

MINUTES OF THE MEETING
NATURAL RESOURCES SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the Natural Resources Subcommittee was called to order by Chairman Swift on January 6, 1987 at 8:00 a.m. in Room 317 of the State Capitol.

ROLL CALL: This being the first committee meeting, Chairman Swift asked each committee member to introduce himself. All members were present. Also present were Carl Schweitzer, Senior Fiscal Analyst, from the Office of the Legislative Fiscal Analyst (LFA) and Karen Vollstedt, Budget Analyst, from the Office of Budget & Program Planning (OBPP).

Tape 1A:000

COMMITTEE AGENDA: Carl distributed a tentative agenda for committee meetings through February 20, the forty-second legislative day. There are seven agency budgets the committee will review and make recommendations to the Appropriations Committee. From the LFA office, Carl is responsible for all seven agency budget requests. From OBPP, Karen is responsible for six agency budget requests and Sib Clack, Budget Analyst, is responsible for the budget request of the Department of Commerce. If departments requested anything new, the LFA normally deleted the item. FY86 expenditures were used as the primary base for building the budgets for FY88 and FY89.

DEPARTMENT OF STATE LANDS: (123) Dennis Hemmer, Director, submitted requests for two supplemental appropriations, one for the Central Management Program and the other for the Forestry Program (EXHIBIT 1).

Forestry Program Supplemental: Mr. Hemmer explained the request for the supplemental appropriation (EXHIBIT 2).

Chairman Swift (175) asked if some of the costs in this request are anticipated costs. Mr. Hemmer said yes. He said the Bureau of Land Management and the U.S. Forest Service (USFS) were called and, in his opinion, these costs are accurate enough so that if there is any change from the estimates, the department will be able to absorb the difference. He said the department has not yet had time to audit the bills, but he thinks they are good estimates. He told both agencies that if their bills are significantly higher from the estimates, there may be a problem in paying them.

Sen. Smith (197) asked if excess funds in the supplemental will revert. Mr. Hemmer said the department will either revert the excess to the general fund or use it to reduce fire costs this coming spring.

Rep. Devlin (242) asked what triggers the department to become involved in a fire. Mr. Hemmer said there are two protection classes: One, west of the Continental Divide, anything not protected by the USFS or some other federal agency is protected by the state. Two, east of the Divide (with the exception of the Helena area and some other areas), the area is protected by a County Cooperative Fire Program. Counties not covered by districts are enrolled in this program. Under this program, the department provides equipment and training to the counties; however, once a fire goes beyond the control of a county and its means to control, the county requests assistance from the state. If a county needs only organization, for instance, to suppress a fire, the state sends advisors who are trained in suppressing large fires. If a county does not have resources to suppress a fire, the state sends crews to assist.

EXECUTIVE ACTION: (304)

Rep. Manuel made a motion to pay the supplemental for fire suppression in the amount of \$557,462.26. The motion was seconded by Sen. Smith. A voice vote was taken and the motion PASSED unanimously.

Central Management Supplemental: A supplemental of \$11,800 was requested (EXHIBIT 3). Of this amount, \$8,800 is for caretaker services and \$3,000 is for natural gas and electricity at the Children's Center in Twin Bridges.

Mr. Hemmer gave a brief history of the Children's Center. Use of the facility was discontinued in approximately 1974. In 1980 the facility was sold to Montana People's Association which planned to convert the facility into a retirement home. The sale price was \$451,000, with a ten-percent-down payment. They made annual payments of about \$63,000. The first three payments were made, but for the last three years no payments were made. The state carried a thirty-three year note for the property. Last spring some liens were filed on the property. Also, Housing & Urban Development funds became less available, so last spring the board declared the loan in default and the facility was returned to the state.

The buildings are deteriorating and not worth investing money for maintenance. A caretaker was hired for \$800 a month to secure the buildings, maintain the grounds and keep the pumps from freezing.

When the department attempted to sell the facility toward the end of summer, there were three problems which made the attempt unsuccessful:

1. The \$50,000 lien by an engineering firm which did work on the building at the request of the Montana People's Association;
2. The caretaker was not paid for the last seventeen months and is now owed about \$22,000 in back-wages. He is now going through the Department of Labor attempting to file a lien; and
3. The interest rate to the department last year was 13.1 percent, but the rate is lower this year.

When the department put the facility out for bid on a nation-wide advertising, there were no bidders. The engineering firm lien will expire next June. The department plans to again attempt to sell the facility next June after the expiration of that lien.

There is another problem. The property appraised at \$425,000 and the original appraiser wants \$40,000 to reappraise. Mr. Hemmer hopes department personnel can do the reappraisal to save costs and enable the property to be sold.

Sen. Smith (420) asked if the department will be coming in to ask for supplementals to pay the back-wages of the caretaker and/or the engineering firm. Mr. Hemmer said no. He was approached by both parties who asked him to come in with a supplemental request, but it is his opinion that the agreements were not entered into with the state but rather with the Montana People's Association. He said the engineering work was to add to the structures. The State Architect said if any state agency should become interested in the property, it would cost too much money to just bring the buildings up to code.

Mr. Hemmer said the positions of the lien holders are that the liens apply to the property; however, the department position is that when the state took the property back,

the liens were not held against state property. The department expressed this position to both lien holders. The engineering firm retained an attorney and said they are going to sell 3.6 acres out of the heart of the facility (basically, the only building worth something) if they don't get their \$50,000. Mr. Hemmer said the department would block that effort.

Sen. Smith asked how much down payment the purchaser made. Mr. Hemmer said \$45,000 - ten percent. Payments were made in 1981, 1982 and 1983, but were in default in 1984, 1985 and 1986. Yearly payments were about \$63,000, but because of the interest rates, by time they defaulted they owed more than on the day after they made the down payment. Rep. Devlin asked what was the contract interest rate. Mr. Hemmer said the contract required the same interest rate set each year by the Federal Land Bank - a sliding rate.

In response to a question from Rep. Devlin (493), Mr. Hemmer said there is a residual value to the buildings, but if the buildings are razed that residual value is lost. Also the cost of razing the buildings would probably exceed the value of the land. The land is valuable. One of the buildings is an historic building, but is a cost drain and must be disposed of. A number of buildings are valuable, but some are basically liabilities due to their conditions. Because interest rates are down, he is hoping to get the liens off and put the facility up for sale again. He is hoping someone will purchase the property and develop it for a recreational facility, as the Ruby and Beaverhead Rivers run adjacent to the property and come together below it. This feature is why it was advertised for sale nation-wide.

There is a Constitutional problem which stipulates a fair-market value for any state asset. The appraisal has always been interpreted as the fair-market value. He said without a change in the law, property can be put up for bid at the appraised value; however, the law isn't the driving factor because there is no law requiring an appraisal. The Constitution requires property to be sold at fair-market value. The argument has been made that if a department can't get rid of property, then it should be put out for bid and the best bid taken. The department would reject a bid which is ridiculous, however.

Tape 3A:000

Sen. Smith said he is concerned about the fair-market value. If, for instance, property were purchased for \$425,000 and the state Revenue Department later comes in and values it for ten times that amount, it would be a factor to a potential buyer from a tax standpoint. Mr. Hemmer said this is a possibility. He said he knows the county has assessed a quite heavy tax load against the facility. He will have his personnel pursue this factor to set up the appraisal value ahead of time, that is, before trying to sell the property again.

Sen. Smith asked if a private party purchases the property, will the party have to leave an historical building in place. Mr. Hemmer said a private party has less restrictions than the state. When the property was first put up for sale, an historical determination was required. There are some requirements, but he is not certain what they are. A private party, however, is not bound by the Antiquities Act, as is the state. Sen. Smith said this should also be pursued because a sale may not be possible for this reason. Mr. Hemmer said the historic situation has been ironed out and his recollection is that it is not a problem. His people, however, will follow through on the appraisal factor for tax purposes.

In response to a question from a committee member, Mr. Hemmer said the \$189,000 in total payments made on the property went into the general fund.

EXECUTIVE ACTION: (054)

Sen. Smith made a motion to approve the supplemental in the amount of \$11,800. The motion was seconded by Rep. Spaeth.

Rep. Manuel asked if there was a prior appropriation for this. Mr. Hemmer said no.

A voice vote was taken and the motion PASSED unanimously.

Chairman Swift summarized committee discussion by stating he thinks there is no question but that Mr. Hemmer has the sense of the committee that something must be done with this problem as soon as possible after June. He said the committee will not look forward to this problem next year.

REVIEW OF TOMORROW'S COMMITTEE AGENDA: (146)

Carl said there are four major issues the department may bring before the committee tomorrow:

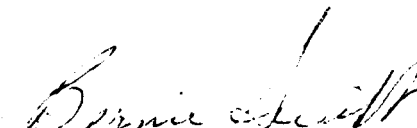
Inspection & Control: There were nine position vacancies in FY86 and they are currently vacant in FY87. The vacancies amount to 5.9 full-time equivalents (FTE) because some positions are part-time. The department may ask to reinstate these positions.

Predator Control: A state helicopter is used for predator control, but some of the helicopter work is contracted out. In both instances, the LFA used the expenditure level of FY86 as the base for the current level budget. The department has requested an increase for contracting from \$69,000 in FY86 to \$100,000 for each year of the next biennium.

The department requested between \$20,000 and \$30,000 increase for operation of the state helicopter, but the LFA kept them at current level.

Rabies Control: The general fund put in approximately \$67,000 and the department also gets \$15,000 from Fish, Wildlife & Parks (FWP) funds. The option presented is to look at using all FWP funds for rabies control and no general fund.

ADJOURNMENT: There being no further business, the meeting adjourned at 9:15 a.m.



BERNIE SWIFT, Chairman

DAILY ROLL CALL

NATURAL RESOURCES

SUB-COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1/6/87

NAME	PRESENT	ABSENT	EXCUSED
Senator Boylan	✓		
Representative Devlin	✓		
Representative Manuel	✓		
Senator Smith	✓		
Representative Spaeth	✓		
Senator Story	✓		
Representative Swift	✓		



STATE OF MONTANA

(406) 444-2074

1625 ELEVENTH AVENUE
HELENA, MONTANA 59620

December 31, 1986

EXHIBIT 1
DATE 1/6/87
State Lands

TO: David Hunter, Budget Director
Office of Budget and Program Planning

FROM: Dennis Hemmer, Commissioner
Department of State Lands

RE: Supplemental Request

Attached are B-212's for supplemental appropriations for the Central management and Forestry programs.

Program 01 Central Management

Supplemental funding is needed for the remainder of FY87 to pay for caretaking services and utilities on the facility that was formerly the Montana Children's Center in Twin Bridges.

The Department had to repossess the property in August of 1986 because the purchaser was unable to make the payment as set forth in the contract for deed. Immediately after taking possession of the property, the Department established a schedule for another sale. The facility was advertised through out the State and nationally but no offers to purchase the property were received.

The Department has negotiated a contract with an individual in Twin Bridges to perform basic caretaking and maintenance services. The facility is made up of approximately 20 buildings that require someone to check periodically to assure that the necessary equipment is operational to prevent freezing and flooding. The contract is for \$800 per month and it is estimated that utilities will cost \$3,000.

Total General Fund Supplemental \$11,800.00

Program 25 Forestry

The following is information pertinent to the fire suppression supplemental for the last fire season. The Forest Service and BLM bills have not been received by the Department and could be slightly higher or lower than listed below. Please note that the \$105,679.60 from FY86 represents the two outstanding bills from the USFS and National Park Service that were not received in time to be presented to the Special Session in June.

EXHIBIT 1
DATE 1/4/87
HB State Lands

FIRE SUPPLEMENTAL COST SUMMARY

<u>EXPENSES</u>	<u>SUPPLEMENTAL REQUEST</u>
FY86 Costs	\$105,679.60
FY87 Costs	
SBAS Fire Expense through November	\$315,610.16*
USFS Outstanding bill estimate	92,649.16
BLM Outstanding bill estimate	28,586.93
Other outstanding bill estimates	<u>14,936.41</u>
Total FY 87	<u>\$451,782.66</u>
TOTAL FIRE SUPPLEMENTAL COSTS	\$557,462.26

*Actual SBAS costs through November are \$718.89 higher than shown above. This amount is attributable to a Prescribed Fire project which will be transferred to another Responsibility Center.

jc



STATE OF MONTANA
OFFICE OF BUDGET AND PROGRAM PLANNING
OPERATIONAL PLAN/BUDGET AMENDMENT

FORM CODE	B212
AGENCY REQUEST NO.	86-16
PAGE	of
DOCUMENT NUMBER	EXHIBIT

FOR FISCAL YEAR 87 REQUEST APPROVAL FOR

Budget Amendment
 Building Program
 State Approp.

Legis. Approp.
 Admin. Approp.
 Supplemental
 Other

DATE: 1/16/87 State Lands

AGENCY CODE	AGENCY NAME	PROG. CODE	PROGRAM NAME
5501	State Lands	01	Central Management

EXPENDITURE DETAIL	EXPLANATION AND/OR JUSTIFICATION FOR THIS ACTION SET FORTH ON ATTACHED JUSTIFICATION FORM		CURRENT	INCREASE (DECREASE)	REVISED
	FULL TIME EQUIVALENT EMPLOYEES (F.T.E.)				
1100	Salaries				
1200	Hourly Wages				
1300	Other Compensation				
1400	Employee Benefits				
TOTAL PERSONAL SERVICES					
2100	Contracted Services			8,800	
2200	Supplies and Materials				
2300	Communications and Transportation				
2400	Travel				
2500	Rent				
2600	Utilities			3,000	
2700	Repair and Maintenance				
2800	Other Expenses				
2900	Goods Purchased for Resale				
TOTAL OPERATING EXPENSES				11,800	
3100	Equipment				
TOTAL EQUIPMENT					
TOTAL OPERATING COSTS					
TOTAL PROGRAM COSTS				11,800	

FINANCING	Approp. No.	SBAS APPROPRIATION NAME (Limit to 30 Characters)		
	A	17088	Central Management - General Fund	
B				
C				
D				
E				
F				
G				
H				
TOTAL FUNDING				11,800

D. P. ENCODING	Approp. No.	Bill Number	Acct. Entity	Responsibility Center	Expend. Withdrwl.	Expend. Restr.	Cont.	Transaction Description (Limit to 30 Characters)
	A	17088		01100	1000	5201		
B								
C								
D								
E								
F								
G								
H								

I certify that this action complies with appropriation acts and applicable statutes.

Agency Representative: Ann C. Williams Title: Unit Manager Admin Date: 12/31/86

REMARKS

REVIEWED BY: _____ Budget Analyst Date: _____

APPROVE
 DISAPPROVE

(For) Governor
 Chief Justice
 Board of Regents
 Chm., Leg. Comm.

Number _____

 Legal Authority _____

 Authorized Signature _____ Date _____



STATE OF MONTANA
OFFICE OF BUDGET AND PROGRAM PLANNING
OPERATIONAL PLAN/BUDGET AMENDMENT

FORM CODE B212
AGENCY REQUEST NO. 187-17
PAGE EXHIBIT 1
DOCUMENT DATE 1/16/87

FOR FISCAL YEAR 87 REQUEST APPROVAL FOR

Budget Amendment Building Program Major Act
 Legis. Approp. Admin. Approp. Program Transfer
 Supplemental Other

AGENCY CODE 5501 AGENCY NAME State Lands PROG. CODE 25 PROGRAM NAME Forestry

EXPENDITURE DETAIL	EXPLANATION AND/OR JUSTIFICATION FOR THIS ACTION SET FORTH ON ATTACHED JUSTIFICATION FORM		CURRENT	INCREASE (DECREASE)	REVISED
		FULL TIME EQUIVALENT EMPLOYEES (F.T.E.)			
	1100	Salaries		216,291	
	1200	Hourly Wages			
	1300	Other Compensation			
	1400	Employee Benefits			
		TOTAL PERSONAL SERVICES		216,291	
	2100	Contracted Services		247,957	
	2200	Supplies and Materials		35,789	
	2300	Communications and Transportation		261	
	2400	Travel		1,747	
	2500	Rent		50,512	
	2600	Utilities		44	
	2700	Repair and Maintenance		4,856	
	2800	Other Expenses		5	
	2900	Goods Purchased for Resale			
		TOTAL OPERATING EXPENSES		341,171	
	3100	Equipment			
		TOTAL EQUIPMENT		557,462	
		TOTAL OPERATING COSTS			
		TOTAL PROGRAM COSTS		557,462	

FINANCING	Approp. No.	SBAS APPROPRIATION NAME (Limit to 30 Characters)		
	A	17126	Forestry - General Fund	557,462
B				
C				
D				
E				
F				
G				
H				
		TOTAL FUNDING	557,462	

D. P. ENCODING	Approp. No.	Bill Number	Acct. Entity	Responsibility Center	Expend. Withdwl.	Expend. Restr.	Cont.	Transaction Description (Limit to 30 Characters)
	A	17126		01100	15	5201		
B								
C								
D								
E								
F								
G								
H								

I certify that this action complies with appropriation acts and applicable statutes.

Anna P. Williams Agency Representative Cont. Major Admin Title 12/31/86 Date

REMARKS

REVIEWED BY: _____ Budget Analyst Date _____

APPROVE DISAPPROVE (For) Governor
 Chief Justice
 Board of Regents
 Chm., Leg. Comm.

Number _____
 Legal Authority _____
 Authorized Signature _____ Date _____

FIRE SUPPRESSION SUPPLEMENTAL - 1986 FIRE SEASON

The Department of State Lands is not budgeted for fire suppression expenses incurred for: emergency firefighters hired locally, overtime, contracting for manpower and equipment from other agencies, supplies, aircraft rental, and other expenses typical to suppressing forest or wildland fires. The State-wide Budgeting and Accounting System (SBAS) records fire suppression expenditures as they occur and are paid during the fire season. Fiscal Year 1986 expense represents the two outstanding bills from the USFS and the Park Service not billed in time for the special session. Fiscal Year 1987 expense through November is tabulated below. Outstanding obligations are costs not posted to November SBAS. The BLM billing is based on a prebilling notification letter estimate and detail bills are forthcoming. The USFS bill is based on a telephone cost estimate and a bill is also forthcoming.

FIRE SUPPLEMENTAL COST SUMMARY

<u>EXPENSES</u>	<u>SUPPLEMENTAL REQUEST</u>
FY1986 COSTS	\$105,679.60
FY1987 COSTS:	
SBAS Fire Expense through November	315,164.16
USFS outstanding bill estimate	92,649.16
BLM outstanding bill estimate	27,898.62
Other outstanding bills projected expenses	<u>16,070.72</u>
TOTAL FY87	451,782.66
TOTAL FIRE SUPPLEMENTAL COSTS	<u>\$557,462.26</u>

The 1986 fire season was more typical of the type of fire season we experience in Montana. The spring season brought a more normal amount of rainfall in many areas of the state. We did experience a fair amount of lightning in June and July but conditions did not allow extensive fire spread during these months. Fire activity started to pick up significantly in August when wildland fuels had dried out more. High temperatures, low humidities and a number of lightning strikes increased the potential for significant wildfire spread during the latter part of the summer. Although dangerous fire conditions did develop, we were able to suppress most fire starts rapidly. The various counties were able to handle their respective fire loads throughout the fire season with a couple of exceptions. The Sand Creek fire in Yellowstone County and the Considine fire in Powder River County did require some major state assistance.

EXHIBIT 2
DATE 1/16/87
HB State Lands

The 1986 fire season recorded a total of 333 responses to wildland fire reports within our responsibility. The following is a short summary of the 333 responses, which is 53 fires above the 12 year average of 280.

<u>Major Category</u>	<u>Number</u>	<u>Acres</u>
Man caused	130	714
Lightning	173	3991
False Alarms	30	
Totals	<u>333</u>	<u>4705</u>

EXHIBIT 3
DATE 1/6/87
State bonds

CENTRAL MANAGEMENT

SUPPLEMENTAL REQUEST
GENERAL FUND

\$11,800

The supplemental is necessary to pay a contract service agreement of \$800.00 per month for caretaking services of the Children's Center in Twin Bridges. Included in the supplemental is \$3,000 for natural gas and electricity.

VISITORS' REGISTER

NATURAL RESOURCES

SUB-COMMITTEE

Dept. of State Lands Supplemental Budget Request

FORM NO. _____

DATE 1/6/87

SPONSOR _____

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Tim MURPHY	Dept of State lands		
DON UNDERWOOD	" " " "		
Jim Williams	✓ ✓ ✓ ✓		
Tom Croser	OBPP		
Gary G. Brown	Dept of State Lands		
Karen Volsted	OBPP		
Dennis Hemmer	Dept of State lands		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.