

MINUTES OF THE MEETING
NATURAL RESOURCES SUBCOMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 14, 1985

The meeting of the Natural Resources Subcommittee was called to order by Chairman Rex Manuel on January 14, 1985 at 8:00 a.m. in Room 132 of the State Capitol building.

Curt Nichols, Principal Analyst (PA), discussed the budget for the Department of Agriculture. Mr. Nichols said the Legislative Finance Committee felt that they wanted to maintain appropriation control over operational expences of the Hail Board and Rural Development program.

ROLL CALL: All members were present.

DEPARTMENT OF AGRICULTURE

Keith Kelly, Director, Department of Agriculture, (7:A;192) said the Department of Agriculture accrued more Vacancy Savings in this biennium than they would normally. See Exhibit "I".

Mr. Kelly said the Department of Agriculture was trying to get on a normalized replacement program for their equipment. Representative Nathe asked who kept an inventory of what equipment each department owns? Mr. Kelly said the Department maintains a list.

Mr. Kelly said the Department of Agriculture is requesting \$100,000 for remodeling of their laboratory.

(Hail Insurance)

Senator Smith said he hoped the Department kept enough balance in the Hail Insurance fund in case there were lots of hail next year.

(Plant Industry Division)

Mr. Kelly said in the State Grain Laboratory they have laid off eight employees and have seven left. Mr. Kelly said the Department feels this is a poor level for them to maintain their Federal status.

(Centralized Services)

The Department of Agriculture recommends the OBPP figures for Vacancy Savings be allowed. See Exhibit "I". Senator Smith

asked if the Department were asking for additional staff to work on the Ag in Classroom project. Mr. Kelly said they were not. Senator Smith asked Mr. Kelly if he was asking that all the money collected from private sources be spent on the Ag in Classroom account. Mr. Kelly said "yes", some of the money was going to be used to support Centralized Services and they would need General Fund to replace that.

Senator Smith asked if initiating the program would take General Fund monies? Mary Evans said it would not.

Mr. Kelly said funding from the fertilizer account and the feed account for Centralized Services is for indirect costs based on 16.05% of personal services for operation of commercial fertilizer and feed programs. See Exhibit "I". Senator Smith asked if they were shifting money from other accounts to Centralized Services where they felt they needed it? Mr. Kelly said as they were authorized to do. Senator Smith asked how it will affect those accounts and are those budgets the money is being taken out of asking for increased funding? Mr. Kelly said not at this time.

Curt Nichols explained that LFA Current Level uses more of the Feed and Fertilizer funds to fund Centralized Services.

Mr. Kelly said the Department was requesting authority in the amount of \$5,000 be considered in addition to cover expenses incurred by Trade Teams, etc. See Exhibit "I".

Mr. Kelly said they are requesting funds to provide for legal expenses involved in the Coast Trading Lawsuit. See Exhibit "I". Discussion was held on this case. (7:B:30). Representative Spaeth requested that Mr. Kelly come up with more information on this lawsuit. Chairman Manuel said this would be a modified request.

(Hail Insurance Unit)

See Exhibit "I". (7:B:173). Discussion was held. Representative Nathe asked what the status of funding this in the past has been? Ron Weiss said that last session they changed the fund structure. When they did that they set up new funds. This Program fell into the Expendable Trust category. Expendable Trusts do not have to be appropriated. Discussion followed. Ron Weiss said they have two Expendable Trusts in the Department.

Senator Smith made a motion to look at the budget for the Hail Insurance Unit and all budgets and include two Trust Accounts. Representative Nathe seconded. Mr. Kelly said that 1.5% of the Hail Insurance program funds go to the General Fund and 2.5%

goes to the County for selling the policy. Chairman Manuel called for a Voice vote and the motion carried unanimously.

(Wheat Research and Marketing)

Mr. Kelly (7:B:370) said the Director reviews all out of state travel requests. They are suggesting that the Vacancy Savings factor be omitted from this Program. This is a 4% factor. The Department also takes 2% of all grant monies for Centralized Services. Senator Smith requested that Mr. Kelly get the figures on how much travel expenses have increased.

(Environmental Management Division)

Discussion was held on Vacancy Savings. See Exhibit "I". Senator Smith (7:B:540) asked if they used the money to fund Vacancy Savings would that mean that they will have less money for operational costs and may have to ask for an increase in the next years budget to pay for some of the things they lost in the operational budget? Mr. Kelly said that potential is there. Mr. Kelly said they had to increase salaries and used the money allotted to buy equipment to pay the increase.

Equipment was discussed. (8:A:32). Senator Smith asked if they used some of the money appropriated last time for vehicles to pay salary increases that were forced on them with Vacancy Savings. Mr. Kelly said they did not. They would like to get the lab on a normalized equipment replacement schedule. Mr. Kelly said they were comfortable with the level they are at now.

Discussion was held on remodeling the laboratory. (8:A:200). See Exhibit "I".

Mr. Kelly said that he should accept the LFA's budget for Equipment. They are asking for \$48,790 in Fiscal Year (FY) 1986 and \$43,626 in FY '87.

Mr. Kelly discussed their travel request to add \$1,000 a year to the budget. See Exhibit "I".

Lee Shanklin discussed the EPA funding. (8:A:493). Chairman Manuel asked if there is anything in the EPA regulations that says they will cut all funds? Mr. Kelly said he would be surprised if that happened. It will stay at the basic funding level they anticipated. Mr. Kelly said the user fees are paying a little better than one third of the General Fund appropriation right now. The user fees are deposited in the General Fund. Curt Nichols said that they are not talking about a further EPA cutback, they are talking about EPA providing more money but that money can not be used to offset some of the previous cutbacks.

That money has to be used for expansion of the agency. Ms. Shanklin said they have provided additional money to the State of Montana above those allocations in the form of recision monies and for the running of EPA samples. The primary samples they run are pesticide samples or pesticide related samples. Those are regular grant allocations. Chairman Manuel asked if the EPA pays the total cost for what they request? Ms. Shanklin replied they did not because it comes through the grant mechanism there is a match required for that money.

Senator Smith asked Ms. Shanklin if they were also doing some testing for the Department of Health? Mr. Kelly said they were reimbursed for the testing they do for them. This money can only be used for the testing the EPA requests. They have gotten about \$100,000 in grants per annum, but they can not put it back into the base level program.

Mr. Kelly said they hire some part time people to run samples for the other departments.


Ron Weiss asked Ms. Shanklin if they have some sort of State allocation that comes to Montana as a base grant? Ms. Shanklin said they did. There is a base level of funding that has been \$60,000 for the enforcement program for the last two years. Mr. Weiss asked if there is a match requirement for the base grant? Ms. Shanklin said that we have to match 15% for enforcement money and 50% for certification and training funds. Mr. Weiss asked if there is a pesticide allocation? Ms. Shanklin said there is not.

Mr. Kelly said that they have received \$221,107 so far this biennium from EPA funds. Ms. Shanklin said some of that was carry overs and some recision monies. Last year they provided \$30,000 to purchase equipment for the laboratory. That came out of recision monies. They do not pay any on maintenance of the equipment purchased.

Mr. Kelly said that their number one criteria for the pesticide act is to service the public.

Mr. Kelly said they are looking for \$922,000 from the General Fund as compared to the LFA's figures of \$720,000. Discussion was held on this.

Meeting adjourned at 11:15 a.m.


Representative Rex Manuel
Chairman

NATURAL RESOURCES SUBCOMMITTEE

Date January 14, 1985

CS-30

DEPARTMENT OF AGRICULTURE

JANUARY 14, 1985

PROGRAM 15 - CENTRALIZED SERVICES

1. Vacancy Saving - \$12,260 FY '86 - \$12,287 FY '87
2. Recommend OBPP figures be allowed.
3. LFA funding from accounting entity 03118 (\$5,550 FY '86 and \$5,772 FY '87) is not available as a funding source. \$5,138 was spent from this account FY '84 to administer an Ag in Classroom project which was authorized through the budget amendment process.
4. LFA funding from fertilizer account 02452 FY '86 increase \$10,818
FY '87 increase 9,335
from feed account 02454 FY '86 increase 1,558
FY '87 increase 4,059

Funding from these accounts for Centralized Services is for indirect costs based on percentage of personal services for operation of commercial fertilizer and feed programs. The percentage was established for '85 biennium. Section 80-9-207 (1) MCA and Section 80-10-207 (4) MCA directs use of fees collected.

5. Request authority in the amount of \$5,000 be considered in addition to cover expenses incurred by Trade Teams, etc. Expenses are met through contributions from private sectors who elect to contribute funds utilizing the department as a conduit to prevent conflict of interest. (Exhibit A)
6. Request funds to provide for legal expenses involved in the Coast Trading Lawsuit which could be from \$30,000 to \$50,000. The suit includes a clause asking for legal expenses, however costs may not be awarded. Should costs be awarded the money would be returned to general fund (Exhibit B)

PROGRAM 21 - HAIL INSURANCE UNIT

1. Appropriation authority not required. Figures for this unit are inserted on the report. Suggest vacancy saving not be required for this particular program

PROGRAM 24 - WHEAT RESEARCH & MARKETING UNIT

1. Recommend OBPP figures be allowed.
2. Suggest vacancy saving factor be omitted from this operation.

JANUARY 14, 1985

PROGRAM 30 - ENVIRONMENTAL MANAGEMENT DIVISION

1. Vacancy Saving - \$29,724 - FY '86 - \$29,229 - FY '87
2. Equipment - Request for purchase of laboratory equipment reduced \$48,790 FY '86 - \$43,626 FY '87.
3. Travel - Request reduced - FY '84 base for this program was impacted by the Endrin E.I.S. Crisis. An additional \$1,000 each year would enable program response to enforcement needs and be more in line with the \$59,488 allowed in FY'85.
4. Funding - General fund was offset by increased federal funding authority \$70,379 FY '86 and \$40,379 FY '87. Recommend general fund be reimbursed accordingly. EPA funds for enforcement and certification are likely to decrease rather than increase.
5. LFA omitted our request for remodeling laboratory - \$100,000 and used the \$20,000 of state special revenue request for remodeling for other areas in the program operations. (Agency instructed to submit in current level)
6. LFA incorporated modified request for current level. EPA is specific on these funds being used for laboratory analysis of EPA submitted samples. General fund would be required to offset the federal funds used from the modified request.

PROGRAM 40 - PLANT INDUSTRY DIVISION

1. Vacancy Saving - \$27,718 FY '86 - \$26,445 FY '87
Leaf Cutter Bee - 1.00 FTE (\$846) impact
2. Insert language in appropriation bill to allow for increased appropriation authority and additional FTE should workload at Grain Laboratory increase.
3. Longevity omitted from one FTE - (OBPP is aware and will correct)

PROGRAM 50 - AGRICULTURAL DEVELOPMENT

1. Recommend OBPP figures be allowed, after correcting input of incorrect position number - Difference amounts to \$3,412 each fiscal year in Beginning Farm. (OBPP is aware and will correct)
2. Rural Development - Account does not require an appropriation. Request for appropriation figures inset on the report for operation of this bureau.
3. LFA reduction of General Fund - \$19,619 FY '86 and \$24,775 FY '87 impacts Crop & Livestock and Marketing significantly.
4. Vacancy Saving in these small operations with from 1 to 4 employees each adversely effects ability to function. Crop and Livestock has not realized any vacancy saving the past two years.

DEPARTMENT OF AGRICULTURE

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January 14, 1985

PROGRAM 50 (continued)

5. Request executive appropriation from general fund to repay loan presently on books. Request appropriation from general fund for Beginning Farm Loan Operations in upcoming biennium (Exhibit C)

MODIFIED

PROGRAM 15 - Centralized Services

1. Weed Coordinator - 1.00 FTE
2. Information Systems - (Data processing equipment and operations)

PROGRAM 21 - Hail Insurance Unit

1. Hail Adjuster - .25 FTE

PROGRAM 30 - Environmental Management

1. Custodial Clerk - .50 FTE
2. Education Training - Self Supporting from fees collected by participants
3. EPA Toxic - For Analysis of EPA submitted samples - 2.00 FTE

PROGRAM 40 - Plant Industry

1. Feed Contaminants - .33 FTE
Food and Drug Administration Funding

PROGRAM 50 - Agricultural Development

1. Annual Bulletin - OBPP Approval based on sale of bulletin
Initial funding required for this approach.
- ~~2. Beginning Farm - 1.00 FTE~~
3. Marketing - omitted from report - (\$25,000)

DEPARTMENT OF AGRICULTURE

January 14, 1985

Section 80-8-109 (3) MCA - Education Programs

Recommend language be clarified - (Fees collected shall be deposited to the state special revenue fund for the purpose of administering the educational training functions of this section.....)



TED SCHWINDEN
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
AGRICULTURE/LIVESTOCK BLDG.

CAPITOL STATION
HELENA, MONTANA 59620-0201

TELEPHONE:
AREA CODE 406
444-3144

KEITH KELLY
DIRECTOR

January 2, 1985

MEMORANDUM

TO: Dave Hunter
Director
Office of Budget And Program Planning

FR: Keith Kelly
Director

RE: 1987 Biennium Appropriation Authority

I do hereby request authority in the amount of \$5,000 to expend funds contributed to the Department of Agriculture for the purpose of promoting public relations with trade teams and/or other unanticipated agricultural related activity.

There have been occasions wherein the arrival of foreign visitors have presented the department with unexpected expenses. These expenses are generally met through contributions from private sectors who elect to contribute funds utilizing the department as a conduit to prevent conflict of interest.

Appropriation authority to Program 15 (Centralized Services) would provide us with accepted accounting principles to maintain audit compliance.

ME/ck



TED SCHWINDEN
GOVERNOR

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KEITH KELLY
DIRECTOR

COAST TRADING LAW SUIT

The Montana Department of Agriculture is the statutory representative for claimants of bonds given to the department as required for those persons licensed to conduct grain transactions under section 80-4-234 M.C.A. (1981).

In July, 1981 Coast Trading Company became licensed to conduct business of grain merchandising/public warehouse and posted bonds in the amount of \$195,000 and \$20,000.

On April 7, 1982 Coast Trading filed for bankruptcy. In January 1984 it became apparent that the bankruptcy proceedings would not satisfy the claims for which the bond was provided. Between March and October of 1984 the bonding company (United Pacific Insurance Co.) would not acknowledge or respond to any correspondence or demand. Finally, a meeting was held on December 3, 1984. United Pacific Insurance offered to settle for \$110,000. This offer was presented to a group of creditors picked at random on December 17, 1984. They were adamant in their position to reject the offer. Further correspondence confirmed this attitude.

The department had no alternative but to pursue legal action. It filed suit on January 10, 1985.

In order to provide for legal expenses involved in this litigation, the department must request an estimated \$30,000 to \$50,000. The suit includes a clause asking for legal expenses; however, should resolution of the case occur, legal expenses may not be awarded. If legal costs are awarded, they should be returned to the general fund.

The director of the department has been in communication with Mike Greely's office. Specific arrangements still need to be worked out on cost and representation in the case.



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KEITH KELLY
DIRECTOR

BEGINNING FARM LOAN PROGRAM

The Department of Agriculture is now in a position of having to request an executive budget appropriation from the general fund to repay funds loaned to the department during the current biennium for the Beginning Farm Loan Program and to ask for general fund appropriations for its operation in the upcoming biennium.

The loan program, established by the 1983 Legislature and administered through the Montana Agricultural Loan Authority, was severely set back due to federal legislation enacted by Congress this past summer. Implementation of the program, which is dependent upon the issuance of tax-exempt industrial-development revenue bonds (IDBs), was delayed due to a retroactive provision of the legislation introduced late in 1983 under HR4170. The provision prevented the issuance of bonds as bond counsel was unable to give an unqualified opinion regarding tax-exemption.

The legislation, as finally enacted (Tax Reform Act) last summer, added very restrictive limitations regarding the use of IDBs for agricultural purposes. The restrictions severely narrowed the number of individuals who can qualify as a beginning farmer/rancher as well as reducing the loanable amount and loan flexibility. These limitations make it difficult for a financial institution to find qualified loan situations.

The new program was intended to be self-supportive through loan origination fees assessed against each loan. However, in addition to the federal regulatory hang ups, it was probably overly optimistic to have expected the program to be self-supporting within such a short period of time.

The Beginning Farm Loan Program is very much needed in Montana, especially in light of the recent deterioration in the agricultural credit situation. The loan program can significantly improve the probability of success to qualified beginning farmers/ranchers through lower interest rates. The loan program can, most likely, be self-supportive within the next biennium and will use only the amount of general fund appropriation necessary to offset the difference between administrative costs and the loan origination fees.

NATURAL RESOURCES SUB COMMITTEE

DATE January 14, 1985

SPONSOR _____

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.