

MINUTES OF THE MEETING
AGENCIES II SUBCOMMITTEE

February 1, 1979
8:15 A.M.
Room 343
State Capitol Building

Subject: Department of
State Lands
Hearing

Topic 3: Side 1, Track 3 (125)

The meeting was called to order by Chairman Rex Manuel with all members present. Also present were Bob Robinson, LFA; Jim Williams, OBFP; Jim Mockler, Montana Coal Council and from the Department of State Lands: Leo Berry, Bruce Hayden, John W. Osborne and Wilbur Eber.

Chairman Manuel welcomed the Department of State Lands to the hearing. Commissioner Leo Berry introduced the members of his staff.

Mr. Berry then gave a detailed explanation of his budget request. The details of this testimony are incorporated in the addendum attached to these minutes.

Further questioning by the subcommittee was as follows:

Centralized Services (193)

The department was asked to further explain the in lieu of taxes payments. Mr. Berry explained that in the past, the legislature has appropriated \$190,000 which is what the department spent. However, this was not the total amount assessed on these lands. Concern was expressed that the state could be held liable in this matter. The state is clearly taking advantage of the counties. The state has no right to withhold any of this money according to the statute.

With regard to the proposed rent increase, the department explained that the owner has not been able to give the department an exact figure. This is due to a change in the structure of the corporation that owns the building. The owner has stated, however, that the rent will not be raised any higher than \$6 per square foot.

The department is looking into an alternative building, but this would have to be assessed as to the economics of such a move.

Land Administration (399)

The LFA has recommended moving Coal Bureau staff closer to the coal mines. The department opposed this move and presented a summary of

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study conducted on the feasibility of such a move. In summary, it was stated that a move of the Coal Bureau technical staff closer to the coal mines is neither economically sound, nor is it practical given the relationship of the technical staff to administrative staff required by Montana's coal reclamation law.

As an alternative, the department has been pursuing a plan of expanding the number of Billings field office mine inspectors. This will substantially lower the number of scheduled inspections out of the Helena Office.

Jim Mockler, Western Coal Council, gave testimony in support of the department with regard to such a move. Mr. Mockler stated that such a move would cost considerably more than would be saved.

Mr. Barry stated that one of their selling points to employees was being located in Helena. He feared they would have a great deal of trouble getting employees to work in Colstrip.

The department also asked for authorization to spend federal funds enabling the department to hire 4 additional FTE. These people are needed to meet minimum requirements of the Federal Strip Mining Act Program. In addition, these FTE will implement the Abandoned Mines Program. The state share of this money will be about \$10 million over the biennium, depending on state coal production.

Resource Development Program (1984)

The department had no real comments on this program. The recommendations were pretty straight forward. The funds are used to increase income from state lands.

The department was asked to explain grant funds, not spent in the last biennium. This money was to core drill and design the state leasing program in cooperation with the federal government. Before this program could be implemented, federal coal leasing was tied up in the courts. The department expects that this program will be back in operation by mid 1980. Therefore, the department is again requesting funds so they can do the work they originally anticipated.

The department was asked to explain the recreational analyst they have contracted with. The LFA has recommended that the position be included in personal services. The person has inventoried all state lands to see if they have recreational potential. This information has been collected and all that remains is to put together the data. The position will be terminated by the end of the biennium.

This division also tries to make permanent improvements on the state leased land. This activity has included such things as water wells, reservoirs and irrigation systems.

The Department has also requested one FTE which they hope to hire with engineering background to investigate drilling on lands bordering state lands and also to assist the department in coal mining evaluation.

The department has two full time attorneys that divide work between the land administration and reclamation problems.

A ten minute break was taken at this point.

Total income from this department in the last year was \$49,102,185.91. The royalties/lease receives will go up as the selling price of coal goes up.

Representative Hurwitz asked if the time would come when the property tax for schools would get a great deal of relief from this coal tax. Mr. Berry explained that as the \$30 to \$50 million comes into the state, it is put into a constitutional trust account. This is invested and the interest is distributed. As of June 30, the balance in this account was \$92 million.

There were no further questions by the subcommittee, Chairman Manuel thanked the Department of State Lands for their cooperation.

Upgrades (986)

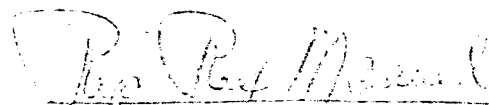
Jim Williams explained that the upgrades requested by the department were the result of a comparison done with similar positions in other departments. The members requested that information be made available as to who got these upgrades.

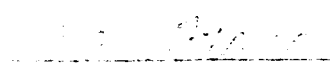
Vacancy Savings (983)

There was a short discussion as to why retirements within the department created such a hardship for the department. It was explained that these employees accumulate annual and sick leave that must be paid at the time employees retire.

Vacancy savings recommended for the Reclamation program would amount to one man gone all year round. The department stated that this was too high. It was decided that the subcommittee would apply a 5% vacancy savings, instead of the 10% recommended by the Executive. It was generally felt that the department could operate with this vacancy savings.

There was no further business, the meeting was adjourned at 11:00 A.M.


REP/ BEN MANUEL, Chairman


Secretary

LEGISLATURE OF THE DEPARTMENT OF STATE LANDS
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Centralized Services

The Department has terminated its agreement with the Old West Commission for handling the accelerated soils survey. This termination is reflected in the Executive Budget but not in the Legislative Fiscal Analyst's (LFA). As such, 11 FTEs and \$166,332 in fiscal year 1980 should be eliminated.

During the past year, the position audits were completed. Attached is a list of upgraded and downgraded positions. Pursuant to the changes, the personal services budgets must be increased as follows:

| | | |
|----------------------|-------|---------|
| Centralized Services | FY 80 | \$7,335 |
| | FY 81 | \$7,469 |
| Land Administration | FY 80 | \$1,504 |
| | FY 81 | \$1,526 |
| Resource Development | FY 80 | \$5,425 |
| | FY 81 | \$5,502 |

plus cost of living expenses.

The Department presently has a typist position, Grade 7, which was added by budget amendment. That position is responsible for typing the environmental impact statements for major mining operations and other documents for the Department. The position runs the Department's mag card typewriter and services all divisions. As such, approximately one-half of the position's funding is collected from applicants for mining permits. The other half of the position is funded by the accelerated soils program, although the position did not type for the program. The accelerated soils program was charged for services provided by the Centralized Services Division. It is necessary that one additional FTE be added to the Centralized Services Division.

The LFA has allocated only \$44,241 to the division for rent. The Department is

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currently paying \$4 a square foot for 10,000 square feet. The lessor has informed us that the rent would be increased but will not exceed \$6 a square foot. There is little doubt that the rent will be increased beyond the amount allocated; it has not been raised since the Department leased the space in 1974. The Department recommends that the \$6 a square foot figure be used. If the rent is negotiated below that figure, the Department will revert that amount.

The LFA has allocated \$4,979 to the division which requests the 1978 actual expenses as compared to \$4,233 by the Executive Budget. The Department has made every effort to minimize travel. The travel budget should not be reduced below the 1978 expenses.

Two other points worthy of discussion are potential retirement expenses and the in lieu of taxes payments. During the next biennium, the Department could be faced with one, possibly two, retirements which could place a fiscal hardship on the Department. That fiscal impact could easily exceed \$10,000. The legislature should address that possibility and provide a contingency fund when retirements are anticipated. The LFA's recommended payment to counties is \$25,000/year less than the statutory formula anticipated.

Land Administration

The only point needing discussion is the LFA's recommended operating expenses which is \$3,188 less than actual 1978 expenses. This figure is far less than what is actually required to perform the division's responsibilities. The division is travel-oriented and must inspect the over 4.5 million acres of grazing and agricultural lands. In 1978, the Department had only three of its five field positions filled. Only 202 leases expired that year, and the division could operate at less than full staff. In 1979, 1,474 leases expire; in 1980, 1,554 leases; in 1981, 1,290 leases; and in 1982, 1,100 leases. Therefore, the Department has filled all of its field positions and will

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...the and ... expenses in the amount of \$54,637 for 1980 and 357,717 for

Application

There are several points in need of discussion and clarification within the division's budget; the first being vacancy savings recommended by both the LFA and the Executive Budget.

There is no question that the Department has had vacancy savings in the past. However, it is not fiscally or administratively responsible to eliminate such savings from the budget. It is possible that the division will again encounter some vacancy savings. However, if it does not, or they are less than anticipated by the recommended budgets, the Department will be placed in a deficit spending position for those items. The Department has attempted to save money by only filling vacant positions when absolutely necessary. For example, a Mine Inspector terminated in August, 1978, near the end of the field season. It was decided that the position could remain unfilled until March, 1979, the beginning of the next field season. This policy has been applied in other instances. To assume this will occur each year is faulty logic and acts as a negative incentive to the administrator. If by attempting to save the state money, the flexibility to manage a program is jeopardized, then the only recourse available to the administrator is to fill vacant positions as quickly as possible whether or not it is necessary to do so. The recommended vacancy savings vary from \$12,286 to \$14,706. The Department feels this is too high, although some vacancy savings may reasonably be anticipated.

The recommended number of FTEs by the LFA seems to be one short considering the narrative. It appears that it should be 26.75.

The travel amounts allocated to the division by the Executive Budget are far to

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The Department requested \$48,735 for 1979 and \$51,000 for 1981. The Executive Budget has allocated \$27,486 for 1980 and 1981. This amounts to approximately 50% of the requested amounts. Such an appropriation would severely restrict the division's ability to provide services to those it regulates. If the state wants to regulate the mining industry, then it has the responsibility to allow the agency to properly implement the act and to respond to the industry's needs. Many trips are made at the request of individual operators or are necessary to quickly process permit applications. The Department favors the LFA's recommended amounts.

The Executive Budget has allocated possible future fines of operators to administration of the program. This could place the agency in the position of needing fine-generated money to meet its budget requirements--an unhealthy and possibly illegal arrangement. The funds allocated to the budget should not exceed the amount presently in the earmarked account. The remainder should be allocated from the general fund. If the legislature intends to use the earmarked account solely for administrative purposes, the account should be eliminated and the fines, fees and penalties should go into the general fund.

Finally, the Department requested spending authorization for the monies in the earmarked account provided by 82-4-311 MCA. This authority was not recommended by the LFA because no specific projects have been identified. The Department has identified specific projects but has not pursued them because of the lack of spending authorization.

CLASSIFICATION CHANGES

On January 15, 1971 the Classification Bureau of the Personnel Division, Department of Administration, completed an audit of 22 positions in the Department. The Bureau recommended the following changes:

Recommended Changes:

| <u>Position Number</u> | <u>Present Classification</u> | <u>Recommended Classification</u> |
|------------------------|---|-------------------------------------|
| 3 | Chief, Mineral Leasing Bureau, Grade 11 | Change to Grade 12 |
| 4 | Accounting Tech. II, Grade 10 | Payroll Clerk III, Grade 8 |
| 7 | Chief, Surface Leasing Bureau, Grade 10 | Change to Grade 11 |
| 11 | Clerk Typist III, Grade 6 | Accounting Clerk III, Grade 8 |
| 45 | Research Specialist I, Grade 12 | Administrative Officer II, Grade 14 |
| 54 | Lawyer I, Grade 13 | Lawyer II, Grade 15 |

Land Administration:

| | | |
|----|-------------------------------|---|
| 33 | Chief, Field Bureau, Grade 13 | Change to Grade 14 |
| 38 | Secretary III, Grade 9 | Secretary II, Grade 8 (Incumbent to retain present salary) |

Resource Development:

| | | |
|----|--|----------------------------------|
| 39 | Land Use Technician II, Grade 11 | Land Use Specialist, Grade 12 |
| 41 | Chief, Resource Development Bureau, Grade 14 | Change to Grade 15 |
| 42 | Land Use Technician II, Grade 11 | Land Use Specialist, Grade 12 |
| 51 | Land Use Technician I, Grade 10 | Land Use Technician II, Grade 11 |

(No changes in 10 positions)

Based on FY 79 Salary Matrix

| Unfilled Services | | Original | Request | Reclassification | | Difference | | |
|-------------------|--------------|----------|----------|------------------|----------|------------|--------|--------|
| From | To | FY 80 | FY 81 | FY 80 | FY 81 | FY 80 | FY 81 | |
| 11-0-11-7 | to 12-0-12-7 | \$13,102 | \$13,391 | \$14,290 | \$14,530 | \$1188 | \$1203 | |
| 10-8-10-7 | to 0-8-8-3 | 12,024 | 12,278 | 9,310 | 9,513 | (2714) | (2760) | |
| 11-0-11-7 | to 1-0-11-7 | 12,024 | 12,278 | 13,102 | 13,391 | 1078 | 1113 | |
| 7-6-6-7 | to 8-0-8-7 | 8582 | 8761 | 10,142 | 10,356 | 1560 | 1595 | |
| 12-3-12-4 | to 14-3-14-4 | 13,391 | 13,634 | 15,918 | 16,261 | 2527 | 2577 | |
| 9-4-12-8 | to 15-1-15-5 | 14,922 | 15,244 | 17,717 | 18,063 | 2795 | 2819 | |
| | | | | | | Salaries | \$6434 | \$6552 |
| | | | | | | Benefits | 901 | 917 |
| | | | | | | Totals | \$7335 | \$7469 |

Administration

| | | | | | | | | |
|-----------|--------------|---------------------|----------|----------|----------|----------|--------|--------|
| 13-3-13-4 | to 14-3-14-4 | \$14,599 | \$14,922 | \$15,918 | \$16,261 | \$1319 | \$1339 | |
| 9-3-94 | to 8-7-8-8 | No Change in Salary | | | | | | |
| | | | | | | Salaries | \$1319 | \$1339 |
| | | | | | | Benefits | 185 | 187 |
| | | | | | | Totals | \$1504 | \$1526 |

Course Development

| | | | | | | | | |
|-----------|--------------|----------|----------|----------|----------|----------|--------|--------|
| 11-3-11-4 | to 12-3-12-4 | \$12,278 | \$12,545 | \$13,391 | \$13,634 | \$1113 | \$1138 | |
| 14-6-14-7 | to 15-6-15-7 | 16,950 | 17,291 | 18,405 | 18,747 | 1456 | 1456 | |
| 11-0-11-7 | to 12-6-12-7 | 13,102 | 13,291 | 14,290 | 14,539 | 1188 | 1208 | |
| 11-0-11-4 | to 11-0-11-4 | 11,276 | 11,523 | 12,278 | 12,547 | 1002 | 1024 | |
| | | | | | | Salaries | \$4759 | \$4786 |
| | | | | | | Benefits | 666 | 676 |
| | | | | | | Totals | \$5425 | \$5462 |

The additional cost for personal services, excluding cost of living increases, are as follows:

Generalized Services:

| | <u>FY80</u> | <u>FY81</u> |
|----------|-------------|-------------|
| Salaries | \$6434 | \$6552 |
| Benefits | <u>301</u> | <u>917</u> |
| Total | \$7335 | \$7469 |

Plant Administration:

| | <u>FY80</u> | <u>FY81</u> |
|----------|-------------|-------------|
| Salaries | \$1319 | \$1339 |
| Benefits | <u>185</u> | <u>187</u> |
| Total | \$1504 | \$1526 |

Resource Development:

| | <u>FY80</u> | <u>FY81</u> |
|----------|-------------|-------------|
| Salaries | \$4759 | \$4826 |
| Benefits | <u>666</u> | <u>676</u> |
| Total | \$5425 | \$5502 |