

MINUTES OF THE MEETING
AGENCIES II SUBCOMMITTEE

February 7, 1979

8:15 A.M.

Room 313

State Capitol Building

Subject: Hearing: Department
of Natural Resources

Tap 4: Side 1, Track 1 (895)

The meeting was called to order by Chairman Rex Manuel. All members were present, with the exception of Senator Stimatz who arrived shortly after. Also present were Bob Robinson, LFA; Jim Williams, OBPP; Henry E. Lohr, Montana Volunteer Firemen; Charlotte Easter, EIC, and from the Department of Natural Resources: Ted J. Doney, Richard Munger, Judson Sweet, Richard Isaacs, Gareth Moon, Robert Calkin and Don MacIntyre.

The purpose of the meeting was to hear department testimony with regard to budget proposals by the LFA and the OBPP.

Mr. Doney explained that original budget requests were in the area of \$9 million, these were cut to the \$1 million figure submitted by the department. Also, FTE within the department were cut by 5% or 23.55 FTE by the hiring freeze.

DEPARTMENT OF NATURAL RESOURCES
Oil and Gas Regulation (926)

The Executive recommendation left out "Other Compensation." This amounts to \$5,000 each year of the biennium.

The reduction in FTE is due to positions added by budget amendment no longer needed and therefore, not requested by the department. The additional FTE modifications include: 2 field inspectors; one in either Glendive or Sidney and one in western Montana, one stenographic clerk for the new building in Billings and one full-time laboratory aide.

The department recommends that the Executive budget be approved for this program, with \$5,000 added to personal services for each year.

Forest Resources (976)

The Executive budget contains two modification requests which are not included in the LFA recommendation. Both of these are funded from earmarked revenue and are contingent upon approval of increased fees by the Legislature. Should this legislation pass, the budget would have to be changed to reflect this increase in fees. The

proposal would increase slash fees from \$5 per 1000 board feet to \$6.

A second concern was additional Clark-McNary revenue originally anticipated that may not be available, due to a presidential cut-back. One correction needs to be made in that the LFA includes capital equipment in the operations section and this amount should be moved to capital equipment.

The President has cut federal funding to the state fire protection with the idea that this is a state expense. The department maintains that there should be state as well as federal obligation. The state could be cut from \$750,000 to \$130,000 per year in federal funding. This would cut \$360,000 out of the fire fund alone. The department made a plea to the Legislature for help in this matter.

Senator Boylan suggested putting a severance tax on the timber harvested in the state to make up this loss.

One of the major problems facing the program are people moving out into the forests, creating a greater fire hazard. The land owners pay 13 cents an acre for fire protection. In exchange for this, the state sends out equipment to the county districts to cover the state's share of fire protection. The FTE modifications will include 2 mechanics that will be able to put out 34 more units in the next year.

Representative Kanduch of the Legislative Timber Task Force proposed placing his budget under the DNR Forest Resource. The program is currently financed through the legislative council. This would help to save in travel expenses and made the budget a little more flexible in that there would be a firmer hand on this situation. The budget request was for \$4,460 in membership dues and \$10,500 for travel, based on Idaho's expenses last year in this program.

Representative Hurwitz pointed out that one state by itself does not have much clout. The intent of the task force is to bring 6 states together to speak as one voice. The work of the task force is very close to the work of the Forest Resource. In Oregon and Washington the task force is funded out of the state foresters' budget.

The Executive budget director has expressed concern about putting legislative budget in the Executive budget.

Mr. Lohr, Montana Volunteer Firemen, was present to speak in support of adding 6 more counties to the state fire protection plan. This would provide equipment and training for 500 fire fighters in 24 communities in turn for the service by the county. It also helps to upgrade the equipment. This would add 9,171,000 acres to adequate fire protection. It would also provide annual checks by the division. This will be an ongoing expense to the state to include 6 FTE: 4 mechanics and 2 foresters.

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A funding problem exists in that the LFA recommendation is anticipating more available income in other funds at the expense of general funds than the department. Analysis indicated that the LFA is high by \$54,000 in FY 1980 and \$127,000 in FY 1981, as compared to the Executive request.

The difference of \$25,000 is in the Timber Stand Improvement account where the cash balance shows this amount of money available. This money is earmarked for Timber Stand Improvement projects and cannot be used to subsidize general fund money.

Timber sales took in \$2,068,000 last year. So far this year they have taken in \$1,338,000. The department expects that they will be able to go in and harvest more timber on a sustained basis. This money goes to the school fund.

It was explained that the Forest Inventory program has been completed and was not included in this request. The results of the study are coming in now and are showing good results.

The budget process of not budgeting for fire suppression was again explained to the subcommittee. Senator Smith stated that the bill he has introduced was not aimed at this department, there would be exceptions.

There was a ten minute break at this time.

Centralized Services (173)

There was an error in the LFA recommendation amounting to \$29,000 each year due to the fact that 3 CERTA positions were taken out of the budget twice.

The LFA also over estimated the amount of money coming from the Federal and private account, and the amount coming from the general fund was too low. Therefore, the department would recommend the adoption of the Executive recommendation.

The LFA has stated that insurance and legal fees to the Department of Administration will remain at the FY 1979 level for 1980 and 1981. The OBPP has listed increases, therefore operating expenses for this program can be reduced by \$12,748 in FY 1980 and \$25,218 in FY 1981.

The department's janitorial contract is being canceled due to poor quality service. Therefore, the department suggested one alternative might be to add 1 FTE to the department at no increase to the budget proposals.

With regard to the department's retained council, it was explained that this person's contract has been changed to charges on a per hour basis, at a rate of \$50 per hour. This contracted lawyer is used for specialized trial purposes, otherwise the department uses

their in-house attorney staff.

The subcommittee discussed at length the problems arising in departmental use of retainer lawyers versus the current trend toward the use of in-house attorneys. Also discussed were some of the major cases the department is currently involved in, including the Pattee Canyon Fire and the Daly Ditch controversy.

Energy Division (431)

The Executive budget recommendation contains two modifications. The department is concerned that one modification, to develop and manage energy forecasting needs within the state and also develop siting criteria, was not included by the LFA.

This position was necessary to review long range energy plans submitted to the department by the utilities. Forecasts done by the utilities have some serious limitations to include: forecasts only done for their service area; methods used are inconsistent; methods used by most forecasting groups are inadequate; in the past there has been an incentive for utilities to over-forecast, so that the service will always be there and guarantee return on their investment; utilities commonly forecast for only one energy form and last, the public is not involved.

This leads to the department's conclusion that there are a number specific needs to the state, independent of the federal government and the utilities, to do utility forecasting. This could be used to compare with other forecasts.

There are several reasons for this type of comparison: public inquiries as to the future energy alternatives; a need for forecasting for short term emergencies; need to assess the need for ongoing major facility sitings; national and regional issues which do not reflect Montana's needs; the trend toward federal forecasting; the need for a better understanding in order to make good policies with regard to energy; forecasting by the state would allow the public to play a role in what they would like future energy to be.

This would involve 1 FTE; most of the work would be contracted out.

Senator Boylan expressed the concern that this was being completely taken out of context, that the state should not be getting involved in energy forecasting.

In other states this has been done on a state level. The FSC has also requested this function.

In conclusion it was stated that there is no way to accurately

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...the state's energy needs with reliability, but techniques are getting better and therefore, the reliability. The department felt that it was the state's responsibility to provide enough energy without providing too much.

...business, the meeting was adjourned at 11:00 AM and will resume on February 8, 1979 at which time this hearing will continue.


REP. REX MANUEL, Chairman

Secretary