

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUBCOMMITTEE  
ON NATURAL RESOURCES AND BUSINESS REGULATION  
January 18, 1983

The meeting was called to order by CHAIRMAN MANUEL at 8:15 a.m. in Room 132 of the Capitol Building in Helena, Montana on January 17, 1983. Roll call was taken and all members were present. Also present were DICK GILBERT, LFA; CAROLYN DOERING; OBPP; PATTI SCOTT, SECRETARY; and SENATOR JOHN MOHAR.

DEPARTMENT OF LIVESTOCK BUDGET (Tape #12 Side A 040)  
CENTRALIZED SERVICES

DICK and CAROLYN reworked the Centralized budget and the Committee approved a total appropriation for FY84-\$330,906 and FY85-\$323,517. The main reason in the reduction between 84 & 85 is eight less working days. The audit expenditure is reported in FY84, and there are only 9.5 FTE's. CAROLYN added that there is very little slack in personal services because it is based on actual salary and benefits. OBPP has taken most of the vacant positions. If vacancy savings is taken, it would leave them no room at all in the budget. Vacancy savings in 82 was 4%.

REPRESENTATIVE STOBIE MOVED THAT THE COMMITTEE USE NO VACANCY SAVINGS IN THE DEPARTMENT OF LIVESTOCK.  
MOTION PASSED UNANIMOUSLY.

DIAGNOSTIC LABORATORY (Tape #12 Side A-108)

The Committee approved the new figures from DICK and CAROLYN for a total program appropriation of \$680,689 FY84 and \$719,329 FY85.

DISEASE CONTROL PROGRAM (Tape #12 Side A-129)

The Committee approved the new figures of \$509,348 FY84 and \$517,471 FY85.

MILK AND EGG PROGRAM (Tape #12 Side A-170)

The Committee approved the new figures of \$212,370 FY84 and \$215,098 FY85. CAROLYN reported that the Egg Inspector does the inspections for the Federal Government, and if the state stopped these service, the Federal Government would send someone in and charge it back to the state. The Federal Government is reimbursing the state \$13,000. Total cost to the state for egg inspection is approximately \$23,000 per year.

INSPECTION AND CONTROL (Tape #12 Side A-195)

The Committee approved the new figures of \$1,892,408 FY84 and \$1,922,988 FY85.

PREDATORY ANIMAL PROGRAM

The Committee approved the new figures of \$307,809 FY84 and \$318,497 FY85.

SENATOR SMITH MOVED TO ACCEPT THE FY84 REQUEST FOR AN AIRCRAFT RADIO IN THE AMOUNT OF \$2,600. MOTION PASSED UNANIMOUSLY.

DEPARTMENT OF AGRICULTURE (Tape #12 Side A-290)

WITNESSES for the Department were: KEITH KELLY, Director; MARY EVANS, Administrator of Centralized Services; GARY GINGERY, Administrator of the Environmental Management Division; ROY BJORNSON, Administrator of the Plant Industry Division. Also present were JIM CHRISTENSON from the Wheat Research and Marketing Unit and DANA FITZGERALD, Chairman of the Commission.

KEITH KELLY gave a brief overview of the Department and his role as the new Director.

CENTRALIZED SERVICES DIVISION (Tape #12 Side B-052)  
(EXHIBIT A Page 1)

KEITH explained they are aware of how much money they will be receiving from the Federal grant in the Environmental Management Program, and also must work under a formula dictating how much they can receive in indirect costs. (EXHIBIT A Page 1) The Department used a figure of 16.05 to compute support for the Centralized Services for each of the programs, except for the Grain Laboratory, which has very small operations money, but a large personal service. Centralized Services would also be collecting a part of the Hail Insurance Program.

SENATOR SMITH inquired about the amount of funds from the Wheat Research and Marketing Commission monies that are passing through the state account. MR. KELLY responded that they are collecting all of the money, as they are responsible for administration. The only monies taken by Agriculture are those needed to support the Centralized Services and nothing else.

REPRESENTATIVE STOBIE inquired about the number of FTE's in Centralized Services. MR. KELLY said it included the Director, Attorney, Deputy Director, The Accountant, General Office Clerk, Personnel Clerk, and the Administrator.

CHAIRMAN MANUEL inquired about the Deputy Director and

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whether the Department planned to fill that vacancy. KEITH stated yes, he did plan to fill it. KEITH feels the demands from the public and industry on the Department are so great, that it takes both positions to accommodate them. SENATOR SMITH inquired if the University System wasn't taking care of a lot of this. KEITH said they handle technical aspects, but that the Director and Deputy Director work closely with the people on Departmental policy. With the growing number of new issues, including Endrin, Coast Trading, and PCB, it takes both positions to monitor these "brush fires" and put them out before they are out of control.

SENATOR SMITH stated if cuts are to be made, he wants to see them at the administration level rather than the service area. For the record, KEITH stated he is just trying to maintain and not add to Centralized Services.

The Committee requested written justification for the Deputy Director position.

REPRESENTATIVE HEMSTAD asked MR. KELLY to respond to the "Governor's Council on Management" recommendations number 245: Redefining the Responsibilities of the Director and Deputy Director; and 246: Reorganize the Centralized Services Division to consolidate services. KEITH responded to 245 that he is moving towards this and the Council's suggestion; and with 246 he agrees and is moving towards consolidating Centralized Services. MARY EVANS stated that they have submitted plans for each of these recommendations and for most, have set target dates.

DICK GILBERT asked why the general fund contribution is being increased in Centralized Services. MARY EVANS stated a reduction in indirect costs monies (from the loss of EPA grant monies, a reduction in grain services monies, and the Old West Regional Commission.)

RURAL DEVELOPMENT PROGRAM (Tape #12 Side B-543)  
(EXHIBIT A Page 2) (EXHIBIT B)

In the past five years of loaning money to young people, they have not had any defaults. There has been a 56% increase in the loan program since 1981. The program is totally funded from federal rural rehabilitation funds. The interest charged right now is 10%. Total assets in

this program are \$1.5 million. They do not foresee any losses, even in these times, and do have preferred mortgages.

REPRESENTATIVE STOBIE inquired about the amount of actual cash in the \$1.5 million. KEITH stated about \$300,000 with interest going back into the fund.

WHEAT RESEARCH AND MARKETING UNIT (Tape #13 Side A-010)  
(EXHIBIT A Page 4)

This program is totally funded by participating grain producers. It is attached to the Department for administrative purposes only. KEITH feels the OBPP budget is acceptable.

SENATOR LANE inquired about the request for the Agricultural Network terminal hookup to the computer in Bozeman. JIM CHRISTENSEN responded that the Unit gives all of its statistical data to Bozeman, but then has no way to tie into it. There is an initial cost for installation; then a yearly figure for upkeep.

CHAIRMAN MANUEL inquired if the Wheat Research and Marketing Committee has much communication with the barley and wheat producers. MR. CHRISTENSEN stated yes they do. The Commission does publish brochures, and Jim does travel to keep in touch with the industry.

REPRESENTATIVE HEMSTAD asked the director to explain the use of grant monies - \$609,000 FY84 and \$639,000 FY85. (The monies are for projects which include educating the public on the use and application of chemicals on wheat and barley, foreign marketing promotion and the development of new and better wheat and barley varieties.) KEITH responded that about \$10,000 goes to educate the farmers on the use and benefits of chemical applications; part is for the transportation study; part for the U.S. wheat Associates which do foreign market development work; Montana's participation is about \$250,000 FY84; \$280,000 FY85.

CAROLYN DOERING asked why in previous biennia there has been Wheat Research and Marketing funds going into Crop and Livestock and the Marketing programs and why those funds are no longer available. JIM CHRISTENSEN stated that the Commission felt that when these funds are line-

itemed to these programs, the Commission loses control over how it is spent. Last session, \$13,000 for transportation went to the Department of Commerce. That money came back through the Department of Agriculture, by contract.

CHAIRMAN MANUEL asked DANA FITZGERALD to comment on the feelings of the Commission concerning the appropriation of funds out of their Wheat and Research money. MR. FITZGERALD stated that the Commission felt that by funding directly to the Department of Commerce, they have lost control over how it is spent. The Commission wants to keep the money and write contracts for more control, rather than line-item it out of the budget off the top.

SENATOR SMITH asked if the Department of Agriculture had filed suit against Burlington Northern. KEITH said they had entered a class-action suit against BN for damages for two years of too high freight rates. They are trying to establish a permanent new base rate at the lower level. If the Agriculture Coalition feels the Department is hampering their efforts, they will drop their suit.

CHAIRMAN MANUEL suggested that the Wheat Research and Marketing Commission work with Keith to help with the contracts with the Department of Agriculture to help out the general fund.

DANA FITZGERALD stated the 28% of the total budget (of the Wheat Research unit) of collected revenues are line-itemed by the Legislature. But, the only real authority to do this is given to Agriculture for support in Centralized Services. JIM CHRISTENSEN stated the Legislature did many things "for" them that they didn't ask them to. He has faith in the Commission and their ability to distribute the money as they see fit. Agriculture's payment for services is about 4% of the total Wheat budget.

HAIL INSURANCE FUND (Tape #13 B-274) (EXHIBIT A Page 2)  
This program is totally funded by participating farmers and ranchers for insurance protection against hail damage. KEITH said the Department opposed the recommendation of the Governor's Council on Management to shut down the Hail Insurance Program and let the private

sector take care of it. The money in the fund is held in trust, and to revert it to the general fund would be the same as "stealing".

SENATOR HIMSL stopped in and reported that the Legislative Audit also opposed the report and felt the Fund should remain intact.

It was noted by the Committee that farmers must carry three policies for adequate protection: 1) State policy for minimum coverage; 2) Federal Insurance; and 3) Private insurance.

SENATOR LANE inquired about the fund balance. Keith said it is at \$3.7 million and earning interest, which goes to the fund. REPRESENTATIVE HEMSTAD asked if any counties were unable to get private insurance. KEITH stated no, but that Hail Insurance is much cheaper and they do work with the private carriers. It also provides competition for the private sector, as to keep rates lower.

SENATOR SMITH questioned the need for \$1,100 for pamphlets about the availability of Hail Insurance. MARY EVANS stated that by statute, the Department of Revenue is supposed to provide this, but they have not been doing it.

#### CROP AND LIVESTOCK

There is a request for a modification for the statistical publication to be prepared every year. (EXHIBIT A Page 3)

The Committee discussed the legality of the Legislature appropriating money out of the Wheat and Research Program to other programs. DICK inquired whether the Department had requested an appropriation from Wheat Research for the publication of Agricultural Statistics. KEITH stated no; he felt it unfair to ask the Commission to bear that cost, when so many others also use the report. DICK felt that if the money is appropriated from the General Fund, there would be no incentive by the Wheat Research Committee to fund it, because the money would already be there. SENATOR SMITH felt some kind of agreement should be made. If the Wheat Commission wishes to contribute, the Committee will have to authorize the spending authority.

CAROLYN clarified that if the Committee does put this in the

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Agriculture or Commerce budgets, as of July 1, 1983, the Wheat Research Committee does not have to contribute the money if they don't receive services. KEITH stated he will have to amend his request to have the spending authority put in their budget.

DANA stated the Wheat Research Committee will not be meeting until March to decide what they will do.

The meeting adjourned at 11:45 a.m.

  
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REX MANUEL, Chairman

January 18, 1983

Exhibit A  
1-18-83

DEPARTMENT OF AGRICULTURE

PROGRAM 15 - CENTRALIZED SERVICES

1. Recommend OBPP figures be allowed
2. State Wide Allocation Plan - should be considered an expense, and funding provided. This biennium will cost approximately \$500.00 each year. Payment to the general fund is based on the amount of indirect cost funds allowed under the EPA Grant, the SWCAP and the total indirect costs as submitted to the USDA in the grant proposal.
3. Funding - Formula used for non general fund support is 16.05 % of personal services in non general fund programs with the exceptions as follows:

Fund 02453 - capped at \$5,000 each year due to lack of revenue in grain services fund.

03120 - Grant, Indirect - 13.05% of personal services under grant. Rate established by USDA. The fixed rate for FY 1982 and provisional rate for current FY has been reduced to 12.88 %.

03410 - Wheat Research & Marketing - 16.05% of personal services plus 2½ % of grants.

Fund 02461)- Request language be attached in appropriation  
06011) bill to allow program 15 general fund and funds for administrative costs be deposited to general fund when revenue is sufficient to fund the Alfalfa Seed Program and the Leaf Cutter Bee programs in FY '84 and FY'85.

Fund 08004 - Should the Hail Insurance program be eliminated, this funding would also require replacement of general fund.



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DEPARTMENT OF AGRICULTURE

PROGRAM 20 - RURAL DEVELOPMENT

1. Recommend OBPP be allowed.
  - a. Loan increase by 56% -(214 Loans)- Present economic trend places significant importance on loan visitation of loan sites, therefore fee travel allowed by OBPP be provided.
2. Funding: - The use agreement between the USDA and Montana Department of Agriculture limits administrative costs to 3% of total assets.

PROGRAM 21 - HAIL INSURANCE

1. Recommend OBPP be allowed.
  - a. Other compensation is for per diem allowed in MCA for Board Members. LFA did not provide funding for this expense.
  - b. Information responsibilities will be transferred from the the Department of Revenue to the Hail Insurance Unit, therefore it is essential OBPP figures be utilized in operations.
2. Through some departmental reorganization, the unit FTE can be reduced and services provided adequately during the hail season.
  - a. The Hail Board felt that their staff should remain current level. After meeting with former Director, Gordon McOmber, the Board minutes read as follows:

"The Board was agreeable to the hail staff performing other duties for the Department of Agriculture during the off season and said the Hail Board will pay their salary. Motion by Mr. Long, seconded by Mr. Omholt, 'that the State Board of Hail Insurance recommend to the Director of the Department of Agriculture that in any Department of Agriculture reorganization or use of employees affecting the Hail Unit that the identity and status of the Hail Unit and Board Of Hail Insurance not be diminished or weakened and that the primary responsibility of any Hail Unit personnel involved be to the Hail Program.' Motion carried".

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DEPARTMENT OF AGRICULTURE

PROGRAM 21 - Hail Insurance (continued)

- b. Based upon the action by the Hail Board in (2), should FTE remain at current level, the Department recommends elimination of the General Fund support and replace with Hail Insurance funding.
- c. Should 6.05 FTE (current level) remain, adjustments to Central Service funding are in order.

PROGRAM 22 - CROP & LIVESTOCK

1. Recommend OBPP be allowed.
  - a. Travel important - attendance at meetings, travel to elevators to determine validity of reports, maintain effective working relationship with elevators and farmers to get county level data. Contact with ASC offices in conjunction with statistics, check names and addresses for sampling. Generally can get most information by phone, but some travel required to gather data, etc.
2. Funding - The Department did not utilize Wheat Research Funds based on the statutes - Section 80-11-224 (2) ".....is appropriated to the committee for purposes of wheat research and marketing under this part."
3. Modified - By preparing "in house" camera ready copy, reducing the number of copies and issuing the bulletin annually, the cost of the bulletin would not exceed the present biennial cost.

PROGRAM 23 - MARKETING AND TRANSPORTATION

1. Recommend OBPP be allowed.
2. Funding - Wheat Research funds were not utilized due to language in Section 80-11-224 MCA cited above in Program 22.

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DEPARTMENT OF AGRICULTUREPROGRAM 24 - Wheat Research & Marketing

1. Recommend OBPP figures be allowed.
2. Other Compensation - Section 80-11-203 MCA provides per diem of \$25.00 each day for committee members in the transaction of official business. This was omitted by LFA.

PROGRAM 30 - ENVIRONMENTAL MANAGEMENT

1. Recommend OBPP figures be allowed.
2. Other Compensation - omitted by LFA - important to remain to cover per diem for members of advisory council should meetings be required on environmental issues. Modified request for advisory council was deleted.
3. Replacement of federal funds - Funds to continue to carry out duties and responsibilities as defined in statutes. The endrin issue illustrates only one area of need. The program is not only one of enforcement but also one of prevention protecting agriculture, the environment and human health from the effects of pesticides. Replacement funds cover the following:
 

<p>a. <u>FY '84</u> - 7 FTE</p> <p>5 Pesticide Specialists 1 Chemist IV 1 Chemist I</p>	<p><u>FY '85</u> 9 1/4 FTE</p> <p>5 Pesticide Specialists 1 Chemist IV 1 Chemist I 1 Administrative Aide 1 Laboratory Aide 1/4 Attorney</p>
<p>b. Operational expenses</p>	<p>Operational expenses</p>
<p>c. Equipment - Replacement of 2 vehicles Data System - Laboratory Analysis HPLC Accessories</p>	<p>Equipment - HPLC Small Laboratory</p>
4. Present vehicles will exceed 100,000 miles during '85 biennium. The Department feels it important to establish a replacement rotation system for the vehicles so that replacement of all will not occur in one biennium. By replacing only two vehicles with the present mileage, funds for repair will require increased repair funds. Recommend additional funds of approximately \$10,000 be allowed.

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DEPARTMENT OF AGRICULTUREPROGRAM 30 - ENVIRONMENTAL MANAGEMENT (continued)

5. One new vehicle requested for the rodent program FY '84.
6. MODIFIED - Department concurs with OBPP figures
  - a. Increased Pesticide Program - Improve protection of agriculture, environment and health from misuse and negligent handling of pesticides.
    - Funding from earmarked increase fees
  - b. Chemist - Monitor samplings increased by environmental problems experienced in '83 Biennium.
    - Funding - 1/2 general fund  
1/2 earmarked funds
  - c. Laboratory Update - To support pesticide portion of workload

PROGRAM 40 - Plant Industry

1. Recommend OBPP figures be allowed with addition of replacement vehicle in FY '85.
2. Other compensation - LFA omitted expenses for Dry Bean Inspector service
3. Hourly wages allow for seasonal employment in apiary, grain, potatoe and cherry inspections as required.
4. Contracted services - Increase allowed by OBPP to cover anticipated increase of Federal Grain Inspection Service expenses.
  - Funding from earmarked grain service funds
5. Equipment - Concur with LFA to replace 2 vehicles to establish a rotation schedule. Based on mileage presently, vehicles will exceed 75,000 miles during biennium. Department feels it good managment practice to establish schedule of rotation so that all vehicles will not require replacement in one biennium.
  - Recommend increase repair for those not replaced be provided

DEPARTMENT OF AGRICULTURE

PROGRAM 40 - PLANT INDUSTRY (continued)

6. MODIFIED - Request inclusion of department modified budget proposals as supported by the OBPP.

- a. Data Processing - Supported and recommended by:

Information Systems  
Governor's Council on Management  
LFA -Option A  
OBPP

Needs Assessment study at the cost of \$12,000 to determine program data processing exact needs was completed in FY'82.

This study confirms the need for computerizing division licensing, etc. and supports the addition of one FTE. Major costs to set program occur in the first year of implementation.

- b. Examiners - The need for 2 examiners are essential to effectively monitor the 413 licensed grain merchandisers and warehouseman who handle approximately \$160 million grain annually. Recent bankruptcy issues have illustrated need to implement a program to examine all public warehouses which will enable detection and prediction of financial problems.

- Two FTE were deleted from current level to be replaced as examiners in this modified request.

- c. Medicated Feed - Request earmarked funds be supplied to replace federal funds. Food and Drug Administration reduced 30% in FY '83 and no funding for FY'84 and FY '85 is expected.

(5-31-77)

ANNUAL REPORT ON USES  
RURAL REHABILITATION ASSETS

EXHIBIT B  
For Fiscal Year 1  
1-18-83

TO: Farmers Home Administration  
U.S. Department of Agriculture, South Building  
14th Street and Independence Avenue, S.W.  
Washington, D.C. 20250

Corp.  State   
State of Montana  
FY Ending 6-30-82

I. LOANS

A. TOTAL OF ALL LOANS OUTSTANDING

(1) Purpose a/	(2) Number Insured b/	(3) Number Direct	(4) To Whom Made c/	(5) Total Each Type
(JLL) Farm-Ranch/Livestock		142	4-H & FFA Youth	\$ 434,379.78
(JAL) Farm-Ranch/Agri-Business		4	4-H & FFA Youth	10,243.52
(FISL& MGSL) Student Education		20	Students	35,816.17
(PART) Farm-Ranch/Real Estate		29	Farmers/Ranchers	706,124.37
(FIN) FmHA Insured Note		3	Farmers/Panchers	47,336.18
(ORE) Farm-Ranch/Real Estate		5	Farmers/Ranchers	9,058.09
(SUB) Farm-Ranch/Operating		11	Farmers/Ranchers	218,098.35
<b>TOTAL</b>		<b>214</b>		<b>\$1,461,056.46</b>

II. GRANTS

A. MADE IN FISCAL YEAR

Name of Entity	Number	Total Each Type
Mt. Young Farm Couples Conf.	1	\$ 10,760.85
Building Our American Communities	(3)	
Park City FFA Chapter	1	300.00
Denton FFA Chapter	1	200.00
Deer Lodge FFA Chapter	1	100.00
<b>TOTAL</b>		<b>\$ 11,360.85</b>

III. TEMPORARY INVESTMENTS

Name of Entity	Type of Investment d/	Total Each Type
State Department of Treasury	Short Term	98,380.94
<b>TOTAL</b>		<b>\$ 98,380.94</b>

Loan Interest Income	100,020.96
Short Term Investment Interest	13,460.94
TOTAL	\$ 113,481.90

<b>V. EXPENSES DURING SUBJECT FY - PURPOSES e/</b>	
Salaries - Benefits - Communication - Travel	
Rent-Supplies- Contracted Services - Equipment	
TOTAL	\$ 35,659.68

<b>VI. BOOK VALUE OF ASSETS AT BEGINNING OF SUBJECT FISCAL YEAR</b>	\$ 1,537,643.43
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<b>VII. BOOK VALUE OF ASSETS AT END OF SUBJECT FISCAL YEAR</b>	\$ 1,605,992.25
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<b>VIII. CASH AT BEGINNING OF SUBJECT FISCAL YEAR</b> _____	\$ 63,811.96
<b>CASH AT END OF SUBJECT FISCAL YEAR</b> _____ *	\$ 44,254.85

**IX. ARRANGEMENTS FOR SERVICING ASSETS - EXPLAIN:**

Assistance of Vo-Ag instructors and county extension agents with Jr. Livestock and Agri-Business loans. FmHA personnel provides loan participation assistance. One and one quarter salaried positions to administer programs and assets.

**X. AGREED USES:** The assets have not been used for any purposes other than those agreed to by the Government, except:

No exceptions I hereby certify that this form is true and complete to the best of my knowledge. *Tom Bishop*

**XI. COMMENTS**

\*Fiscal year 1982 operating carryover to be reverted to cash \$382.32

Montana Department of Agriculture  
(Name of Corporation or State)  
BY: *Tom Bishop*  
TITLE: Program Manager/Rural Development Unit

08-31-82  
(Date)

- a/ Show "Farm Real Estate," "Farm Operating," "Student Loan," etc., "FmHA Insured Note"
- b/ "Insured" means insured or guaranteed in whole or in part by subject Corp. or State.
- c/ Show "Farmers," "Students," "4-H Clubs," "P&M Coops.," etc.
- d/ Show "Treasury Bills," "Certificates of Beneficial Ownership," etc.
- e/ Show "Salaries," "Travel Expenses," "Office Rent," "Office Supplies," "Taxes," etc.

VISITORS' REGISTER

HOUSE \_\_\_\_\_ COMMITTEE \_\_\_\_\_

BILL Agriculture

Date 1-18-83

SPONSOR \_\_\_\_\_

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Mary Evans		Agriculture		
KEITH KELLY		AGRICULTURE		
Larry Lopez		"		
Jane Christensen		W.H.T. Research + Marketing - Ag		
Dona Fitzgerald		" "		
Ray Bjornson		Agriculture		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.