, were characterized by a high degree of cooperation before, during, and after, the dam project. This assessment is

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<sup>18</sup>The Western News, August 21, 1975

<sup>19</sup>Ibid.

<sup>20</sup>Ibid.

made in terms of the favorable response given by local government officials, particularly the county commissioners and mayor of Libby. However, there are some areas of inter-governmental relations that could be solidified to help both the county and Libby. These areas are concerned with the previously discussed sharing of city and county services, particularly law enforcement, road maintenance, and sewage-related facilities. The solidification of these shared services could be implemented through the local government review process now occurring in the State of Montana. A brief discussion of the review process in Montana will be given preceding a discussion of the tentative recommendations by the Lincoln County review commissions.

In 1972, members of the local government committee of the Montana Constitutional Convention formalized the local government article for the new constitution.<sup>21</sup> This article (XI, Section 9) was confirmed by the state's electorate as an expectation that their local governments would be "both responsive to the individual needs of each community and responsible to the expressed sentiment of the citizenry."<sup>22</sup> Article XI, Section 9 of the Constitution reads:

- 1) The legislature shall, within four years of the ratification of this constitution, provide procedures requiring each local government unit

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<sup>21</sup>Bureau of Government Research, Handbook of Montana Forms of Local Government (Missoula: The Bureau, University of Montana, 1975)

<sup>22</sup>Ibid.

or combination of units to review its structure and submit one alternative form of government to the qualified electors at the next general or special election.

2) The legislators should require a review procedure once every ten years after the first election.

This constitutional article affects all of Montana's 126 municipalities and 56 counties. Each of these local government units was responsible for the election of local study commission members from the local citizenry to undertake the task of evaluating their respective unit.

This evaluation will stem from a series of criteria with which local commissioners will analyze their local government units. Briefly these criteria might include:

- 1) Economy - whether or not the local government operated economically to the best of its ability and whether another form might be more economical.
- 2) Efficiency - analyzing the least costly method of providing local government services.
- 3) Representation - how are local residents represented in the local government?
- 4) Responsiveness - how responsive is the local unit to the needs of the community?
- 5) Accountability - this criterion is the link between representation and responsiveness.
- 6) Checks and balances - how well does this principle operate within local government units?
- 7) Leadership
- 8) Planning - whether current local government jurisdictions create a positive atmosphere for intergovernmental planning.<sup>23</sup>

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<sup>23</sup>Ibid., pp. 102-113

In evaluating the local government units in terms of effectiveness, the outcome will be the recommendation to maintain the present structure or to implement a new structure. During the 1975 Montana legislative session, five optional forms of local government were enacted, plus a charter form.<sup>24</sup> These optional forms are: commission-executive, commission-manager, commission-chairman, and town meeting. There are also a number of structural sub-options that are available.

Along with the structural options and sub-options for each local government are 6 cooperative arrangements between counties and municipalities to further aid in solving local government problems. Briefly these cooperative arrangements are: county-municipality consolidation, county-municipality confederation, county-county consolidation, county consolidation including municipalities, service consolidation or transfer, and disincorporation.

In Lincoln County the study commission has tentatively identified a number of areas of local government that need to be strengthened or changed.<sup>25</sup> The first area involves a recommendation for a combination of services, or more accurately, a service consolidation

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<sup>24</sup>Ibid., p. 124

<sup>25</sup>Interview with William Gould and Robert Herrig, Lincoln County Local Government Study Commission, June 6, 1975.

or transfer with the city of Libby. Consolidation or transfer in the areas of sewage treatment facilities, law enforcement, and road maintenance, would benefit the city and county governments. For Lincoln County and Libby a service consolidation would eliminate functions duplicated on the city and county level, primarily law enforcement and road maintenance. Theoretically, service consolidation should be made in a situation where some services cannot be economically and efficiently provided by either or both units.<sup>26</sup> In Lincoln County's position the combination of law enforcement and road maintenance services with the city of Libby would enable the city to turn these responsibilities over to the county. Service consolidation or transfer involves the maintenance of each local government's legal identity, while services are combined, or the responsibility of service provision is transferred from one unit to another. In the transfer situation a municipality would likely transfer a service function to the county because of duplication and overlap.

Benefits of service consolidation or transfer apply to both units. For Lincoln County local governments the provision of services has been costly. If Libby and Lincoln County were to consolidate services the city

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<sup>26</sup>Bureau of Government Research, Handbook of Montana Forms of Local Government, p. 182

would lose its responsibility for service provision and subsequently reduce its rapidly increasing budget. As city jurisdictions include too few people and too few resources to offer high quality services, a service consolidation would relieve this burden from the municipal government. In this situation county government units, being larger on an administrative and economic scale, can handle more efficiently the functions administered by small units. Lincoln County government may feel the revitalization mentioned in the Handbook of Montana Forms of Local Government as it may be able to strengthen its administrative system by the enlargement of its responsibilities. For the city of Libby its budget could theoretically be trimmed of the duplicate set of local officials managing the services for the city. Anywhere the city of Libby could trim its budget would be beneficial as it has experienced a 400 percent increase in its budget in the last ten years.

Both units may realize savings if accounting functions and central purchases were handled on one level. For example, the State Examiner expenses for reviewing finances may be combined. In fiscal 1975 the city of Libby spent \$1,200 for the State Examiner.<sup>27</sup> Lincoln

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<sup>27</sup>Budget Summary for the City of Libby, Montana, for the fiscal year ending June 30, 1975.



County spent \$3,800.<sup>28</sup> Combined services may save the \$1,200 paid by the city as the Examiner would have one set of budget summaries to check, rather than two. The elimination of duplicate central purchases for services would particularly benefit the city of Libby if it relinquished service maintenance to the county. In a political sense, the combination of services would require the trimming of duplicate personnel, a situation likely to create unrest among those appointed personnel facing a job loss. Transferring of personnel to the county would alleviate this problem as the county would need administrative staff increases to handle the acquired service.

In relation to the sewer problem mentioned above, the consolidation or transfer of the city's sewage treatment plant with the county should contain the financial and administrative benefits for both units. The city's current runaway budget situation would be aided by the input of county dollars and administration to give the immediate city and county residents the sewage treatment facility they both need, as a result of the population trend created by the dam project. If the sewage treatment service was transferred to the county it would reduce the city's budget by \$19,290 for salaries and wages, \$8,425

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<sup>28</sup>Budget for Lincoln County, for the fiscal year ending June 30, 1975

for maintenance, and \$1,000 for capital outlay, in fiscal 1975.<sup>29</sup>

In summary, service consolidation has three attractive features for both Lincoln County and Libby. First, both local government units can retain their legal identity. Second, the services can be improved, in terms of increased efficiency due to the economic of scale that favor larger governmental units like the county. Third, savings can be made by giving up administrative responsibility for services on the municipal level.<sup>30</sup>

The boom growth trend created by the Libby Dam project necessitates the local government units review of the rising service provision costs and service needs of those residents remaining in the county. A consolidation of services or transfer may ease the budgetary problems for the city and help strengthen the county government.

Another change tentatively identified by the county study commission is the necessity for more legislative power. This increased freedom from state control over its structures and powers would allow more local decision making. Lincoln County's financial problems during the construction and withdrawal phases of the dam project could have eased by an ability to locally lift the 5

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<sup>29</sup>Budget Summary for the City of Libby, Montana, for the year ending June 30, 1975

<sup>30</sup>Handbook of Montana Forms of Local Government, p.184

percent increase limit. Under the 1975 Montana Legislature this legislative freedom would require a written charter specifying the local powers to be exercised, although not contradictory to state law, the state constitution, or the state legislature. There are certain restrictions placed on self-government powers and certain aspects of a charter can be overruled by the state legislature, such as a provision to implement a county income tax. The chief advantage, however, is that a charter "gives a municipality or county more control over both its internal affairs and how it meets the community problems that people look to local governments to handle."<sup>31</sup>

Another recommendation has been for the creation of at least one more commissioner district for the area contiguous to Libby.<sup>32</sup> This recommendation is based on the population of the greater Libby area, estimated at 15,000, currently being served by one commissioner. To reiterate, the total county population is slightly over 18,000 in 1975. The addition of another commissioner theoretically would reduce the amount of work for the existing commissioner, and insure a higher degree of representation for the area in county matters.

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<sup>31</sup>Ibid.

<sup>32</sup>Interview with William Gould, Lincoln County Local Government Study Commission, December 8, 1975

For the Lincoln County government a service consolidation with Libby and a written charter may help the county meet its fiscal and service requirements, while helping the city of Libby regain a measure of control over its budget, lost as a consequence of the Libby Dam project. These budgetary problems remain today for Libby.

The Libby city local government study commission has identified two areas that would strengthen city government. The first is to service consolidation or transfer with the county. The second is the hiring of a city manager.<sup>33</sup> It is felt by the city study commission that a city manager would help overcome the weaknesses of the commission-executive format (mayor-council).<sup>34</sup> The weaknesses of the present form are in the executive branch. Libby has a weak mayor system which allows the mayor very little power, resulting in a commission with no effective legal, political, or economic leadership. A weak mayor system gives the office a super-councilman position as it has appointment power over committees and chairmen, and veto power which is rarely used. The balance of duties are carried out equally by the mayor and the

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<sup>33</sup>Interviews with Mayor Fred Brown and City Study Commission member Marvin Sather, June 5 and 6, 1975

<sup>34</sup>The Western News, May 15, 1975

city council.

Another major weakness in Libby is the small amount of compensation given the mayor and councilmen, and the consequent part-time nature of the office in relation to the amount of time they spend trying to implement programs. A current feeling by the mayor and council is that they are hindered because they must execute as well as legislate programs, thus diluting the legislative function. The increased government costs and need for services attributable to the Libby Dam project considerably stifled the city government in that time was wasted in the implementation of programs at a time when new programs were needed immediately. Under a city manager system the executive function would be given to a full-time administrator thus freeing the council to create new programs. A professional manager would have the administrative, supervisory, and economic expertise to handle efficiently those duties previously controlled by a generally non-expert combination of mayor and council.

Basically the commission-manager form of local government dictates the appointment of an administrator by the commission (the elected body) whose powers include the administration of local government affairs; direction and supervision of all departments and agencies; preparation and execution of the budget; appointment, suspension, removal, and responsibility for all employees; and

preparation of the commission agenda.

Even though the manager has a wealth of powers, the commission is an elected policy-making body which appoints the manager on the basis of merit. The commission is an elected policy-making body which appoints the manager with a majority vote. In all areas of administration, however, the manager, to be effective, must be substantially independent of the elected commission member.

For Libby, a commission-manager form of local government would help guarantee a more efficient city hall. This recommendation is based on Libby's need for a more clearly accountable, responsible executive with the clear delineation of duties that have not been visible in the mayor-council form. Rapid budget increases in the last decade suggest that a structural change may be in order in Libby.

To conclude, the current local government review process may yield solutions to the current problems in Lincoln County. These problems are a consequence of the population remaining in the county following the withdrawal of the Libby Dam project, at a time when rising costs and revenue losses create service provision problems. This problem is most acute for Libby relating to the reported migration pattern from the city. As no federal or state aid is anticipated for the local government units

in Lincoln County, the brunt of the problem-solving will lie solely with those units. One alternative rests in the citizen's and local government's ability to articulate the demands to the federal and state governments for solution to problems created by them. Self-government powers may give local governments the legal and political power to demand compensation for the problems not created by them, but by the Libby Dam project. It is not that the federal or state government may not rectify the problems associated with the dam project. The main problem is in the slowness with which each reacts. If these problems, i.e., environmental, economic, and administrative, are not rectified by the responsible federal and state governments, Lincoln County must continue to seek solutions within its boundaries. The local government review process may hold the key for the local units of Lincoln County to reevaluate their position and seek the structural alternatives that may alleviate the bust experienced as a result of the Libby Dam project.

The final chapter will discuss the implications of the Lincoln County experience in terms of other construction projects, particularly in Colstrip, Montana.

## CHAPTER IX

### LESSONS LEARNED FROM LINCOLN COUNTY AND IMPLICATIONS FOR RELATED BOOM EXPERIENCES

The Libby Dam project in Lincoln County, Montana, causes a 44 percent population increase in the county in the last ten years. By studying the effects of this population boom and the resulting impact on local government administration, it was discovered that the bust associated with the boom phenomenon has occurred in Lincoln County. Most notably the bust occurred in terms of an economic decline reflected in welfare case increases, because the population did not decrease substantially and the economy could not absorb most laid-off dam project employees. The lack of a population decline has continued to put pressure on the administration of the government units of the county and the city of Libby, in terms of services required by residents. During the construction of the project the county had to absorb \$15,000 emergency budgets in 1968, 1969, and 1970 for relief, as the State of Montana would not lift the budget restriction imposed by state law. After 1973, the year of project completion, welfare outlays continue to rise, from \$175,576 in 1970, to \$217,271 in 1975.



Lincoln County could have benefitted from an increase in federal aid during the Libby Dam project, as well as after. The impact on local government services was the direct result of federal activities in the area. The federal government is thus responsible for alleviating the problems created by its activities in Lincoln County. In terms of local government impact, the federal government has an obligation to help alleviate service need increases, as the rate of increase would not have occurred without the dam project. It has been asserted that Lincoln County would logically not have experienced a rapid population growth without the federal activity. The economy of the area could not have absorbed a 44.1 percent increase without the creation of substantially more employment. Therefore, a federal obligation is indicated to alleviate problems resulting from the dam project. The federal government has an obligation to rectify the economic problems facing the county government units in terms of the lost revenues as a result of the project. A moral obligation was created to fulfill promises made to the people the government theoretically serves. Politically, the federal government would benefit by recognizing and fulfilling its obligations to the area before public hostility increases.

Certain programs are available through federal agencies for defense-related projects. However, federal

activities for internal development, such as hydroelectric power generation, have the same impact on local government units. The federal government, therefore, has an obligation to local areas experiencing the disruptive effects of major construction projects. This obligation can be fulfilled through funds for service development. The Army Corps of Engineers did provide \$4 million for school development, which alleviated the impact on local schools. Law enforcement needs were partially alleviated through the CETA program. However, grants for community health services, sewage treatment, roads, planning assistance, and development for neighborhood centers are available from various federal agencies, although were not made available to Lincoln County.<sup>1</sup> To reiterate, these programs are available for defense-related impacts, however the thesis maintains that defense and domestic activities create the same impacts on local governments.

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<sup>1</sup>A) Community health service development through the Department of Health, Education, and Welfare: Comprehensive Health Plan

B) Sewage treatment through the Department of Agriculture; Water and Waste Disposal System for Rural Communities

C) Roads: Federal Economic Development Administration: Economic Development Grants

D) Planning assistance: Department of Housing and Urban Development: Comprehensive Planning Assistance

E) Neighborhood Centers; Department of Housing and Urban Development: Neighborhood Facilities Grants

F) School Development: Department of Health, Education, and Welfare: School Assistance in Federally Effected Areas in Maintenance and Operation

Another federal responsibility is in the area of fulfilling the promises made by the Corps of Engineers to mitigate the environmental impacts of the dam project. It was discovered that the Corps of Engineers has been very lax in fulfilling its promises to build a fish hatchery, and to replace some of the game losses due to the creation of Lake Koocanusa, even after the project is essentially complete. The Corps may achieve a better political relationship with local areas, as keeping promises would decrease, to some extent, public hostility over the irresponsible inaction of the Corps. Increased public hostility will likely occur if other areas planned for hydroelectric development perceive the Corps as an irresponsible federal entity.

In terms of preparation it was learned that the Lincoln County area thought it knew well in advance the impacts the Libby Dam would create. The local government units expected a rapid population increase and the resulting demands on the provision of services throughout the county. The problems that were experienced in providing local government services were partially a result of operational and administrative restraints placed on those units by state law and not a lack of foresight at the local level. The lack of federal impact funds for service improvement during the project has created the ongoing service improvement during the project has created the

ongoing service provision problems currently affecting the county.

It was learned that Lincoln County will receive no compensation for the Libby Dam project. The area will benefit from the generation of electricity in the respect that the power generated is scheduled for use in the local area. But the amount of acreage lost from the tax rolls in terms of private property and federal timber revenue has not been compensated for. Also, population growth problems caused by the dam project, and the services to developing areas, were never mentioned by the Corps of Engineers as their responsibilities.

The newcomer versus oldtimer phenomenon associated with a rapid population increase did not present many problems to the area, although Libby enacted an ordinance banning wheeled living vehicles from the city to keep transient residents out. A reason for a lack of outright hostility is the years of preparation preceding the dam project that allowed local residents ample time to get used to the idea of the Libby Dam project.

Finally, it was learned that some of the current problems facing the local government units of Lincoln County may be alleviated by a successful evaluation of administrative performance by the county and municipal local government study commissions.

In conclusion, there are many lessons to be

learned concerning the impact of a federal construction project on an essentially rural area the likes of Lincoln County, Montana. The lessons involve the impact felt by the local government units of the area, and the way in which these units can handle them. Related lessons point out the restraints placed on these units by state law and the subsequent inability of these units to handle impacts because of state inaction. The lack of a federal obligation and alleviative measures is another restraint on local government units. The local government units of Lincoln County can be seen as victims of inadequate financial aid from both federal and state governments, at a time when increased local authority might have been helpful.

On the federal level the capacity to solve impact related problems would be located with the Army Corps of Engineers. The Corps was responsible for the dam project and the impact it created on Lincoln County. It has witnessed the consequences of its activities from the beginning to end, and knows first-hand the problems created by its activities. The Corps is the accountable agent concerning the Libby Dam project.

The legal tie between the state government and local units represents the degree of accountability that the state has. If it is truly the administrative and legal guardian of local government units, its agencies should

seek means to protect the public welfare under its jurisdiction. If protecting the public welfare in Lincoln County only meant applying state pressure on the federal government it would constitute a greater effort than previously expended.

Seven counties in Eastern Montana are currently in an anticipatory phase of the coal mining and coal-fired electric generating industry. These seven counties (Big Horn, Custer, Musselshell, Powder River, Rosebud, Treasure, and Yellowstone) are preparing for a major coal strip-mining operation of the Fort Union Coal Region. The area around the town of Colstrip, Montana, in Rosebud County, is currently preparing for the possibility of the construction of two mammoth coal-fired electric generating units.

A rapid population increase is anticipated for these areas of Montana that will be followed by the increased demands for local government services as felt by Lincoln County.<sup>2</sup> Projections have been attempted concerning the amount of population growth anticipated. The seven-county area will probably experience an increase of between 6,000 and 8,000 employees for coal development in the period 1970 to 1980.<sup>3</sup> Using the standard 2.5

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<sup>2</sup>Paul E. Polzin, Water Use and Coal Development in Eastern Montana (Bozeman: Montana University Joint Water Resources Research Center, 1974) p. 2

<sup>3</sup>Ibid., p. 117

multiplication for family members and associated population influxes the increase could reach between 15,000 and 20,000 by 1980.<sup>4</sup> The estimated population impact on Rosebud County, which is predicted to be affected more by coal development, is an increase from 6,032 in 1970, to 9,357 in 1975.<sup>5</sup> As the coal industry is further developed in these areas the population will continue to grow at a rate above normal.

A major difference for these coal development areas is the source of projected impact. The problems are primarily the same, but the solutions will necessarily be different as the coal industry is a function of combined public utility and private industry activity, whereas the Libby Dam project was a federally-sponsored program. In terms of federal activities an obligation is created for the federal government to guarantee the rights of its citizens. One such right of citizens is to expect the national government to look out for the public welfare. Fulfilling promises made to taxpayers should be as important as using taxpayer money to change an area's

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<sup>4</sup>The 2.5 multiplier was used in estimates for the Wicks, Griffing and Hutchinson study done on the economic impacts of the Libby Dam project, and the Polzin study noted above.

<sup>5</sup>Montana, State Department of Natural Resources and Conservation, Draft Environmental Impact Statement on Colstrip Electric Generating Units 3 and 4, 500 Kilovolt Transmission Lines and Associated Facilities, p. 155

economic and physical environment. However, private corporations have no such legal or moral obligations to areas affected by their development. The major concern to them is the economic benefits accrued from environmentally disruptive activities, such as Colstrip.

The impact problems of the coal development on local government units will be quite the same as those affecting Lincoln County, the public versus private impact being the major exception. These areas will experience needs for upgrading and expanding local government services in response to rapid population growth.

Although the federal government is not directly involved in this coal development, there are means by which the local government units can help themselves alleviate impact problems. These means stem from alternate ways of taxation.

Federal funds for local government service improvement will most likely not be available for those areas experiencing the impacts of coal development. Some of the impact costs may be recovered by taxing the source of growth and returning the funds to the local area. The mineral severance tax in Wyoming and the net proceeds tax in Montana are current examples of this type of taxation. This tax is basically defined as a "tax on the net proceeds of mines; the value of the product taken from the mine minus the costs of extraction and selling the



product."<sup>6</sup> From 1971 to 1973, this tax varied from \$0.62 to \$0.76 per ton of mined coal.

For Colstrip and Rosebud County an added tax on the electric generating units 3 and 4 may help alleviate impact problems. The trouble with this means of taxation is that the generating units cannot be taxed until they are operational, following construction. In the long run, however, taxing the source of growth may prove beneficial to the local area.

Another alternative to alleviate population influx would be the requirement that the developer, in this case the coal companies or the combined public utilities constructing the generating units, furnish the costs of developing the facilities and services attributable to the development. By transferring the capital costs to the developer, local government units could have improved facilities and services at no immediate cost. The developer would then be able to pass the cost on to the user at a future time.

In terms of Eastern Montana, the federal government could substantially aid the local government units by coordinating such service development through various agencies. The federal government could obtain necessary

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<sup>6</sup>Paul E. Polzin, Water Use and Coal Development in Eastern Montana, p. 137

funds from the participating utility companies and corporations and use its expertise to handle service development.

One essential recommendation to be made for those Eastern Montana Local governments affected by coal development is the need for comprehensive planning. Planning for the future is an essential part of the functions of local government units. It is obvious that comprehensive planning is necessary to insure the effectiveness of local governments. The problem for Eastern Montana communities facing coal development is the small amount of time they have to prepare for the impact of this industry. An advantage is the required publishing of environmental impact statements before environmentally, economically, socially, and politically disruptive activities take place. It is important to recommend that local officials and residents actively participate in the planning function to help lessen the impact of coal industry development. If residents do not participate in planning for their community, they will have no one but themselves to blame for the results. On the intergovernmental level, cooperation is essential between government units, both state and local, to prepare for, and solve, those impact problems that will occur. The Montana Department of Planning and Economic Development is one such agency that can theoretically coordinate effective

local programs for easing developmental problems. If the state and affected local government units can plan for the projected coal development impacts and coordinate methods of rectifying the problems previously faced by Lincoln County, they might be able to thwart those problems before they occur. To reiterate, Lincoln County thought it was prepared for the Libby Dam project but the lack of necessary federal and state help negated this preparation to the point that Lincoln County local government units had a vague idea of what was coming but could not deal with it effectively by themselves.

Therefore, the federal and local obligations that were created during and after the Libby Dam project must be fulfilled. The problems encountered were a direct result of federal activity in a rural area, and would otherwise have not occurred to the same extent.

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