

THE MINUTES OF THE MEETING OF THE JOINT APPROPRIATIONS
SUBCOMMITTEE ON NATURAL RESOURCES
January 21, 1981

The meeting was called to order by CHAIRMAN STOBIE. Roll call was called with SENATORS SMITH, STIMATZ AND BOYLAN excused.

The meeting was called into Executive Session and the budget of the Department of Agriculture was acted on.

BOB ROBINSON first outlined the Budget to the Subcommittee.

CENTRALIZED SERVICES:

FTE's were shown as 8.7 FTE for the Office of Budget and Program Planning (Executive Budget) and 7.25 in the Legislative Fiscal Analyst budget for full-time employees. In the second year of the biennium OBPP has 8.75. The Department requested to take from the 9 FTEs that they currently have, 1.25 of those FTEs and put them into the Rural Development Program. They have also requested that 1 FTE a Marketing Specialist, be transferred from Centralized Services to the Transportation Program. Another transfer to Central Services is an attorney who is currently .5 FTE in Marketing and Transportation and .5 FTE in the Environmental Program but they want 7/10 of that person's time accounted for in Centralized Services in fiscal 1982 and 3/4 in fiscal 1983. The LFA recommendation only accounted for half of his time for Centralized Services. It was the feeling of this committee when he was hired that he would be paid half by Environmental Protection Agency funds and half by General funds. That is why he was half time in Transportation and half time EPA. By switching more than half of his time into Centralized Services you are picking up more than half of this salary by General funds. The executive budget would increase FTEs from the 6.75 base to 7.35. The executive budget gave 7/10 of the attorney's time to Centralized Services where LFA give 1/2. The Executive budget adds the Assistant Administrator, and another .25 FTEs of a secretary to replace 1/4 FTE transferred out.

The staffing of the total department, the Executive budget is recommending an increase of 1 1/4 FTE where the LFA recommendations due to these transactions wouldn't increase FTEs at all, just transfer position.

REPRESENTATIVE MANUEL presented a report on Gordon McOmer, Director of the Department of Agriculture (EXHIBIT A). This shows the number of lost comp time hours and explained the heavy load the Director carries. It was suggested that something be done to alleviate this work load.

SENATOR SMITH, BOYLAN and STIMATZ have now joined the subcommittee.

In regards to hiring a Deputy Director, (see Keith Kelly resume attached) it was mentioned that this Department was the only state

department that did not have a deputy director. \$26,000 would be the Deputy Director's gross wages without benefits. Gordon McOmber's wages are \$33,889 before benefits.

In reference to the attorney, the Environmental Protection Administration funds are lessening so they are shifting the attorney to the general funds.

Going through CONTRACTED SERVICES, the recommendations that the LFA budget contains are accurate and the department agrees that they are funded for what they requested; gasahol, research, data processing ... (EXHIBIT B & C).

REPRESENTATIVE MANUEL stated that in the case of supplanting federal funds with general funds, we should write a line item in the Bill requiring all indirect cost assessments be deposited in the general fund.

In paying for the SUPPLIES, COMMUNICATIONS, TRAVEL AND OTHERS some of the costs associated with those were paid out of contracted services so inflation factors were applied to what was actually recorded on the financial documents as expenses though they were understated. Zero based contracted service, took that out of indirect costs and that cost would not be budgeted for in other operating expenses. The Executive budget took back the indirect costs and reallocated them, and then added an inflation factor. It was BOB ROBINSON's contention that Executive Budget would better reflect the actual in operating expenses.

Reference was made to the System 6, word processor. The OBPP shows purchase of \$7,400 and \$2,083 was put in for maintenance. They have also requested a typewriter. LFA budget does not show the System 6 processor. A question of whether the Department of Livestock and the Department of Agriculture would be able to share this piece of equipment arose.

MOTION was made by REPRESENTATIVE MANUEL that the OBPP budget for equipment be cut from \$1,400 to \$700 for 1983 and the Executive Budget \$8,640 Equipment line item for 1982 be accepted. MOTION PASSED.

MOTION was made by REPRESENTATIVE COZZEN that the OBPP (Executive budget) be approved for the Equipment, Other, Repair & Maintenance, Rent, Travel Communications, Supplies and Materials and with the LFA for Contracted Services for FY 1982 and 1983. MOTION PASSED. REPRESENTATIVE MANUEL MOVED that the 8.5 FTEs for FY 1982-83 be approved and the salaries be adjusted. MOTION PASSED.

BOB ROBINSON, FISCAL ANALYST, explained what indirect funding was. An example was that the Old West fund can be charged 10% for overhead administrative purposes. It is subsidizing the general fund.

CONTRACTED SERVICES was broken down and the WHEAT RESEARCH MONEY reviewed.

EPA funds authorize an indirect cost charge of 14.29% of the personal service related to the EPA grant. LFA was under the opinion it was 14% of the total grant. Thus, the Executive budget is more accurate. Referring to A/E 04437 and 04973 (EXHIBIT D) page 2 of the Budget. (Minutes 1-19-81). The rest of the funds in Centralized service reflect the LFA recommendation that earmarked funds provide support to the extent that the earmarked fund activities cause work in Centralized Services.

REPRESENTATIVE HEMSTAD made a motion to come back to Centralized Services and allocate costs on a proportional basis on earmarked funds. MOTION CARRIED.

RURAL DEVELOPMENT:

The difference is in contracted services. Computer services are not in the LFA budget. The OBPP recommends a \$4,500 appropriation for System Design Development and later provides \$3,500 a year for maintenance.

SENATOR SMITH asked if the Division thought they had some high risk loans and had to supervise them more closely. REPRESENTATIVE COZZENS asked if a break out of the loans could be obtained. It was indicated the OBPP allows more for travel than the LFA recommendation.

MOTION was made by REPRESENTATIVE MANUEL to adopt the LFA recommendation for RURAL DEVELOPMENT.

Discussion was held regarding the loans to the young rural people in FHA and 4H also what other loans were available to these groups. CAROLYN DOERING of the OBPP stated that these young people were thoroughly screened. It was suggested by the subcommittee that maybe these loans could be contracted out with some other lending agency like Production Credit Association.

REPRESENTATIVE MANUEL withdrew his motion.

HAIL INSURANCE:

Discussion regarding the OBPP recommendation allows more money again for travel.

MOTION was made by SENATOR SMITH that we accept the OBPP

recommendation (Executive budget) for 1982 and 1983 because of the nature of the program. MOTION PASSED.

CROP AND LIVESTOCK:

A discussion indicated the only differences in the LFA and the OBPP budgets is in the funding, otherwise the two are alike. REPRESENTATIVE SMITH stated that the report that this Division puts out benefits all.

CAROLYN DOERING said that no matter what is budgeted, Wheat and Research pays what they decide upon. \$13,900 is budgeted from Wheat and Research for 1982 and 1983.

SENATOR SMITH made a MOTION that the OBPP budget be accepted and recommendation on funding of the Wheat Research. MOTION PASSED.

A MOTION was made by REPRESENTATIVE MANUEL that we adopt the OBPP budget for Crop and Livestock. MOTION PASSED UNANIMOUSLY.

TOM BISHOP from the Rural Division addressed the group to explain the Rural Development Division puts out saying that most of the loans are under FHA and that he also visits with the County Supervisors in those areas. Most real estate loans are 20 year loans though some are about paid off. No more are being made in real estate. Livestock loans are mostly at 7% but have been raised to 8% interest in July. These are made mostly to 4H and FHA students. Five years is the maximum term and the loan maximum amount is \$5,000. These students have to complete an application and go through a loan committee and have rules they have to comply with. There are about 40 to 50 applications for new loans a year. The demand will show that all money will be loaned out by the end of January for this year.

Mr. Bishop said that he spends about one week in the field a month. In answer to SENATOR BOYLAN's question stated that there were no loans defunct nor any losses. All loans are secured.

Mr. Bishop said that his secretary is very busy and does all the paper work for the loans and correspondence. That he has been in this position for a little over a year. He presented a copy of the law 80-2-101. (EXHIBIT D). Mr. Bishop was excused.

MOTION was made by REPRESENTATIVE MANUEL that the Crop and Livestock adds the LFA Personal Services. MOTION PASSED.

TRANSPORTATION:

There are 4 FTE after taking out the attorney and putting in one agricultural specialist. Three people are related to rail transportation and one responsible to agricultural research. OBPP budget shows nearly all of these costs funded from the Wheat Research Marketing earmarked revenue account since most of this relates to grain shipping and industry. They are recommending General fund for about the amount of \$24,000 a year since the ag specialist work is not necessarily directly related to the grain industry. LFA recommendation is to transfer the entire function to Wheat Research and Marketing and pay all the costs from the Wheat Research funds.

It was recommended to call Mr. Brastrup and Mr. Whiteside back to address the subcommittee to answer more in detail, also that Commission members attend. The Railroad people will be asked to come before the subcommittee again. Friday, January 23 was scheduled for the meeting day.

The Subcommittee was also advised that they were invited to attend a breakfast with the Governor on January 27th.


BOB ROBINSON explained the proposed budget for CONSUMER PROTECTION.

SENATOR STIMATZ stated that this department is not doing their job according to the comparison statistics between Consumer Affairs and a county attorney's office.

SENATOR SMITH stated that we should give them 3 FTE for one biennium and if they have not proven themselves the department should be abolished.

SENATOR STIMATZ made a MOTION to continue the Consumer Protection budget to go with (EXHIBIT B). See attached. All AYE and ONE NO, REPRESENTATIVE MANUEL

Meeting adjourned at 11:45 a.m.


CHRIS STOBIE, CHAIRMAN

LMW

W. GORDON McOMBER *COMPTIME*

LOSS OF ANNUAL LEAVE

YEAR	ENDING 12/79	103.41 hours ✓
YEAR	ENDING 12/80	<u>192.01 hours</u>
		295.42 hours

LOSS OF COMP TIME

YEAR	ENDING 12/77	21.15 hours
YEAR	ENDING 12/78	<u>125.5 hours</u>
		146.65

	295.42
	<u>146.65</u>
	442.07 hours

*1/20/81
RM*





Ted Schwinden
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

DIRECTOR'S OFFICE
Agriculture/Livestock Building
Capitol Station
HELENA, MONTANA 59620

W. GORDON MCOMBER
DIRECTOR

TELEPHONE: 406-449-3144

DUTIES OF THE DEPUTY DIRECTOR

1. Will act in absence of the Director.
2. Will directly assume part of the administrative functions:
 - A. Rural Development Loan Program
 - increase interest in rural development and youth loan activities.
 - department requested a 3/4 FTE and was turned down
 - B. Natural Resource Responsibility
 - part of Rural Development, additional FTE would have been delegated to natural resource issues
 - there is increasing need and interest by agricultural people to participate in formulating Natural Resource policies i.e., Wilderness, BLM land management policies, water development, etc.
 - C. More Active Involvement In Marketing Responsibility of Department
 - State Marketing Plan needs to be developed
 - Old West Regional Commission Ag Marketing responsibilities
 - Governor mentioned the need for a special transportation message to the Legislature
 - D. Department has been requested by the Legislature to be more and more a spokesman on agricultural issues and policies. In even a rural state like Montana, there is a lack of understanding on overall needs of producers and consumers alike. I.e., 2,4-D issue - chemicals a benefit to farmers and consumers to be serious liabilities.
 - 1) Director needs the time to be that spokesman.
 - 2) Director needs the support staff to develop information to address issues (often emotional) on very short notice.

DUTIES OF DEPUTY DIRECTOR

- 3) Director needs the time to visit the field support staff and people in the county to get a better feel of peoples concerns and needs.
- E. Need for liaison functions with federal agencies and other state agencies impacting agricultural policy. I.E., National Governor's Association, Agricultural Advisory Committee, FmHA and ASCS.

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STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

TELEPHONE:
AREA CODE 406
449-3144

AGRICULTURE/LIVESTOCK BLDG.
CAPITOL STATION

THOMAS L. JUDGE
GOVERNOR

HELENA, MONTANA 59601

W. GORDON MCOMBER
DIRECTOR

June 20, 1980

Mr. Robert Brastrup, Director
Wheat Research and Marketing Committee
P. O. Box 3024
Great Falls, Montana 59403

Dear Bob:

The Food and Fuels program was initiated October 1, 1979 when the rules under the Administrative Procedures Act were adopted. The rules contained provisions for a five member advisory committee appointed from the membership of the Montana Farm organizations. The Director appointed Mr. Dana Fitzgerald from M.G.G.A., Mr. Jim Jenks from M.W.R. & M.C., Mr. Brad Schafer from M.F.U., Mr. Zack Stephens from M.F.B., and Mrs. Karen Matson of W.I.F.E. to this committee.

To start the program as soon as possible the rules established an initial application period which closed November 30th, 1979. Thirteen proposals were received which totaled over \$816,000.00. The committee met on December 6th, 1979 and selected 6 proposals for funding. They were by priority as funds were available.

Glasgow	\$100,000	1 1/2 million gallons
Great Falls	\$100,000	300,000 to 483,000 gal.
M.S.U.	\$ 77,723	waxy barley
McCone County	\$ 5,000	feasibility study
Meagher County	\$ 5,000	feasibility study
Golden Triangle Development Corp.	\$ 5,000	feasibility study

I then took these proposals to the Department of Natural Resources and they picked up the funding for Glasgow, Meagher, McCone and Golden Triangle with coal tax moneys. The Food and Fuels program funded Great Falls and M.S.U. for \$177,723.00 which left a balance of \$22,277.00.

The committee meet again February 14, 1980 approved a proposal from Brelsford Engineering Corporation of Bozeman to develop a small scale continious fermentation process that could cut the fermentation from 48 hours to 4 hours. This would have a great potential for on the farm plants. This will be funded by \$10,000.00 from fiscal year 1980 and \$15,000.00 fiscal 1981. We will fund a feasibility study for \$5,000.00 at Miles City for Lang Farms Inc. which will produce from 1 1/2 to 4 million gallons per year.

Mr. Robert Brastrup

June 20, 1980

We will fund in cooperation with the Department of Natural Resources \$2,500.00 for half of the dues for Montana membership in the National Gasohol Commission for gasohol information and for lobbying efforts in Washington D.C. on national legislation. We will also fund in cooperation with them a feasibility study by the Lake County Resource Recycling Company of \$2,500.00 which will use barley and potatoes as a feed stock for alcohol fuel.

After funding these we have a balance of \$2,277.00. We have had approximately \$1,500.00 administrative expenses which the biggest item was about \$700.00 to attend the National Gasohol Commission meeting in San Antonio, Texas in December. I also testified before the National Alcohol Commission hearing at Colstrip and attended their hearing in Idaho Falls, Idaho.

I feel we have a balanced program between fuel and food production and also between research and construction. I hope the proposals we have approved will help solve our energy problems as well as develop new food products so we can better utilize the productive capacity of Montana wheat and barley producers who fund the program.

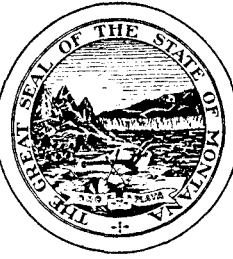
Sincerely,



Jack Gunderson
Fuel & Food Coordinator
Montana Department of Agriculture

JG/dm

DEPARTMENT OF AGRICULTURE
DIRECTOR'S OFFICE



Ted Schwinden
~~THOMAS~~ GOVERNOR

AGRICULTURE/LIVESTOCK BUILDING
CAPITOL STATION

STATE OF MONTANA

(406) 449-3144

HELENA, MONTANA 59601

January 19, 1981

GASOHOL - EXPLANATION OF EXPENSES

1. Contracted Services:

- a. \$ 2,500.00 - Lake County
- b. 77,723.00 - Montana State University (\$35,731.05 Accrual Balance)
- c. 2,500.00 - National Gasohol Commission
 - a) Lake County - Development of small scale farm type gasohol plant.
 - b) MSU - Development of food and fuel from barley.
 - c) National Gasohol Commission - Educational contract.

2. Grants:

- a. \$10,000.00 - Brelsford Engineering
- b. 5,000.00 - Lang Farms, Inc.
- c. 97,086.33 - Ag/NRG, Inc. (\$1,197.24 Accrual Balance)
 - a) Brelsford Engineering - Research to develop small scale farm type gasohol plant.
 - b) Lang Farms, Inc. - Feasibility study for a 20 million gallon gasohol plant.
 - c) Ag/NRG, Inc. - Development of a million gallon gasohol plant.

3. Administrative Expenses:

- a. \$4,888.92 - Supplies & Materials, Travel, Etc.

Ag/NRG, Inc.
P. O. Box 1243
Helena, MT 59624

attachment
presented by Sen. Smith

29 December, 1980

Mr. Jack Gunderson, Director
Food & Fuel Programs
MONTANA DEPARTMENT OF AGRICULTURE
303 Roberts
Helena, MT 59620

Dear Jack. . . .

We are more than seven months into the grant period, and are finally at a point where I believe I can submit a meaningful "quarterly" report to you on our proposed fuel alcohol project.

As we stated in our original proposal to your department: "Ag/NRG considers the plant to be a Montana demonstration facility and wants to share its experience and information with others."

This report, consisting of the meaningful documents developed to date, I believe, will go a long way toward fulfilling that commitment.

The Ag/NRG facility will be one which can be duplicated throughout Montana, keeping the maximum amount of the construction and equipment costs in Montana, and the design objective has been for as simple a process as possible, with the maximum number of components able to be made in Montana.

We agree to make the plant layout and engineering designs available to anyone in Montana for the cost of reproduction. All plant technical information and, within proper business practice limits, fiscal information also will be made available.

Additionally, when construction is completed and production begins, visits to the plant, within the limits of safety and sound fiscal operations, will be welcomed by any interested Montana citizens.

Those commitments, Ag/NRG believes, are our responsibility to your department and the State of Montana for the meaningful support that your grant has given toward the reality of our project.

You will note that the documents making up this report provide a practical step-by-step procedure for developing such a project, although I must admit I am not reporting many of the steps which were sideways or even backward!

Herewith then is the chronological report of our progress:

- 1) Initial news release and clipping. (July 27, 1979)
- 2) Ag/NRG, Inc.'s Chairman George Skarda's speech to the Great Falls Gasohol Seminar. (September 12, 1979)
- 3) Proposal to Montana Department of Agriculture and Department of Natural Resources and Conservation. (November 30, 1979)
- 4) Pre-Incorporation Subscription Agreement by initial investors. (January 8, 1980)
- 5) Articles of Incorporation. (April 18, 1980)

- 6) Resolution of agreement to purchase Common Stock shares. (May 15, 1980)
- 7) Agreement, consultant contract with Montana Energy & MHD Research & Development Institute, Inc. (May 15, 1980)
- 8) Contract for Ag/NRG, Inc., executive secretary. (May 29, 1980)
- 9) Initial cash flow analysis with estimated capital cost, plant and equipment; estimated plant and operating cost. (September 5, 1980)
- 10) Minutes, board of directors' meetings. (September 11, 1979 - September 5, 1980)
- 11) Preliminary design drawings and completion schedule. (September 5, 1980)
- 12) Department of Natural Resources and Conservation letter/application and project financing outline. (November 3, 1980)
- 13) Farmers Home Administration loan application. (December 12, 1980)
- 14) Small Business Administration and Great Falls Economic Growth Council loan application. (December 18, 1980)
- 15) Lease contract with option to buy plant site. (December 22, 1980)
- 16) Agreement, engineering, detailed design, construction supervision with MERDI. (December 29, 1980)
- 17) Bureau of Alcohol, Tobacco and Firearms permit application. (December 29, 1980)
- 18) Ag/NRG, Inc., board of directors Directory.

Those items complete our report to date. We have specifications out for bids on construction and equipment and are awaiting determination on our financing efforts.

I will keep you apprised personally and by telephone of any significant developments on our project, as I have done for more than a year. If you wish any further explanation of any of the documents in this report or require any additional information, please contact me -- you are assured of a prompt reply.

On behalf of all the principals in Ag/NRG, Inc., I thank you, Jack, for your many individual instances of assistance to us as well as the department's support.

Respectfully submitted. . . .


Joe A. Renders, Executive Secretary

12. MANAGEMENT

Ag/NRG Board of Directors

Name	Position or Title	Annual Compensation	% Ownership	Outside Net Worth	Personal Guarantee Offered	Life Insurance
George A. Skarda* P. O. Box 1022 Denton, MT	Chairman	None	10%	\$509,575.00	No	No
Lila K. McGowan Highwood, MT		None	10%	163,385.00	No	No
Sharon Peterson Rte. 1, Box 7 Winifred, MT	Secretary/Treasurer	None	10%	254,176.00	No	No
M. June Skarda 1000 Broadway Denton, MT		None	10%	509,575.00	No	No
Shirley A. Renders 479 S. Park Helena, MT		None	10%	72,422.00	No	No
Arnold Peterson 1220 5th St. Havre, MT		None	10%	325,000.00	No	No
Gene Ernst P. O. Box 39 Stanford, MT		None	10%	400,000.00	No	No
Billie Lou Stephens Dutton, MT		None	10%	600,000.00	No	No

12. MANAGEMENT (continued)

Name	Position or Title	Annual Compensation	% Ownership	Outside Net Worth	Personal Guarantee Offered	Life Insurance
Wilbur Scott* 3021 8th Ave. S. Great Falls, MT		None	10%	\$300,000.00	No	No
Shirley Scott 3021 8th Ave. S. Great Falls, MT		None	10%	300,000.00	No	No
Gordon McGowan Highwood, MT	Vice Chairman	None	None	163,385.00	No	No
Bob Stephens Dutton, MT		None	None	NA	No	No
Joe A. Renders* P. O. Box 1243 Helena, MT	Executive Secretary	\$4,500/year	None	72,735.00	No	No
Larry Juelfs P. O. Box 507 Choteau, MT	Attorney	None	None	NA	No	No

* Board of Directors' Executive Committee

Sections 80-2-233 through 80-2-240 reserved.

- 80-2-241. Report of losses.
- 80-2-242. Appraisers — appointment — qualifications — duties.
- 80-2-243. Disputed appraisal.
- 80-2-244. Payment of losses.
- 80-2-245. Benefits exempt from execution.

Part 1

Rural Rehabilitation

80-2-101. Trust assets of rural rehabilitation corporation — department of agriculture designated to make application. The department of agriculture is designated as the department of Montana state government to apply to the secretary of agriculture of the United States or any other proper federal official under Public Law 499, 81st congress, approved May 3, 1950, for the return of the trust assets, either funds or property, held by the United States as trustee in behalf of the Montana rural rehabilitation corporation.

History: En. Sec. 1, Ch. 112, L. 1951; amd. Sec. 103, Ch. 218, L. 1974; R.C.M. 1947, 3-2801.

80-2-102. Agreements with United States secretary of agriculture authorized. The department shall enter into agreements with the secretary of agriculture of the United States under section 2(f) of Public Law 499, 81st congress, upon terms and conditions and for periods of time as are mutually agreeable, authorizing the secretary of agriculture to accept, administer, spend, and use in the state all or any part of the trust assets or any other funds of the state which may be appropriated for carrying out the purposes of Titles I and II of the Bankhead-Jones Farm Tenant Act, in accordance with the applicable provisions of Title IV thereof, as amended, and do all things necessary to carry out the agreements.

History: En. Sec. 2, Ch. 112, L. 1951; amd. Sec. 104, Ch. 218, L. 1974; R.C.M. 1947, 3-2802.

80-2-103. Administration of trust assets. Funds and the proceeds of the trust assets which are not authorized to be administered by the secretary of agriculture under 80-2-102 shall be received by the department and paid by it to the state treasurer for deposit in the federal and private grant clearance fund and used for expenditure or obligation by the department for the purposes of 80-2-102 or for the rural rehabilitation purposes permissible under the charter of the now dissolved Montana rural rehabilitation corporation as may be agreed upon between the department and the secretary of agriculture, subject to Public Law 499.

History: En. Sec. 3, Ch. 112, L. 1951; amd. Sec. 45, Ch. 147, L. 1963; amd. Sec. 105, Ch. 218, L. 1974; R.C.M. 1947, 3-2803.

80-2-104. Powers of department — claims and obligations — property acquired at foreclosure. (1) The department may:

(a) collect, compromise, adjust, or cancel claims and obligations arising out of or administered under this part or under any mortgage, lease, contract, or agreement entered into or administered under this part and, if necessary, pursue them to final collection in any court having jurisdiction;

(b) bid for and purchase at any execution, foreclosure, or other sale or otherwise acquire property upon which the department has a lien by reason of a judgment

or execution or which is pledged, mortgaged, or conveyed or which otherwise secures any loan or other indebtedness owing to or acquired by the department under this part;

(c) accept title to any property so purchased or acquired, operate or lease the property for a period necessary to protect the investment, and sell or otherwise dispose of the property in a manner consistent with this part.

(2) The authority granted to the department in this section may be delegated to the secretary of agriculture with respect to funds or assets authorized to be administered and used by him under agreements entered into under 80-2-102.

History: En. Sec. 4, Ch. 112, L. 1951; amd. Sec. 106, Ch. 218, L. 1974; R.C.M. 1947, 3-2804.

80-2-105. United States and secretary of agriculture free from liability. The United States and the secretary of agriculture are free from liability by virtue of the transfer of the assets to the department under this part.

History: En. Sec. 5, Ch. 112, L. 1951; amd. Sec. 107, Ch. 218, L. 1974; R.C.M. 1947, 3-2805.

80-2-106. Rules. The department may adopt rules necessary to carry out the provisions of this part.

History: En. 3-2806 by Sec. 1, Ch. 30, L. 1977; R.C.M. 1947, 3-2806.

Part 2

Hail Insurance

80-2-201. Powers and duties of board of hail insurance. The board of hail insurance provided for in 2-15-3003:

(1) shall hold meetings when necessary and essential for the proper conduct of its business at the state capitol in the office of the director of agriculture, who is secretary of the board;

(2) is hereby authorized, directed, and empowered to make rules as it may from time to time find practical, necessary, and beneficial for the administration of this part;

(3) shall prescribe blank forms for all purposes necessary, proper, and incidental to the effective operation and enforcement of this part; and

(4) shall prescribe a special form outlining the purposes, scope, and benefits of this part in furnishing protection against loss by hail at the actual cost of the risk to all taxpayers who may elect to become subject to the provisions of this part, the form to be submitted by the agent of the department of revenue in each county at the time in which the regular assessments of property are made by the agents to each farmer in each county in the state engaged in growing of crops subject to injury or destruction by hail. Each such farmer taxpayer shall signify on such forms whether he desires to become subject to the provisions of this part or not.

History: En. Sec. 1, Ch. 169, L. 1917; amd. Sec. 1, Ch. 17, Ex. L. 1918; amd. Sec. 1, Ch. 141, L. 1921; re-en. Sec. 350, R.C.M. 1921; amd. Sec. 1, Ch. 40, L. 1923; re-en. Sec. 350, R.C.M. 1935; amd. Sec. 58, Ch. 391, L. 1973; amd. Sec. 140, Ch. 218, L. 1974; amd. Sec. 2, Ch. 468, L. 1977; R.C.M. 1947, 82-1501(part).

80-2-202. Compensation of chairman and officers. (1) The appointed members of the board of hail insurance shall receive a per diem of \$25 for each day they are engaged in the transaction of official business.

(2) All board members and employees shall be allowed expenses as provided in 2-18-501 through 2-18-503.

DEPARTMENT OF AGRICULTURE

CHAPTER 3

CENTRALIZED SERVICES DIVISION

Sub-Chapter 1

Program Assets

Rule 4.3.101 Assets

4.3.102 Usage

Sub-Chapter 2

Junior Agriculture Loan Rules

4.3.201 Objectives

4.3.202 Qualifications

4.3.203 Closing Requirements

4.3.204 Limitations

Sub-Chapter 3 reserved

Sub-Chapter 4

Student Loan Rules

4.3.401 Objectives

4.3.402 Lender Qualifications

4.3.403 Eligibility

4.3.404 Requirements

4.3.405 Disbursements

4.3.406 Limitations

Sub-Chapter 5

Participation Loan Rules

4.3.501 Objective

4.3.502 Operating Requirements

4.3.503 Real Estate Requirement

Sub-Chapter 1

Program Assets

4.3.101 ASSETS (1) Rural development loans through the Montana department of agriculture will be made from the assets of the former Montana rural rehabilitation corporation. Whereas it is agreed that the word "assets" as used herein includes the basic assets and the income, proceeds and acquisitions there from. (History: Sec. 80-2-101, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.102 USAGE (1) The assets may be used for the purpose of aiding in the development of sub-standard income rural families and individuals who live in the state of Montana. Applicants must be unable to provide the needed funds themselves, and unable to acquire them from other sources at reasonable rates and terms. Proposals may be accomplished directly or indirectly from assistance provided from the rural development unit's assets. A loan committee shall be maintained within the department of agriculture, to evaluate and act upon proposals received. (History: Sec. 80-2-101, MCA; IMP, Sec. 80-2-102, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

Sub-Chapter 2

Junior Agriculture Loan Rules

4.3.201 OBJECTIVES (1) The primary objective of the junior agriculture loan programs (livestock, agri-business) is to further encourage Montana's rural youth to enter into worthwhile agricultural projects, preserve interest in Montana's agricultural future, provide financing experience and training through personal involvement and accomplishments, improve quality and quantity of Montana agricultural products to reflect greater profits to efficient producers, and allow implementation of additional facilities for production, marketing, processing, and distribution of all agricultural products. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.202 QUALIFICATIONS (1) Application must be made to the Montana department of agriculture. All pertinent forms relating to a project must accompany the application before committee action will be considered.

(2) Each applicant must provide evidence and/or sign a written statement that they are unable to acquire the needed funds from another source at reasonable rates or terms.

(3) Active membership in the future farmers of America; 4-H; future homemakers of America or other recognized rural youth organization is required. F.F.A. or F.H.A. members must

be in good standing and may not have exceeded three (3) years beyond high school graduation. Active 4-H members are eligible between the ages of nine and twenty-one. Prospective club members must reach their birthday during the 4-H club year. Parents or guardians must be willing to cooperate with the borrower and have ample facilities available for implementation of the project.

(4) Montana department of agriculture may make direct loans, if the prospective borrower is unable to obtain a loan as described above from within the community in which they are living.

(5) A three member loan committee must be established in the local community from which an application is received. This committee should be composed of any three of the following: vocational agriculture instructors, county extension agents, home demonstration agents, and others. Other may include agriculture representatives from the following lending institutions: production credit association, federal land bank, farmers home administration, commercial banks or other individuals as approved by the department. This committee is established to pass upon the eligibility of applicants for loans and to make recommendations concerning the making and servicing of the loan proposal. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.203 CLOSING REQUIREMENTS (1) A joint bank account must be established at the time the loan funds are disbursed. The applicants cash investment must be deposited in conjunction with the department of agriculture's loan check. The project supervisor, or another member of the local loan committee shall be designated to counter-sign checks drawn on this account by the borrower.

(2) All livestock presently owned and those purchased by the borrower must be listed on the security agreement provided by the department. The department of agriculture must have one completed and signed copy of the security agreement in its loan file.

(3) One signed copy of the department's promissory note must be returned to the department and included in the loan file.

(4) The borrower is required to file the financial statement, as provided by the department, with the county clerk and recorder's office. Any fee required for filing must be paid by the borrower.

(5) When the Department of Agriculture is taking a lien on the borrower's registered brand, the borrower must pay the required filing fee to the Montana department of livestock.

(a) At such time as the loan is paid in full, the borrower shall pay any fees necessary to release all related liens.

(b) All livestock shall be identified by the borrowers registered brand, or other markings as approved by the department of agriculture.

(c) All livestock must be retained by adequate fences, and not allowed to run at large.

(d) All mortgaged property must be kept on the borrowers property, and/or property described within the lease agreement.

(6) The department may require insurance coverage on all mortgaged property, resulting production, or off-spring.

(7) All mortgaged property to be sold by the borrower, must be sold in the borrower's and the Montana department of agriculture's names. Sale receipts shall then be released in accordance with the loan agreement.

(8) The borrower shall allow representatives of the department of agriculture and the project supervisor to inspect the loan project and facilities upon request. The borrower shall handle the project to the best of his/her ability, and cooperate with the project supervisor's and the Montana department of agriculture's recommended practices and procedures. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.204 LIMITATIONS (1) Interest rates as established by the director of the Montana department of agriculture on July 1 of each year shall not exceed the reasonable market rate per annum. The established interest rate at the onset of a loan shall remain unaffected for the duration of that loan contract.

(2) No loan shall exceed \$5,000 for any one individual borrower or \$10,000 for any chapter or club. Loans may be renegotiated providing the borrower does not exceed the maximum loan limits at any time.

(a) Several members of a rural family may obtain loans, with each member being eligible for the individual maximum.

(b) Chapter or club loans will be allowed only if they do not exceed 30% of the available funds.

(c) Priority will be given to individual applicants over club or chapter applications.

(3) Applicants may borrow up to 90% of the total funds required for the proposed project.

(4) Repayment schedules may vary, but must not exceed five years for individuals and ten years for clubs and chapters.

(5) The department of agriculture may immediately terminate a loan agreement if the applicant ceases to be a member of a farm youth organization, or is unable to fulfill the terms of the loan agreement. In the event that any mortgaged property is sold during the program loan period without prior approval by the department the balance of the loan may be immediately due and payable. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

Sub-chapter 3 reserved

Sub-Chapter 4

Student Loan Rules

4.3.401 OBJECTIVES (1) Student loans are made to assist members of sub-standard income rural families in financing their formal education at colleges, universities, vocational, and technical schools of higher education. Loans are underwritten, insured or guaranteed by the federal department of health, education and welfare. Loan funds must be utilized within the state of Montana, except in such cases where the course of study desired is not offered at a school in Montana. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p.942, Eff. 11/26/77.)

4.3.402 LENDER QUALIFICATIONS (1) Applicants are responsible for accuracy and truthfulness in submitting information for the federally insured loan program.

(a) All loan funds are to be used only for educational expenses.

(b) Repayment schedules must be maintained as originated by the department and the borrower.

(c) Any changes in student status, mailing address, phone number, etc. must be reported to the department of agriculture. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.403 ELIGIBILITY (1) Applicants must be attending an eligible institution, or have been accepted for enrollment. Students must carry no less than one half the normal full time workload, as determined by the institution.

(2) Applicants must be a citizen of the United States or be in the United States for more than a temporary purpose with intentions of becoming a permanent citizen.

(3) Applicants who submit an application without completing the income statement may be eligible for a loan, but will not be eligible for federal interest benefits.

(4) The maximum adjusted gross income allowed to remain eligible shall be in accordance with the federal standards. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.404 REQUIREMENTS (1) Each applicant must complete the federally insured student loan application as required by the U.S. office of education and the Montana department of agriculture's student loan application. All forms shall be filled out completely and correctly.

(2) Personal interviews are required of all applicants by the department. Applicants are responsible for making arrangements for personal interviews with the authorized loan representative for the department.

(3) Applicants must allow a minimum of six weeks for loan processing.

(a) Applicants must have the institution they plan to attend complete the appropriate sections of the application prior to submitting the application to the department.

(b) Upon approval by the department of agriculture, applications will be submitted to the office of education for insurance endorsement. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.405 DISBURSEMENTS (1) Loan funds are disbursed from the department through the educational institution on a quarterly/semester basis. Before disbursements are made, a promissory note and letter of responsibility must be signed by the applicant and returned to the department. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.406 LIMITATIONS (1) No applicant may receive an excess of \$2,500 for an academic year, or more than \$7,500 for an undergraduate degree. Graduate students are eligible for up to \$5,000 per academic year, but in no case may their total indebtedness exceed \$15,000 through this program.

(2) Loan repayment schedules will be established for not less than five years, or more than ten years. A minimum annual payment (interest and principle) of \$360 may supersede the five year rule.

(3) All loans shall bear an effective interest rate as established through the office of education. Interest benefits are paid for the student, by the office of education, until the students repayment period begins.

(4) Borrowers are allowed a nine month grace period, from the date they terminate their education, before the repayment schedule begins. Borrowers must make arrangements to establish their repayment schedule three months prior to the end of the grace period. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

Sub-Chapter 5

Participation Loan Rules

4.3.501 OBJECTIVE (1) Participation loans are made to sub-standard income rural individuals to assist them in securing funds for operating expenses and real estate purchases. The rural development unit may participate in farm and ranch real estate and operating loans with the farmers home administration. Interest rates shall be established each July by the director of agriculture, but in no case shall it exceed the reasonable market rate. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-103, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

4.3.502 OPERATING REQUIREMENTS (1) Participation of operating loans shall give the department of agriculture a first lien position on all collateral listed on the subordination agreement.

(a) Operating loans will be for a one year maximum time frame.

(b) Operating loans may be made for sixty percent (60%) of the value of the mortgaged property.

(c) Insurance may be required on subordinated property at the discretion of the department of agriculture. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-104, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77; AMD, 1978 MAR p. 152; Eff. 4/25/78.)

4.3.503 REAL ESTATE REQUIREMENTS (1) The department of agriculture shall hold the first mortgage position on all real estate participation loans.

(a) Real estate loans will be made upon availability of funds, but in no case shall the term exceed a twenty (20) year repayment schedule.

(b) Title insurance and fire insurance must be carried on the mortgaged real estate, with the Montana department of agriculture listed as the first lien holder. (History: Sec. 80-2-106, MCA; IMP, Sec. 80-2-104, MCA; NEW, 1977 MAR p. 942, Eff. 11/26/77.)

NEXT PAGE IS 4-159

NAME Tom Bishop Bill No. _____

ADDRESS Agriculture/Livestock Bldg DATE 1-21-81

WHOM DO YOU REPRESENT Montana Department of Agriculture

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

