

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

February 14, 1985

The meeting of the Natural Resources Subcommittee was called to order by Chairman Manuel on February 14, 1985 at 8:05 a.m. in the State Capitol.

ROLL CALL: All members were present.

DEPARTMENT OF STATE LANDS

Dennis Hemmer (56:B:070) Commissioner, Department of State Lands, gave an overview of this Department. See Exhibit "GGGG".

(Central Management Division)

Mr. Hemmer said one of the FTE's they transferred went to the Forestry Division and the other went to Lands.

Mr. Hemmer said they do not have much turnover in this Division and Vacancy Savings is a problem.

Mr. Hemmer said the 1,177 hours the aircraft flew in the first six months of FY '85 was higher than normal due to the fires we had last summer.

Mr. Hemmer(56:B:300) introduced Dick Ellston, Systems Analyst, Department of Administration, who explained the department's data processing proposal. See Exhibit "HHHH".

Discussion was held.

Mr. Hemmer presented the rest of program 01, Central Management. See Exhibit "GGGG".

Mr. Hemmer (57:A:56) said the money withdrawn from the Grant Reimbursement Account for purchase of the Data Processing system would decrease the amount of money given to the foundation account for schools.

Discussion was held.

(Reclamation Division)

Mr. Hemmer went over this division. See Exhibit "IIII".

Discussion was held.

John McBride (57:B:70) representing Champion International, testified in support of increased forestry and harvest activities on state lands.

Patrick Connell, representing the Eastside Forest Practices Committee, an organization comprised of manufacturing firms that operate on timber that is on the Eastside of the Divide, testified in support of development of a timber sale program.

The state is currently selling 32 million board feet of timber per year. An analysis of data shows they could increase cutting to 50 million board feet per year.

Discussion was held.

Mr. Hemmer presented Exhibit "JJJJ" on Timber Management and Forest Fire Protection Costs in Montana for the Committee to read.

(Land Administration)

Mr. Hemmer went over this division. See Exhibit "KKKK".

Discussion was held.

(Resource Development)

Mr. Hemmer (58:A:232) went over this program. See Exhibit "LLLL".

Mr. Hemmer said they are getting in to more commercial projects in this program.

Mr. Hemmer said there was a recent approval by the Land Board to fund a golf course in Great Falls. This is set up so the Department will receive 10% return on its investment or 2% of the gross of the golf course or 3% of the gross of the club house for perpetuity. They are projecting within the first four to six years they will be returning at 10%. At that point the gross will exceed the 10%.

(Forestry Division)

Mr. Hemmer (58:A:315) went over this division. See Exhibit "MMMM".

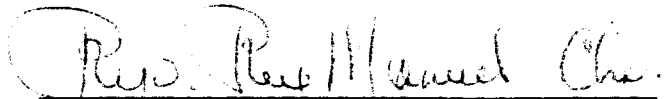
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Mr. Hemmer (58:A:507) went over the Modifications. See Exhibit "NNNN".

Discussion was held.

Dick Sandman (58:B:177), Fire Chief, Department of State Lands, discussed the assistance program on equipment used by the counties for fires.

Mr. Sandman said in some of the larger rural counties the department does not maintain the equipment but they go around and check the equipment once a year and if it is not kept up to standards they pull it.


Representative Rex Manuel
Chairman

DAILY ROLL CALL

NATURAL RESOURCES SUBCOMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2-14-85

[illegible]

STATE LANDS TESTIMONY

Appropriations Hearing

Opening Remarks

My testimony today will be directed toward the Executive budget proposal on the comparison sheet before you. I will make limited attempts to reconcile the differences between the LFA and Executive columns of the sheet. I will point out the major differences that I have concern with and will discuss the issues addressed by the LFA in the Budget Analysis book. For each program I will discuss the current level first and then address the modified requests. If the Committee desires more detailed information about the various expenditure categories, we will be happy to furnish you that information.

The Department of State Lands is responsible for:

- a) managing 5.2 million surface acres and 6.1 million subsurface acres of School Trust Land;
- b) mine permitting and reclamation on all land in the state;
- c) wildfire protection on state, private and portions of federal lands in the state; and
- d) other Forestry related programs such as technical assistance to private landowners and the production of seedlings for conservation and state Forestry by the nursery.

Program 01

Central Management Division

General Statement - The function of the Central Management Division is to perform those support services common to all units within the Department such as payroll, claims, revenue collection, air operations, and data processing.

Current Level Request	<u>FY 86</u>	<u>FY 87</u>
Personal Services:	\$477,661	\$478,953
(FTE)	17.00	17.00

Explanation:

Included in the Central Management personal services budget are the salaries for the total program which includes the Commissioner's office, legal services, air operations, data processing, accounting and personnel. In addition to performing Department wide administrative duties the staff in this program are responsible for receiving and disbursing in excess of \$50 million annually in income earned from trust lands.

Changes to Current Level:

This budget reflects the reduction and transfer of 2 FTEs to other programs. These transfers were made to more appropriately reflect the duties and responsibilities of each program.

Vacancy Savings - Both the L.F.A. and O.B.P.P. reduced the personal services request for the Central Management program by approximately \$20,000 in FY 86 and FY 87. This is a significant reduction when you consider that this program has 17 FTEs and the actual vacancy savings in the current biennium was less than \$6,700.

Contracted Services:

	<u>FY 86</u>	<u>FY 87</u>
	\$546,017	468,970 \$ 98,507

Explanation: Included in the contracted services budget are legal and consulting fees, aircraft and vehicle insurance, printing, Legislative audit fees, janitorial and the legal intern program.

Changes to Current Level: Not included in the L.F.A. budget was \$427,355 in FY 86 and \$394,620 in FY 87 from the State Special Revenue account to fund the continued development and implementation of the Department's Data Processing System. I will address this issue in greater detail later in my presentation.

The executive budget allowed \$12,840 in each year for pending legal cases and consulting fees to study the navigability issue on lakes or rivers when it becomes a factor in determining trust ownership of lake and river bottoms.

Supplies and Materials:

	<u>FY 86</u>	<u>FY 87</u>
	\$81,465	\$81,465

Explanation: The supplies and materials budget represents the current level expenditures for office and paper supplies, forms and fuel for the aircraft.

Changes to Current Level: The Executive budget authorized increased funding in the air operations account for fuel for the Department's 6 aircraft. This extra amount for fuel is necessary because of the addition of the third helicopter authorized by the last Legislature and the increased usage of aircraft by Department personnel. During FY 83 DSL aircraft flew 890 hours. In FY 84, 1031 hours were flown and in the first six months of FY 85 DSL aircraft flew 1177 hours.

Communications and Transport	<u>FY 86</u>	<u>FY 87</u>
	\$15,834	\$16,823

Explanation: The communications category includes telephone charges, postage, mailing and messenger services.

Changes to Current Level: There are no changes to current with the exception of inflation.

Travel:	<u>FY 86</u>	<u>FY 87</u>
	\$16,403	\$16,403

Explanation: This category is made up of commercial transportation, DSL aircraft rental, lodging and vehicle mileage to meet the travel needs of the Commissioner's office, legal staff and personnel officer.

Changes to Current Level: There are no changes.

Rent:	<u>FY 86</u>	<u>FY 87</u>
	\$71,735	\$71,735

Explanation: Included in this category are the amounts needed for storage and office space for the Central Office in Helena and the aircraft hangar at the airport.

Changes to Current Level: The lease for office space for the Central office in Helena was renegotiated for another three years and under the new lease the rent was increased from \$5.91 to \$7.33 per square foot.

There is no significant difference between the two budgets in this category.

Utilities	<u>FY 86</u>	<u>FY 87</u>
	\$15,617	\$15,617

Explanation: This category includes the gas and electricity for 65 percent of the office space in the Central office and hangar in Helena.

Changes to Current Level: The LFA recommendation is approximately \$4,000 less than O.B.P.P.'s FY 86 and FY 87. The difference appears to be the base that the L.F.A. used. I feel that the Executive budget is a more realistic figure for what utilities may be in FY 86 and FY 87.

Equipment:	<u>FY 86</u>	<u>FY 87</u>
	\$45,000	\$16,000

Explanation: Included in this category are the earmarked funds for the equipment necessary to implement the Trust Land Management function of the Department's data processing system. I will discuss this in more detail when I get to the issue portion of my presentation.

Grants from State Sources	<u>FY 86</u>	<u>FY 87</u>
	\$265,000	\$265,000

Explanation: Every session the Legislature appropriates general fund monies to be distributed annually by the Department to those counties that have in excess of 6 percent of state trust land within their borders. Equalization payments are required by 77-1-501, MCA. The Executive budget recommends that \$265,000 be distributed among those counties in FY 86 and FY 87 which is \$10,000 more than was appropriated for distribution to the counties in the current biennium. During the current biennium this appropriation furnished approximately 87% of the counties' requests for equalization.

Repair and Maintenance	<u>FY 86</u>	<u>FY 87</u>
	\$88,093	\$119,958

Explanation: The major part of this category is the repair and maintenance budget necessary to maintain the six aircraft operated by the Department.

Changes to Current Level: Programed into the FY 87 budget in \$30,000 to replace the rotor blades on one of the federal excess property helicopters. These funds come from the Air Operations Internal Service Account. There is no significant difference between the two budgets in this category.

Other Expenses:	<u>FY 86</u>	<u>FY 87</u>
	\$2,637	\$2,637

Explanation: Included in this category are items such as freight and express and other miscellaneous items.

Changes to Current Level: There are no changes to current level.

There are no significant differences between the two budgets.

Funding Differences:	<u>FY 86</u>	<u>FY 87</u>
General Fund:	\$845,287	\$820,978

The difference between the recommendation between the L.F.A. and Executive budget can be attributed to the recommendation made by the L.F.A. for County Equalization.

Resource Development Account	<u>FY 86</u>	<u>FY 87</u>
	\$472,355	\$410,620

The L.F.A. didn't make a recommendation on the data processing issue.

Grant Reimbursement Account	<u>FY 86</u>	<u>FY 87</u>
	\$150,000	\$150,000

The L.F.A. recommendation was \$30,000 less in FY 86 and FY 87 than the Executive budget. The funding source for this account is indirect cost revenues from federal grants administered by the Department. I feel the Executive budget represents a more accurate figure and should be used.

Air Operations Internal Service Account	<u>FY 86</u>	<u>FY 87</u>
	\$157,820	\$189,020

The L.F.A. recommended \$15,500 less in each year for aircraft fuel. Given past experience the executive budget represents a more realistic figure.

This concludes my discussion on the current level portion of the Central Management budget.

I would like to address the 4 issues contained in the L.F.A.'s Budget Analysis book. These issues are:

- 1) General Fund of the Air Operations Program
- 2) Data Processing
- 3) Trust Record Proofing
- 4) Transfer of pilot

Issue #1

Air Operations

This program provides aviation services to other programs in the Department. In order to finance the direct costs (oil and gas, engine overhauls, etc.) of operating the aircraft, an hourly rate is charged to users. I would note that

major overhauls and by ticket items such as the rotar blades mentioned earlier are included in the hourly rate; only the fixed costs and depreciation are not. The fixed costs, such as insurance, hangar rent, salary and office expenses are not included in the hourly charge and are paid out of operating appropriations. These costs remain constant whether or not the aircraft are operated. Included in the request is \$157,820 and \$173,520 in spending authority for FY 86 and FY 87 for the direct costs of operating the Department's aircraft. The requested authority is for the Air Operation Internal Service Account and income will be transferred to this account from user budgets within the Department. Air operations is a cost effective tool for accomplishing Department duties.

The advantage of operating the Aviation program in this manner is that costs for aircraft expenses are recorded in one budget which makes for more efficient management of the program and will allow both the Department and the Legislature to more accurately monitor Department aviation costs.

On pages 374 and 375 the L.F.A. discusses a general fund subsidy of the Aircraft. As previously noted the hourly charge pays for the fuel and all the repairs and maintenance including major overhauls. The general fund pays for the fixed costs. The L.F.A. states that the Department's rationale for this arrangement is that "the paper work would be too complicated." In fact the Department proposes to use general funds because the costs do not justify the benefits.

Mr. Burger is not just a pilot, he is the Air Operations Manager. It is Mr. Burger's job to ensure that all aircraft are safe. If they aren't safe, they don't fly. Mr. Burger is also responsible for checking out all seasonal pilots.

There is very little non Departmental use of the aircraft, 10.7% in FY 84 and less than 1% in the first part of FY 85. Within the Department the only significant non general fund usage is for the Abandoned Mines Program. In that case AML pays the insurance and a seasonal pilot, the remaining general fund input is needed to meet the Office of Surface Mining's requirements of a state match that allows us to use the federally funded helicopters on general fund projects such as fire. Being able to use this machine on fire saved the general fund a significant amount that would have otherwise had to be spent on contract aircraft this year. Paying fixed costs through the hourly rate would simply be transferring general fund from one pocket to the other.

However, I feel the biggest problem with the L.F.A.'s suggestion is that it would mandate that the aircraft be flown a minimum number of hours. The variable costs exceed these fixed costs. Mandating that they fly enough hours to meet the fixed costs is wasting money, primarily general fund.

Therefore we feel it is more appropriate to exclude the aviation manager's salary and other fixed costs (hangar rent, insurance, etc.) from the hourly rate.

We ask that the Committee set the appropriations for the Air Operations Internal service account at the level recommended by O.B.P.P.

Issue #2

Data Processing - The last Legislature authorized the Department to hire a systems analyst and to develop the plans for a Data Processing System to meet the Department's needs. The Department proposes to fund this with Resource Development funds with contracted services through the Centralized Management

Division. The Land Board at its January 21, 1985 meeting authorized a withdrawal of 2 1/2% from Interest and Income. This amount is sufficient to fund both the operations of the Resource Development program and the Data Processing System.

Why does the agency need a Data Processing system? At present the agency is nearly all manual. The advantages of the automated system are as follows:

- a) Better control of mineral payments. Our current manual system does not allow adequate followup on oil and gas payments. The limited auditing and followup that we have done the last two years has resulted in claims being sent in excess of \$260,000. If discrepancies can be caught at the time of payment, not only can the principal be recovered, but also the interest thereon. More discrepancies can be caught at payment than through audit, although audits will still be necessary. This would be complemented by the mineral accountant requested in the lands budget.
- b) Better control of all payments. Our present manual system is geared at ensuring the receipts are deposited. The automated system will allow us to better ensure timely payment. If the Department could average receiving all payments, both mineral and surface into the system one day earlier \$16,000 in added interest can be realized.
- c) Fraudulent payment detection. The Department has very little ability to check the validity of payments. A lessee may report too little or report an erroneous rate. By being able to compare lease reports with previous lease reports and ASCS reports, the Department can discover low reports.

- d) The ability to take advantage of new programs. This year the ASCS offered advanced payment on the farm program. The Department could not handle the extra work of an extra collection: \$15,000 in increased interest could have been realized by taking this money in early.
- e) Error detection. The system will facilitate double checking documents. This should aid in avoiding errors which can be costly to the trust.
- f) Sale of Data. The Department estimates that up to \$50,000 per year can be generated by selling large volume trust data, such as mineral information.

The Legislative Auditor, in a performance audit that was completed in June of 1983, was very critical about the Department's manual record keeping systems. During the past 18 months this Department and the Department of Administration's Information Systems Development Bureau have studied DSL's information processing problems, including cashiering, record keeping and verification, and have developed a solution. A data model was prepared breaking the Department into 4 functional areas. During the next two years the Department plans to implement the first function of the Department's conceptual data model that deals with Trust Land Management.

Included in the Executive request, primarily under contracted services and equipment is \$472,355 and \$410,620 in FY 86 and 87 from the State Special Revenue account to continue with the development and implementation of the Department's information processing system. We request that the committee set the appropriation for the system at the level recommended by O.B.P.P.

Issue #3

Trust Deed Proofing - The request for \$10,400 in FY 86 will provide funding for a combination of consulting and microfilming services to ensure accuracy and to upgrade the deed filing system currently in use. Many of the deeds that document the state's ownership in trust lands are 90 years old and have accumulated years of errors. With modern microfilming techniques duplicates can be made and the originals can be stored in a safe place. In addition, we will contract for services of an abstractor to assist with the consolidation of deeds and abstracts from several files into one file and to check accuracy for better retrieval of information. Recently the Department leased for oil and gas a tract it does not own. A producing well was drilled and fortunately both parties worked it out. The Department could have been liable for cost recovery of a huge sum. The trust deed proofing is aimed at correcting similar situations.

Issue #4

Transfer of Pilot - The Air Operations program had two pilots when Forestry was part of DNRC. During the reorganization process when Forestry and the air operations program were moved to DSL, it was mutually agreed by both agencies that one pilot would remain at DNRC to facilitate their aviation needs. This arrangement worked to the satisfaction of both agencies but it makes more sense to have both pilots in one agency.

We request that the committee approve the transfer of the pilot to DSL.

PRESENTATION BY DICK ELSTON

February 14, 1985

The Department of State Lands requested our assistance in helping them enhance and manage their information resource.

We developed an enterprise model for the entire department which indicated that the Department consisted of four functional areas.

1. State Trust Land Management
2. Internal Administration
3. Service and Assistance
4. Regulatory Compliance

Based on the model we recommended a short range and long range plan for development of an information resource;

. In the short range, plan application development for state trust land management.

. In the long range, plan application development for the other three functional areas in the most appropriate sequence.

The Department concurred with our recommendation and requested that we proceed with the planning and development of State Trust Land Management.

Together with their commitment and active participation, we: defined project scope and objectives, organized a project team, documented the current business environment, documented management's preliminary business objectives, and based on those objectives, defined the business as it should be in order to generate the highest return to the trust on a sustained yield basis.

This functional business chart illustrates the management view and as you can see, state trust land management includes the following eleven (11) business functions.

LAND DISPOSITION monitors all trust lands ever acquired, all trust lands ever transferred through sales and exchanges, and current net land owned by the trust including both surface and subsurface rights.

LAND INVENTORY provides the results of any inventories conducted on state trust land and includes natural resources and other items appropriate for management such as improvements, constraints, etc.

LAND EVALUATION provides the results of intensive inspection of specific uses or possible uses relative to ecological sites and tracts within sections of trust land.

LAND DEVELOPMENT monitors the life cycle of land development projects intended to provide revenue gain to the trust, conserve resources or establish legal ownership of precedent.

LAND CLASSIFICATION identifies by section, the classification each tract of trust land has been accorded for management purposes.

LAND MARKETING monitors specific business transactions concerning resources that have been sold for consumption or have been leased, licensed, or permitted for specific use.

TRUST REVENUE records and distributes to the appropriate accounts all revenue due the trust.

RESOURCE PRODUCTION VERIFICATION reports the results of procedures attempting to verify the actual quantity of natural resources reportedly harvested or extracted from trust land in order to increase the assurance that the trust is receiving the appropriate return.

LAND ABUSE PROTECTION documents resources that should be protected from abuse and monitors any abuse.

MANAGEMENT INFORMATION provides information necessary to affect wise and responsible management of trust lands.

SBAS INTERFACE provides reconciliation between Trust Revenue and the State Wide Budgeting and Accounting system.

The functional business chart is our view of the problem, our recommended solution to the problem is an Information Resource controlled and managed by the Department of State Lands with immediate access by many criteria and information mediums provided to the Forestry Division in Missoula, the six area land offices and their associated field units, and the Central Office in Helena.

We are currently documenting the business design and cost benefit projections for the land disposition function. When management approves the business design we will develop, test, and implement the system.

PROGRAM 03

RECLAMATION DIVISION

General Statement

The functions of the Reclamation Division revolve around three mine reclamation acts and the abandoned mine reclamation program. Responsibilities include:

- (1) reviewing mine applications;
- (2) issuing permits and licenses for exploration and mining of all minerals including sand, gravel, copper, gold, silver, coal and uranium;
- (3) field inspections and enforcement activities;
- (4) evaluation and approval of reclamation bond releases;
- (5) coordination with other state and federal agencies; and
- (6) preparation of the necessary environmental assessments in the form of a Preliminary Environmental Review or Environmental Impact Statement to insure compliance with the Montana Environmental Policy Act.

The Reclamation Division is funded by a combination of state funds, federal grants and industry funds through the fee bill contained in the Montana Environmental Policy Act (MEPA). Prior to FY 86 and FY 87, the state portion of the budget was made up of Resource Indemnity Trust Funds but in 1983 the legislature inserted language in House Bill 447, the Appropriations Bill, stating that future appropriations from the RIT funds could not be used to fund operating expenses of state agencies.

Before I start through the specific line items, I would like to emphasize that there are two major considerations that need to be addressed before we get into a detailed discussion of the Reclamation budget. These are:

- (1) in FY 84 and FY 85 there was a major funding problem caused by an oversight in putting together the budget that resulted in a smaller amount of state dollars being appropriated for the Reclamation program than were actually needed to adequately fund the program; and

- (2) the requirement that General Fund monies instead of RIT monies fund the program in FY 86 and FY 87.

The major funding problem in FY 84 and FY 85 stemmed from a misunderstanding of the division's funding sources. The Coal and Uranium Bureau is funded by 80% federal funds and 20% state funds, the Abandoned Mines Bureau is funded by 100% federal funds, the Environmental Analysis Bureau is funded by 100% industry funds, the Opencut Bureau is funded by 100% state funds and the Hard Rock Bureau is funded by 100% state funds. The error in the approved budget, which the department did not catch until after the legislature had adjourned, had assumed the Hard Rock and Opencut Bureaus were also funded 80% federal funds and 20% state funds. This error resulted in the division actually having a deficit of over \$100,000 of state funding for the biennium. To continue to operate these bureaus, state dollars that were initially intended to be used by the Coal Bureau had to be diverted to the Opencut and Hard Rock Bureaus.

This reallocation of state funds had a significant impact on the operations of the Coal Bureau because for every state dollar that is taken from that program an additional four dollars of federal grant match money is lost. Because of the extremely tight budget situation, the division was forced to keep positions open to generate some vacancy savings for both FY 84 and FY 85 so the bureaus could continue to operate. To make the FY 85 budget, the division was required to carry over \$40,000 from FY 84 to FY 85.

Through conservative money management, through vacancy savings, not purchasing needed equipment and not purchasing replacement vehicles, \$50,000 was saved in FY 84 that was then carried over to FY 85. The result of this error is now being reflected in the L.F.A.'s FY 86 and FY 87 budget. In FY 86 and FY 87 the Division needs to fill vacant positions and begin replacing the worn-out vehicles. There are currently 20 + applications in some form for hard rock mines. The only way adequate review can take place is if the Division is adequately funded.

RECLAMATION BUDGET

General Statement

For the purposes of this presentation, all line items will be addressed, but I will only concentrate on those areas of special concern to the Reclamation Division.

Personal Services

<u>FY 86</u>	<u>FY 87</u>
\$1,112,173	\$1,114,736
42.0 FTE	42.0 FTE

Explanation: Personal Services for the division includes salaries, employee benefits and health insurance.

Changes to Current Level: There are no changes to the current level. The only change that has occurred in the Division is that two existing positions have been reallocated to Hard Rock Bureau. This adjustment was necessary because of the increased workload in the Hard Rock Bureau. At the present time there is considerable interest in the development of mid-sized gold and silver mines that would employ approximately 100 people. At this time the Hard Rock Bureau is reviewing 9 applications for major operating permits and all indications are that this will continue to be the trend. Should the gold and silver market improve, there will probably be a corresponding increase in the number of hard rock mine applications to be reviewed.

Operating Expenses

<u>FY 86</u>	<u>FY 87</u>
\$2,135,297	\$2,026,571

Contracted Services:

	<u>FY 86</u>	<u>FY 87</u>
	\$1,772,352	\$1,652,280

Explanation: Contracted Services expenditures for the Reclamation Division generally include printing expenses for environmental impact statements, consultation and professional services for both permit review and baseline EIS information, data processing, and the largest portion being for contractor payments for abandoned mine reclamation. Most of these expenses are paid through grant monies and assessed fees.

Changes to Current Level: The major changes to current level are listed below:

- (1) An increase of \$10,000 in FY 86 and \$5,000 in FY 87 is needed to defend Montana's position on the Indian Lands Rules that have been adopted by the Office of Surface Mining. This is an important decision because not only does it influence the question of who has regulatory authority over the mining and collection of abandoned mine lands fee, but it may also affect the coal severance tax issue on the Crow Ceded Strip. The funding for this would be 80% federal and 20% state.
- (2) An increase of \$5,200 in both FY 86 and FY 87 is necessary to provide the Hard Rock Bureau with additional assistance for mine engineering. It is more cost effective for the Hard Rock Bureau to contract the mine engineering expertise that the Hard Rock Bureau needs than hire a mine engineer on a full-time basis. The funding for this would be 100% state.
- (3) In FY 86 the Hard Rock Bureau needs spending authority to spend \$49,920 of Earmarked Revenue Funds that have been collected over the past several years from fines, fees and penalties. This money will be spent

on reclamation research to promote more effective hard rock mine reclamation techniques. The funding for this is 100% Earmarked Revenue Funds.

- (4) A \$2,500 increase is needed for both FY 86 and FY 87 for the laboratory testing of water quality samples as a result of more intense monitoring of water quality problems associated with hard rock mining operations. As you are well aware, in recent months there have been many questions raised by the public concerning hard rock mining and water quality. Increased water sampling is the only way to monitor the situation. The funding for this would be 100% state.
- (5) An increase of \$53,000 in FY 86 and \$28,000 in FY 87 is needed for legal fees and court costs that may be incurred by the Reclamation Division. At the present time, the Reclamation Division is in the process of reviewing two very controversial mining applications that may result in lawsuits. Since the time the Department submitted its original budget request a permit decision has been made on a third application and the Department is presently involved in a Contested Case Hearing concerning that decision. I feel that this amount is justified because a similar lawsuit in FY 82 cost the Department \$25,000. The funding for this would be a combination of 100% state and 80% federal and 20% state.
- (6) A \$25,000 increase is needed due to a one-time rule change for FY 86 in the rules and regulations adopted pursuant to the Montana Strip and Underground Mine Reclamation Act. The rule changes are required because of corresponding rule changes that have already been made in

the Department of Interior's Office of Surface Mining rules and regulations. In addition, there will be a corresponding increase in photocopying services of \$2,000 and in postage and mailing costs of approximately \$750 to complete the rule re-write. The funding for these would be 80% federal and 20% state.

(7) A \$4,500 increase is needed for both FY 86 and FY 87 for microfilming of old records. The division needs a better records management system for old records and the cost of microfilming the records is far less than renting the storage space that would be required to store volumes of old mine reclamation records. The funding for this would be a combination 100% state and 80% federal and 20% state.

(8) A \$35,000 increase is needed for both FY 86 and FY87 for the Reclamation Divisions share of the Department's Data Processing System. This system is needed to allow the division to develop a data processing system that is compatible with both state agencies and the Office of Surface Mining. Due to recent direction from the Office of Surface Mining and as a result of the Parker-Gash Decision (National Wildlife Federation v. Secretary of the Interior - Office of Surface Mining) the coal producing states will be required to have compatible data processing capabilities. The funding for this will be 80% federal and 20% state.

Supplies and Materials:	<u>FY 86</u>	<u>FY 87</u>
	\$31,076	\$31,076

Explanation: The Reclamation Division expenses for supplies and materials cover everyday expenses including small drilling supplies, and photo and reproduction.

In order to assure that prospecting plugging procedures are followed and contamination of aquifers is prevented, the Department spot checks drill holes which explains the drilling materials.

Changes to Current Level:

No changes are included.

Communications:	<u>FY 86</u>	<u>FY 87</u>
	\$37,543	\$39,889

Explanation: This pays for phones, mailings and related expenses.

Changes to Current Level:

None are included.

Travel:	<u>FY 86</u>	<u>FY 87</u>
	\$85,294	\$94,294

Explanation: Most of the Division's travel expenses are incurred during travel for mine inspections and discussions with operators and other agencies. About 1,200 sites are inspected annually and another 100 sites are inspected on a more frequent basis (quarterly and bimonthly).

Changes to Current Level:

None are included

Rent and Utilities:	<u>FY 86</u>	<u>FY 87</u>
	\$104,925	\$104,925
	\$ 2,465	\$ 2,465

Explanation: For office space the Division pays a fixed share of the Department's utilities and rent. For other rental items (i.e. Department Aircraft Rental) the budget is based on the anticipated usage.

Changes to Current Level: The major changes to the current level are listed below:

- (1) An increase of \$17,640 for both FY 86 and FY 87 will be needed to pay the increase in the office space rental. This will be funded proportionately between 100% federal, 100% industry funding and 80% federal - 20% state funding.
- (2) An increase of \$13,486 is needed to allow the Hard Rock Bureau and Coal Bureau to do increased aerial inspections of Small Mines and drill holes for bond release. The Department has determined from past experience that aerial inspections are the most cost effective way to do these inspections. The funding will be \$6,000 from state funds and \$7,486 from 80% federal and 20% state funds. Utilizing aerial inspections has allowed the agency to reallocate manpower to permit review.

Repair and Maintenance:	<u>FY 86</u>	<u>FY 87</u>
	\$11,484	\$11,484

Explanation: These expenses are primarily for the repair and maintenance of vehicles and office equipment.

Changes to Current Level:

None are included

Other:	<u>FY 86</u>	<u>FY 87</u>
	\$90,158	\$90,158

Explanation: Most of the expenses incurred under "other" are the indirect costs of administering federal funds. These expenses are paid to the Centralized Management Division and are included in the Grants Reimbursement Account shown in the Centralized Management funding.

Changes to Current Level: As federal funds expended on Abandoned Mine Reclamation projects increases the amount needed by the Department for administrative costs will continue to rise and is reflected in the budget.

<u>Equipment</u>	<u>FY 86</u>	<u>FY 87</u>
	\$89,722	\$33,667

Explanation: The Reclamation Division has located vehicles in its field office in order to expedite and decrease the cost of inspections. The Division has also purchased these vehicles for the Helena office to be used by the Abandoned Mine Reclamation Program.

Changes to Current Level:

The major changes to the current level are listed below:

(1) In FY 86 the Reclamation Division plans to purchase four vehicles.

Three of the vehicles will be purchased as replacement vehicles and one will be an additional vehicle for the Abandoned Mines Reclamation Program. The replacement vehicles will be purchased to replace the following vehicles that are worn out and hazardous to drive:

- | | |
|-------------------------|---------------|
| (1) 1975 Dodge Truck | 120,500 miles |
| (2) 1976 Chevy truck | 102,100 miles |
| (3) 1977 Chevy suburban | 77,500 miles |

The 1977 Surburban, while only having 77,500 miles, is becoming unsafe. The steering is loose and the motor needs an overhaul.

Two of these vehicles will be purchased 100% state funds, and the others will be purchased by 80% federal and 20% state funds.

In FY 87 the Reclamation Division needs to purchase three vehicles. These will all be replacement vehicles. One of the vehicles will be purchased by 100% federal funds and two will be purchased with 80% federal and 20% state funds. After FY 87 we hope to be in a position to purchase an average of two replacement vehicles per year. The division's goal is to trade vehicles before the maintenance costs become excessive. Therefore, the Reclamation Division needs the appropriation of \$89,722 for FY 86 and \$33,667 for FY 87 as recommended by the O.B.P.P. to purchase regular office equipment and vehicles.

Our current vehicle situation is a direct result of the funding problems we experienced in FY 84-85 that I explained to you earlier.

(2) In FY 86 the Reclamation Division needs to purchase word processors. (Issue 4; Word Processing Equipment, L.F.A. Budget Analyses 1987 Biennium, Volume I, page 368). The \$30,000 is funded by 80% federal funds and 20% state funds. This would be a one time equipment purchase that would allow the Reclamation Division to replace its existing outdated word processing equipment that was purchased 6 years ago. This system would also allow the Reclamation Division to participate in a coordinated departmental word processing, filing and indexing system.

This is one instance where computers have saved an F.T.E. One of the positions we shifted into the Hard Rock Bureau was a secretarial position that we were able to replace with a word processor. The workload is increasing and our machines are obsolete and slow. We are faced with either replacing the equipment or adding a secretary. The machinery is a lot cheaper than an F.T.E. I would ask your concurrence both in this program and in the Lands Division for the word processing equipment.

MODIFICATIONS

Issue 5: Attorney (LFA Budget Analysis 1987 Biennium, Volume I, page 368)

<u>FY 86</u>	<u>FY 87</u>
\$27,700	\$27,690

The Department of State Lands needs another attorney position (1.0 FTE) to handle and increased legal workload. This additional workload can be documented by the fact that our staff attorneys have worked 321 hours of compensatory time in the last six months and the legal staff is still not current. By allowing litigation to go unresolved, it usually is not cost effective. In a recent case the Department had to pay an additional \$6,000 because our attorneys were not ready to pursue the case. The additional workload is a result of increased litigation on state and federal actions that effect the Department. This position would be funded by 80% federal (\$22160/yr) and 20% state (\$5540/yr) funds.

Issue 6: Federal Agency Coordinator (L.F.A. Budget Analysis 1987 Biennium, Volume I, page 368)

<u>FY 86</u>	<u>FY 87</u>
\$24,248	\$24,238

The Reclamation Division needs a federal agency coordinator (1.0 FTE) to provide additional administrative support to address the concerns and requirements outlined by the Office of Surface Mining. The paperflow, rule changes, reporting, audits, grant preparations and oversight demands of the Office of Surface Mining have increased to the point that the Reclamation Division needs a position to coordinate these activities. This position would be funded by 80% federal funds (\$19,398/year) and 20% state funds (\$4,850/year).

Issue 7: Abandoned Mine Position (L.F.A. Budget Analysis 1987 Biennium, Volume I, page 368)

<u>FY 86</u>	<u>FY 87</u>
\$29,567	\$29,547

The Reclamation Division needs an additional abandoned mine position to meet the additional workload generated by additional construction contracts. Now that the Abandoned Mines inventory is almost complete the AML construction contracts will increase from \$5,756,184 in FY 86 to \$6,273,359 in FY 87 and will continue to increase until the AML program is terminated by the federal government in 1993-1995. As the engineering and design for more construction projects is complete, more federal construction grants will be made available to the state, thereby requiring a greater workload. This position will be funded by 100% federal funds.

Funding

01100 General Fund:	<u>FY 86</u>	<u>FY 87</u>
	\$666,379	\$606,238

Changes to Current Level: The Reclamation Division is requesting an increase of \$241,588 of General Fund monies for FY 86 and an increase of \$181,447 for FY 87 over the figure that was actually spent in FY 84. This increase is largely a result of the funding problems Reclamation Division experienced in FY 84-85 that I explained earlier and to the corresponding backlog of equipment that was not purchased and the expected increase in the costs of contracted services for legal fees for several lawsuits that we expect to be filed.

L.F.A. Differences: The L.F.A.'s recommendation for General Funds to the Reclamation Division Program for FY 86 is \$6,399 less than the figure that was actually spent by the Division in FY 84; and for FY 87 only \$17,416 more than the figure that was actually spent by the Division in FY 84. This figure is totally unacceptable in light of the fact that there was a budgeting error in FY 84-85.

I recommend that the General Fund budget figures recommended by O.B.P.P. be used to bring the Reclamation Division back on track from the FY 84-85 funding problem. Continued inadequate funding of the Reclamation Division will result in unacceptable delays in permit processing and a limitation on sorely needed inspections and monitoring.

02451 Reclamation Hard Rock:	<u>FY 86</u>	<u>FY 87</u>
	\$49,920	0

Changes to Current Level: These monies will be spent on a one time only basis in FY 86 for a hard rock reclamation research project. The monies are in an Ear-Marked Revenue fund made up of monies collected by the Hard Rock Bureau for fines, fees and penalties for such research.

02838 Environmental Impact Statements:	<u>FY 86</u>	<u>FY 87</u>
	\$766,676	\$772,722

Changes to Current Level: The changes to current level are not appreciable when considering the total amount of the appropriation. These monies are furnished by industry as part of the MEPA fee bill for the preparation of environmental impact statements.

03067 Federal Reclamation Grants:	<u>FY 86</u>	<u>FY 87</u>
	\$7,610,401	\$8,069,373

Changes to Current Level: The changes to current level are not appreciable when considering the total amount of the appropriation. These monies are federal grants for administration, inspection and enforcement for the Coal Program and for administration, engineering, design and construction for Abandoned Mine Reclamation Program.

<u>Summary</u>	<u>FY 86</u>	<u>FY 87</u>
	\$9,093,376	\$9,448,333

In summary, I recommend that the Reclamation Division's budget be based on the figures recommended by the O.B.P.P. for the General Fund appropriation. An increase in the budget authorization for 02838 and 03067 will do little to solve the Reclamation Divisions budget problems. General fund dollars are needed to fund the Opencut Bureau and the Hard Rock Bureau on a 100% basis and the Coal Bureau on an 80% federal and 20% state basis.

I realize that this is a significant increase in the General Fund funding, but this is what it will take to get the Reclamation Division back on track.

Timber Management and Forest Fire Protection Costs in Montana

**Report and Recommendations
of
Joint Interim Subcommittee No. 2
to
the 49th Legislature**

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Program 04

LAND ADMINISTRATION

General Statement

The Land Administration Division and its personnel manage school trust lands consisting of approximately 4.5 million acres of surface estate and 6.2 million acres of mineral estate. The Division is responsible for activities relating to surface leasing, easements, rights of way, land use licenses, mineral leasing, and other uses of state lands. The program is also responsible for inspections and reviews of these activities to ensure the school trust is being adequately protected and efficiently managed.

Before I begin the presentation on the Land Administration program I would like to address a concern regarding the vacancy savings for this program. The Lands program shows a \$14,646 reduction in FY 1986 and \$14,534 reduction in FY 1987 for vacancy savings by the legislative fiscal analyst and Office of Budget and Program Planning. Actual vacancy savings in the last biennium was \$6,700 which occurred only in FY 1984. If the vacancy savings has to be made up out of operating expenses the program will experience a 10% cut from what was actually spent in FY 1984. We would respectfully request that the subcommittee not consider vacancy savings for this program.

LAND ADMINISTRATION BUDGET

For the purposes of this presentation, all line items will be addressed, but I will only expand on those areas of special concern to Land Administration Division.

<u>Personal Services</u>	<u>FY 1986</u>	<u>FY 1987</u>
	\$351,513	\$352,037
	15.62 FTE	15.62 FTE

Explanation: Personal Services for the division includes salaries, employee benefits and health insurance.

Changes to Current Level: The program has an increase of 1 F.T.E. from FY 1984 to FY 1986. This increase was due to a transfer of the F.T.E. from Central Management Division to Land Administration. This person is charged with ensuring compliance with the Montana Environmental Policy Act. Having the person answering directly to the Lands Division will facilitate the duties.

<u>Operating Expenses</u>	<u>FY 86</u>	<u>FY 87</u>
	\$74,329	\$72,194
Contracted Services:	15,478	15,458

Explanation: Contracted Services expenditures for the Land Administration Division generally includes insurance, legal fees, printing photographic services, publicity, film services used in carrying out division responsibilities.

Changes to Current Level: The Land Administration program has requested an increase in printing costs of \$3,000 in FY 1986 to cover the costs of completing new administrative rules in surface and mineral leasing. The L.F.A. did not increase the printing costs by the requested \$3,000 as indicated on page 381.

In FY 1984 the program spent \$2,719 for ordinary printing requirements of the division. The L.F.A. budget only increased the printing to \$3,000 or a net increase of \$281. If the \$3,000 is removed from the FY 1987 budget the division will only have printing budget to handle normal printing costs and nothing to cover reprinting the rules

Supplies and Materials:	<u>FY 86</u>	<u>FY 87</u>
	\$11,331	\$11,331

Explanation: Supplies and materials expenditures for the Land Administration Division generally includes minor tools and instruments, gasoline, maps, photographic supplies and general office supplies.

Changes to Current Level: No changes are included

Communication:	<u>FY 86</u>	<u>FY 87</u>
	\$15,765	\$16,641

Explanation: Communications expenditures are telephone, postage and mailing expenses incurred by the Division.

Changes to Current Level: No changes are included.

Travel:	<u>FY 86</u>	<u>FY 87</u>
	\$23,076	\$23,076

Explanation: Travel expenditures are those expenses incurred for meals, lodging and motor pool vehicle rentals required by the Division staff to carry out their responsibilities.

Changes to Current Level: No changes are included.

Rent:	<u>FY 86</u>	<u>FY 87</u>
	\$3,390	\$3,390

Explanation: Rent for Land Administration is mainly incurred for costs relating to department aircraft rental.

Changes to Current Level: The O.B.P.P. request included a \$2,000 increase in rent for both FY 1986 and FY 1987 for helicopter rental to inspect remote state trust lands not having vehicular access. This is the most cost effective method as many of these remote tracts are only reached by horseback or ORV which requires much more time to inspect thus decreasing the time that can be spent on other areas. The L.F.A. deleted the \$2,000 request.

Repairs and Maintenance:	<u>FY 86</u>	<u>FY 87</u>
	\$3,792	\$3,792

Explanation: Repair and maintenance expenses are mainly incurred on field vehicles used in land inspections and reviews.

Change to Current Level: No changes are included.

Other Expenses:	<u>FY 86</u>	<u>FY 87</u>
	\$1,506	\$1,506

Explanation: These expenses are mainly for training conference dues and registration along with any periodical subscriptions needed by the Land Administration Division.

Change to Current Level: No changes are included.

<u>Equipment</u>	<u>FY 86</u>	<u>FY 87</u>
	\$45,000	\$20,000

Explanation: Equipment expenditures include any vehicle purchases and office equipment needs for the Division.

The O.B.P.P. requested \$45,000 in FY 1986 and \$20,000 in FY 1987 for the purchase of equipment for the lands program. The request for FY 1986 included \$25,000 for word processing equipment in the Central Office in Helena which has been discussed earlier and the purchase of 2 vehicles valued at approximately \$10,000 each for the field. The divisions land use specialists use pickup trucks to perform their land inspections and reviews. These vehicles are used year round on off-road situations and the vehicles must be replaced on a regular basis for safety. At the point the vehicles are no longer reliable and the repair and maintenance age costs are higher than the value of the vehicle they need to be replaced. The L.F.A. recommended that no appropriation be made for word processing equipment or vehicles in FY 1986. However, the L.F.A. did add \$2,197 to equipment to replace old office equipment in the division. In FY 1987 the O.B.P.P. requested \$20,000 for field vehicles and the L.F.A. request included no funding for equipment. It's time to replace the vehicles and the word processing is needed.

MODIFICATIONS

Issue 9 Land Use Specialist (LFA Budget Analysis 1987 Biennium, Volume I, page 368)

<u>FY 86</u>	<u>FY 87</u>
\$190,083	\$176,313

The Department has requested the addition of 5 F.T.E.'s to be used as land use specialists in the field. This would require an increase in general fund of \$190,083 for FY 1986 and \$176,313 in FY 1987. The majority of the costs for these F.T.E.'s would be offset by an increase in the Department's document processing fees. This money is deposited in the General Fund.

These specialists are needed. Presently, if they put in long hours in the summer, which they do, our people can get to each tract once each 10 years, and little else. We have no resources to follow up on other problems. Last year one employee invested approximately 3 to 4 weeks investigating why two different leases were returning so little revenue. One was poor farming practices, in the other case the lessee didn't get around to irrigating the state lands. In both cases the employee was able to document the cases such that the lessee was offered the option of paying what we should have gotten or being cancelled. The State made \$39,000. There are many more similar opportunities to increase returns by following up our leases.

There also needs to be more people for asset protection. We need to be able to do things such as:

1. Following up on complaints if a lessee is not controlling weeds as require in the lease.
2. Helping the surface lessee resolve damage payments from oil and gas operations if the two parties can't work it out.
3. Following up on problem lessees such as those who have consistently overgrazed state lands.
4. Following up on improper farming techniques such as block farming in areas where strip farming is necessary to save blowing soil problems.

The L.F.A. suggest moving some of the 51 employees engaged in putting up timber sales to the east side. While this appears on the surface to have merit (I intended to do the same thing when I came to the agency) it would not be a wise move. Actually there are 37.58 F.T.E's in the field used to administer the forested lands. They are all needed to bring in the current revenue from these

areas. On the forested lands there are no lessees to care for the land. All harvests must be planned by the agency. Actually only 22.78 of these F.T.E.'s are general fund. Reducing the number by 5 would decrease the harvest and the income by 22%. We have later asked for 22 more F.T.E.'s to increase the cut from 32 million to 50 million board feet. Moving the 5 F.T.E.'s would run counter to this.

The Department feels very confident that the monies spent for additional field people will generate an increase in trust land revenues at least equivalent to the costs of the five specialists. These specialists will also be utilized when requested in evaluating other agency lands such as the Pine Hills School lands and lands administered by the Department of Natural Resources and Conservation. Without proper staffing, a credible job cannot physically be attained. The Department respectfully requests that the committee consider the appropriation for the addition of five land use specialists.

Issue 10. Oil and Gas Enforcement (L.F.A. Budget Analysis 1987 Biennium, Volume I, page 369)

<u>FY 86</u>	<u>FY 87</u>
\$86,799	\$84,089

The Department is requesting the addition of 3 F.T.E.'s to conduct oil and gas reviews and inspections for a cost of \$86,799 in FY 1986 and \$84,089 in FY 1987. These staff increases would be utilized to conduct inspections on the approximately 350 producing wells on State Trust lands. The majority of these wells have never been reviewed by department staff. At present the division has only one geologist to oversee the nearly 5.5 million acres of lands currently under oil and gas leases. The remaining staff in the program are responsible

for bookkeeping and lease filing. Currently, the division has only been able to review the many unitization and communitization agreements for which the department has entered into. The evaluations on these agreements consists of checking complicated formulas and stipulations. With the existing staff we are only able to monitor about 1% of our leases and production agreements per year. One of the requested F.T.E.'s would serve to monitor these production agreements and monitor royalty reporting on all oil and gas leases. The FTE would also cooperate with the Department of Revenue on any audits being conducted on state land oil and gas leases. The audits of these leases is very important and many times they can realize more revenue in a single audit than the costs of the 3 F.T.E. for the biennium. Every audit has resulted in a payment request. Some as high as \$260,000. By having an accountant that can review the royalty reports as they come in, the Department feels that it can pick up discrepancies earlier and realize savings which would not be significant enough to warrant an audit. Likewise, on the ground inspection is needed. Oil and gas provide the bulk of the revenues and yet little is being done to ensure a fair return. Without the people to review royalty reports, inspect the on the ground facilities and monitor working agreements, the trust can potentially be losing revenue. The two geologists would also be utilized in monitoring the 125 metalliferous and non-metalliferous leases on state trust lands as well as seismic and other mineral related activities. The Department respectfully requests that the committee consider the appropriation to authorize the addition of 3 F.T.E.s for mineral related activities on state trust lands.

Summary

In summary, I recommend that the Land Administration budget be analyzed based on the O.B.P.P. recommendations in addition to the modifications. I realize this request is significant, however it is very important to the Land Administration in carrying out its prescribed responsibilities and will increase the income to the School trust.

Program 05

RESOURCE DEVELOPMENT

General Statement

The Resource Development Program is a state land investment program which is responsible for deriving the highest and best use of state lands for the support of the School Trust. This program is managed within the Land Administration Division. The seven F.T.E.'s are responsible for developing and monitoring projects on state lands that will increase revenue to the trust, preserve or conserve state trust land resources and perfect title to lands claimed by the state. The total funding for these personnel is derived from a percentage of the revenues of the Interest and Income Fund not to exceed 2 1/2%. The percentage is determined by the Board of Land Commissioners.

RESOURCE DEVELOPMENT BUDGET

For the purposes of the presentation I will only refer to general comments on the Resource Development program.

<u>Personal Services</u>	<u>FY 86</u>	<u>FY 87</u>
	\$176,565	\$176,638
	7.0 FTE	7.0 FTE

Explanation: The personal services include the salaries, benefits and health insurance for the Resource Development Bureau within the Land Administration Division.

Changes to Current Level: No changes in F.T.E.'s is being requested in FY 1986 and FY 1987. The Office of Budget Program Planning has requested that no

vacancy savings be applied to the Resource Development Program in FY 1986 and FY 1987. The Legislative Fiscal Analyst has recommended \$7,017 in FY 1986 and \$7,020 in FY 1987 for vacancy savings.

	<u>FY 86</u>	<u>FY 87</u>
<u>Operating Expenses</u>	\$ 39,756	\$ 40,136
<u>Other Improvements</u>	647,587	716,817

Explanation: The operating expenses for the Resource Development Program are used to evaluate and develop projects on state trust lands. All projects funded out of Resource Development program are addressed when a lessee shows an interest in developing state lands in range renovations, irrigation projects, title perfections and the like. The downturn in projects generally reflects the downturn in agricultural economics at this time. The program is increasing the projects that will protect the productivity and value of our lands such as saline seep and stockwater projects.

The Department will not address the expenditure of Resource Development funds for the Trust Land Management System. This topic has been addressed under 01.

Program 25

Forestry Division

General Statement

The Division of Forestry is charged with managing the State School Trust land that is classified as forest, fire protection and suppression, providing technical assistance to private forest landowners and for growing seedlings for reforestation on State forest lands and conservation plantings.

Current Level Request

	FY 86	FY 87
Personnel Services	4,211,400	4,220,020
(FTE)	184.81	184.81

Explanation: The Forestry Personnel Services budget includes; salaries for the permanent employees working with forest resource programs and for temporary employees to do seasonal labor-type work primarily in firefighting, hazard reduction, Timber Stand Improvement, nursery operation, and normal fringe benefits.

Changes to Current Level:

One FTE has been transferred to the Forestry Division from the Central Management Division. This position was transferred last session to the Centralized Management Division to establish a Department-wide training program, however, funds are not available to support that training program. The position has been transferred back to Forestry and will continue the previous functions. In actuality, since training dollars were not available, the position was never physically transferred.

The LFA/OBPP differences are minor. The \$1,330 difference in hourly wages, appears to be included in the LFA salary figure.

	FY 86	FY 87
Contracted Services	688,207	645,268

Explanation: The contracted services budget in Forestry includes such things as fleet insurance, work-study payments, log scaling contracts, contracting of crews for tree planting, forest thinning and other project-type work. This category of the budget also includes over \$300,000 of federal and private pass-through money that goes to government agencies.

Changes to Current Level:

Distribution of fire protection taxes and fire protection payments have been reduced by \$122,031 in FY86 and \$193,031 in FY87. This represents a reduction of contract protection payments to the U.S. Forest Service assuming the State takes on additional fire protection as provided through the reduction of the imbalance of protection areas between the State and the Forest Service. This is further addressed in modifications. If the modification is rejected this figure will have to be readjusted.

One time contracts have been reduced, reflecting a decline in the professional and consultant services needed.

Increases in contracted services include contracting crews and equipment for site preparation and brush removal which is an earmarked revenue change.

Increased vegetation alongside State forest and fire access roads have become a problem and a mowing contract is needed to reduce these hazards. The base

year did not include pass-through of federal funds to local governments qualifying for urban and community forestry contracts which increases the budget \$15,000 each year. An increase in log scaling contracts is reflected in this budget as area managers have found that it is more economical to contract scalers when timber is of small volume and delivered to remote locations.

The executive budget is \$21,162 more than the LFA budget in FY86 and \$32,966 in FY87. The increases that I have indicated are offset in other categories of the budget. It appears that as a whole the two figures are about the same, the LFA budget exceeds the executive budget in other budget categories. The total operating expenses exceed the LFA budget by only \$9,090 in FY86 and the LFA budget is actually more than the executive budget in FY87.

	FY 86	FY 87
Supplies and Materials	464,805	461,945

Explanation: The supplies and materials budget in Forestry represents current level expenditures for agricultural supplies for the nursery to include seed, greenhouse containers and fertilizer, specialized fire equipment, gasoline and diesel fuel to operate the 275 vehicles used directly for division operations, forestry engineering supplies and shop supplies necessary to develop fire tankers and equipment for the county fire program.

Changes to Current Level:

Current level changes to the forestry supplies and materials budget include an increase of \$8,500 in FY86 and \$5,500 of earmarked dollars in FY87 for nursery supplies and a reduction of building materials of \$13,912 each year. The total forestry supplies and materials budget is below FY84 by \$6,562 in FY86 and \$9,312 in FY87.

The LFA budget here exceeds the executive budget in supplies and materials.

	FY 86	FY 87
Communication and Transportation	123,808	131,548

Explanation: The communication category includes telephone, teletype, two-way radio links, STS charges, postage, mailing and box rental.

Changes to Current Level:

There are no changes, increases or decreases in current level with the exception of inflation.

The executive budget provides for an inflationary increase of 12% in FY86 and 19% in FY87 from the FY84 base. The LFA appears to be somewhat less than that. The executive budget is more realistic in the amount of inflation given for this category.

	FY 86	FY 87
Travel	84,850	84,705

Explanation: This category is made up of such items as commercial transportation, State aircraft rental, in- and out-of-State meals, lodging and vehicle mileage needed to carry out the fire, other forest resource programs.

Changes to Current Level:

There are no changes, increases or decreases in current level with the exception of inflation.

The LFA budget provides for more than the executive budget in this category again reflecting our contention that on the whole the two are similar.

	FY 86	FY 87
Rent	338,455	338,455

Explanation: The rent category in the Forestry budget includes building and office equipment leases, small equipment rentals, Department and private aircraft rent, but is primarily earmarked revenue used to contract heavy equipment in Fire Hazard Reduction and Timber Stand Improvement work.

Changes to Current Level:

Additional authorization is needed for operating helicopters during the non-fire/field season at a minimal maintenance level of three hours per month per aircraft. This authorization also enables the fire season pilots to keep familiar with aircraft operating systems and stay current and qualified for the fire/field season.

An increase in private aircraft rental is necessary as the FY84 base did not include the contract aircraft costs for the new Libby block. The 48th Legislative Assembly approved funds for this aircraft support to begin in FY85.

The LFA budget does not include the additional authorization needed for the aircraft items.

	FY 86	FY 87
Utilities	72,692	72,692

Explanation: This category includes electricity, heating fuel, propane and garbage and trash removal in support of the 20 offices throughout the state and Missoula Forestry complex buildings.

Changes to Current Level:

There are no changes to current level other than inflation for this category.

The LFA again exceeds the amount allowed in the executive budget.

	FY 86	FY 87
Repair and Maintenance	284,884	284,884

Explanation: This major category includes repair and maintenance necessary for vehicles, fire equipment, the fire radio network, buildings and grounds, office equipment, and other equipment, operated by Forestry.

Changes to Current Level:

There are no changes to current level except for an inflation increase.

	FY 86	FY 87
Other Expenses	26,766	26,766

Explanation: This category includes funds for miscellaneous expenses necessary to keep a division of this size operating including such things as funds to relocate Forestry personnel, freight and express charges and others.

Changes to Current Level:

We have maintained the '84 base as current level.

The LFA and OBPP figures are fairly close.

	FY 86	FY 87
Equipment	323,935	328,425

Forestry programs utilize and maintain equipment valued in excess of \$5,000,000. This includes a fleet of 415 vehicles used in the forest management, fire protection and county fire programs. The amount of capital equipment requested is far below the amount needed for an adequate replacement program. Not considering the county fire program which uses primarily Federal Excess equipment, Forestry has a tremendous amount of equipment that should be replaced on a regularly scheduled basis. Equipment being used in the field dating before 1974 include 135 fire pumps, 96 tanks, 199 radios, 52 chainsaws and 39 vehicles.

The Forestry capital equipment budget is very vulnerable to cuts because it is a significant dollar amount and replacing equipment can easily be put off.

The equipment budget has taken its toll of cuts already and it is obvious that further in-house cuts will have to be made if we do not realize \$350,000 worth of vacancy savings over the next biennium.

Today's firefighter is working in the most dangerous occupation in the United States. It is imperative that he or she is supplied with the most reliable, safest equipment possible.

The legislature has been good to Forestry equipment budgets in the past, recognizing this situation. I feel that I can safely put off some of these

purchases until next biennium but not if I receive additional cuts in this category.

	FY 86	FY 87
Other Improvements	25,000	25,000

Explanation: The Department of State Lands owns, operates and maintains buildings located throughout the State. Many of these buildings are old, outdated in regard to safety codes and in need of repair. The initial request in this category included some projects that were later placed on the long range building program and found their fate. The \$25,000 each year remaining in the executive budget is for the necessary repair and modification of several buildings to keep them in a useable condition. These projects do not meet the long-range building definition.

That concludes the Forestry current level budget presentation. The executive budget is a bare bones request, however, I feel with smart budget planning we can operate over the next two years without jeopardizing services.

MODIFICATIONS INCREASE HARVEST ON STATE TRUST LANDS AND SUBSEQUENT INCREASES OF
BRUSH DISPOSAL AND TSI PROGRAMS

Funding	FY 1986	FY 1987
General Fund	308,496	317,129
TSI	248,758	276,259
Brush	267,472	283,646

Expanded Timber Sale Program (General Fund)

FY 1986	FY 1987
10.42 FTE's	12.00 FTE's

Expanded Brush and TSI Program

FY 1986	FY 1987
Brush 6.28	6.28
TSI 2.75	4.5

The Department of State Lands administers approximately 568,000 acres of commercial Forest land in Montana. This acreage supports a volume of 3.2 billion board feet of timber conservatively valued at 132 million dollars.

An analysis of the recently completed timber inventory of State Trust lands indicates that forested State lands are growing more volume than is being harvested. This analysis indicates that the harvest level can be increased from the current level of approximately 32 million board feet to 50 million board feet annually. This increase integrated with prioritizing high risk and insect and disease infested stands for harvest and expanding reforestation; thinning and other silvicultural treatments will reduce losses to the trust from mortality and subsequently increase the productivity and the future income to the trust accounts.

If commitment is made by the State to more intensive management by insuring reforestation of nonstocked and understocked stands to proper stocking levels, the anticipated increase in productivity will assure even higher levels of harvest in the future.

The expanded timber sale program will generate additional brush and timber stand improvement fees collected from purchaser of State timber to be spent for hazard reduction, reforestation, thinning, and other timber stand improvement projects. The Board of Land Commissioners recently increased these fees from \$8.00 to \$11.00 per thousand board feet each for brush and timber stand improvement to compensate for inflation since the last increase in 1979. This will generate an additional \$96,000 for brush disposal and \$96,000 for timber stand improvement at the current 32 million board feet annual harvest. Increasing the harvest level by 18 million board feet will generate \$198,000 in brush disposal and \$198,000 in timber stand improvement fees annually in the 1986-87 biennium.

The expanded program will be difficult to attain requiring higher than normal levels of manpower. Access to State lands through small private lands is a problem. This will require surveying for right of way acquisition and road cost share programs to acquire permanent access to these lands. Where access cannot be acquired or where lands are difficult to manage and administer, these will need to be inventoried and appraised for exchange.

The expanded program will necessitate harvesting on steeper ground requiring expertise in logging engineering, cable and helicopter logging systems. Expertise and equipment will also be required in the use of prescribed fire for hazard reduction and site preparation on steeper slopes.

The Department estimates that at current stumpage prices this modification will bring in approximately \$1.3 million. The \$368,000 and \$317,000 General Fund expenditures will return 4:1. This is an investment the state can't afford to pass up.

FOREST ECONOMIST POSITION

The Forestry Division is currently authorized one forest economist position, approved for the FY 84-85 biennium through the budget amendment process. The position is federally funded and the authorization expires June 30, 1985. This request is to continue the authorization for the FTE through the FY 86-87 biennium, and for authorization to spend \$29,215 in FY 86 and \$30,374 in FY 87 in additional federal funds for the position. No general fund appropriation is requested.

The forest economist provides technical economics support for forestry programs and will aid the Department managers in completing benefit cost analyses on proposals, existing projects and on planning efforts.

IMPROVED NURSERY PRODUCTION

Cost	FY 86	FY 87
	\$31,696	\$31,707

Source: Earmarked and Federal Funds

The Forestry Division produces tree seedlings at the Missoula Nursery. Additional authorization is required for 1.66 FTE to be funded by federal and earmarked revenues. This FTE will be used to increase the number of trees grown for reforestation on State lands, an increasing workload in genetic tree improvement activities, and projected increase in need for seedlings for private land plantings.

REDUCTION OF USFS PROTECTION

Cost	FY 86	FY 87
	\$266,579	\$251,840

Source: Increased Landowner assessments

In 1982, the U.S. Forest Service notified the Department of its intent to begin charging the State the full cost for the fire protection being provided by the federal agency to 1.9 million acres of State and private forest lands. The Forest Service agreed not to attempt to recover their full costs if the State would enter into a phased reduction of this imbalance of protection areas between the State and the Forest Service.

The 1983 legislature approved the first area of additional State protection for 1984 and 1985, which resulted in a savings in payments to the Forest Service in excess of \$600,000 over the biennium.

During 1984 and 1985, Joint Interim Subcommittee No. 2 undertook a detailed analysis of the Department's proposal to continue the reduction process and to add another block of protection to the State fire program in 1986 and 1987. The Subcommittee recommended: "The Department of State Lands continue its phased program of equalizing forest fire protection responsibility with the United States Forest Service by assuming the White Sulphur Springs Block..."

Assumption of this block by the State will continue to show a reduction in payments to the Forest Service and will have reduced the imbalance of protection areas down from 1.9 million acres to about 1.1 million acres. Any further addition to State protection would have to be considered by the next legislative session based on a comparison of USFS full costs and the cost to establish equivalent State protection.

Included in this modification to increase the State fire protection are 9.74 FTEs which constitute four full time employees and 20 seasonal firefighters. Included in operating expenses are:

<u>Expense</u>	<u>Item</u>
Contracted Services	Aerial patrol -- fire detection
Supplies & Materials	Fire tools, tanker and pump fuel
Communication & Transportation	Phone service at two fire stations
Travel	Training of fire crews
Rent	Share of office rent -- Lincoln
Utilities	Propane for heat and cooking
Repairs & Maintenance	Repair fire trucks, saws, radios, tools

Capital equipment expenditures would include the purchase of firefighting tanker units, pumps, chainsaws and portable radios.

REQUEST BY 11 COUNTIES TO ENTER THE STATE-COOPERATIVE COUNTY FIRE PROGRAM

Cost	FY 86	FY 87
	\$275,000	\$275,000

Source: General Fund

The Department of State Lands currently has cooperative agreements with some 35 counties in Central and Eastern Montana to jointly provide wildfire protection to 40 million acres of State and private lands in these counties. Eleven counties are not currently enrolled in this program, but have requested legislative approval to do so. The Department has drafted fire plans for these counties, and has identified the level of local and State activity necessary to

to provide adequate wildfire protection. The modification before you would provide the annual basic level of State support to an additional 17 million acres necessary to meet the State's share of protection services in these 11 counties.

Included in this modification are 4.25 FTEs which include four full time employees and one seasonal position. The full time employees would be involved in obtaining military excess property for conversion to fire tankers, modification of such equipment, training of ranchers and volunteers, organizing of rural fire crews, and providing direct assistance to County Firewardens on potentially dangerous fires.

Other costs include:

<u>Expense</u>	<u>Item</u>
Contracted Services	Insurance on equipment
Supplies & Materials	Tanker fire tools, gasoline, tool caches
Communications & Transportation	Phone service to work with counties
Travel	Procure equipment and deliver, training
Repairs and Maintenance	Major repairs to equipment

Capital equipment expenditures include the purchase of fire pumps, tanks, hose reels, etc. to equip tankers at a rate of two tankers per county per biennium.

One FTE is needed as a mechanic to maintain the vehicles. The Department is currently unable to maintain the vehicles in the counties. There have been a number of vehicles that have been inoperable. If the agency is to keep the vehicles in a condition such that they are available when needed the mechanic is needed.

As was borne out last summer, training is the key to effective fire suppression. With turnover in volunteers, the need to stay current, and the formation of new units, training is a constant need. Likewise when a large fire breaks out the Department needs personnel familiar with the counties to work with them, act as a liaison with other fire groups, and to order resources from the Department. The Department needs the 3 additional FTE's to support the existing counties and the new counties.

I am not given to "cry wolf," but I say with all sincerity that funding this program at least at the level requested is a matter of life and death.

NATURAL RESOURCES SUB COMMITTEE

DATE February 14, 1985

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.