

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By Chairman Gary Spaeth, on February 15, 1989, at  
8:30 a.m.

ROLL CALL

Members Present: All members were present

Members Excused: None

Members Absent: None

Staff Present: Carl Schweitzer, LFA; Jane Hamman, OBPP; Donna  
Grace, Committee Secretary

Announcements/Discussion: None.

HEARING ON DEPARTMENT OF STATE LANDS

List of Proponents and Group they Represent

Gary Brown, DSL  
Kelly Blake, DSL  
Jim Williams, DSL  
John North, DSL

Mr. Schweitzer stated that there were some issues in this  
department's budget that had not been acted upon. They are  
outlined in Exhibit 1 prepared by the LFA's office.

Executive Action: 67:A (001)

Issue No. 1. Funding of the Reclamation Division. The  
subcommittee has approved the level of spending authority  
for the division but has not made any decision on how the  
spending authority is to be financed. The executive has  
recommended that the division's funding include \$1,200,000  
of RIT interest. Mr. Schweitzer stated that if the  
committee goes with the executive recommendation, it may be  
necessary to add a little more money because there is a 0%  
vacancy savings and the executive has included 2% so the  
additional 2% will have to be added back into the budget.

Ms. Hamman stated that the executive would recommend that the RIT  
be held at \$1.2 million and that adjustments should be made  
with general fund if necessary.

MOTION: Representative Swift made a motion to adopt the  
executive recommendation for funding the Reclamation

Division.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 2. Coal and Uranium Bureau Equipment. There is a difference between the LFA current level and the executive recommendation which was omitted from the decision sheet. The executive budget contains \$24,386 more for equipment than the LFA. The differences are the executive contains \$13,376 for a computer printer, computer upgrades, software and a network file server; \$5,000 for a hydraulic probe; and an additional \$4,010 to replace 3 vehicles. The LFA contains \$38,990 to replace 3 vehicles while the executive recommends \$43,000. The bureau is funded 70% federal funds from the office of surface mining and 30% from state funds. Mr. Amestoy said they had a computer development plan and the equipment they have requested is in line with that plan. The equipment would be used for data storage and manipulation of the environmental baseline data and their monitoring data from coal mines throughout the state.

The additional money requested would provide vehicles for routine inspection work. They would like to replace them on a regular basis every four or five years.

MOTION: Senator Devlin made a motion to adopt the LFA.

VOTE: The chairman called for a roll call vote. MOTION PASSED. Spaeth, Devlin, Swift and Jenkins voted yes; Kimberley and Jergeson voted no.

Issue No. 3. Forest Management Equipment. The subcommittee discussed this issue previously and had requested that the executive office provide the committee with a recommendation. The issue is that the Forestry Division has requested more than the executive budget recommended and the LFA current level has more than the executive recommendation. Mr. North stated that the department was withdrawing their request.

MOTION: Representative Kimberley made a motion to adopt the executive recommendation.

VOTE: MOTION PASSED. All present voted in favor.

Issue No. 4. (287) The House Appropriations committee has removed a .50 FTE forestry worker which was in the Forestry Nursery Budget. The net general fund saving is \$7,600 per year. The committee also eliminated a .62 FTE in the Land Administration Division which was a crop checker. The general fund savings for this position is \$8,809. The agency said they were not asking to have the position in the Land Administration Division reinstated so no action was needed. They explained that the reason it had not been filled was vacancy savings and if the vacancy savings is

incorporated into the budget, the money will have to come from somewhere else if this position is eliminated. Mr. Blake stated that if they had the funding to use the FTE, crop checker, they would use it. It is a several-week position. This person checks any discrepancy between the production reports and the crop check. Mr. Blake stated that a 4% vacancy savings would cause them some extreme difficulty as they have no turnover and only a minimal number of people in the department.

MOTION: Senator Jergeson made a motion to approve the removal of the forestry worker and to reinstate the crop checker. Senator Jergeson said that he would also encourage the Land Administration Division to make sure the crop checker is out checking crops.

VOTE: MOTION PASSED. Devlin voted no; all others voted yes.

Issue No. 5. (388) - De-earmarking of Funds. The Department of Administration has proposed de-earmarking the State Nursery Fund. If the subcommittee accepts the de-earmarking, the state special funding will have to be replaced with general fund.

Ms. Hamman said the executive would like to request that this fund not be de-earmarked because the department has been trying since 1984 to gradually increase the cash in this account and now has placed before the Long Range Planning Committee a priority project for the nursery. If this fund is de-earmarked, the cash that is available at the end of Fiscal Year 1989 would not be available for this project. The nursery project will cost \$88,000.

MOTION: Representative Swift made a motion, in view of the proposal for the nursery, to not de-earmark the funds in the State Nursery Fund.

VOTE: MOTION PASSED. All members voted in favor of the motion.

#### Payments in Lieu of Taxes to Counties 67:B (001)

Chairman Spaeth stated that he had invited County Commissioners to appear before the subcommittee to discuss payments to counties in lieu of taxes on state-owned lands. He expressed his thanks to Senator Nathe of Daniels County for his help in arranging the meeting.

Mr. Schweitzer furnished copies of the analysis he had prepared on this matter in September, 1988, at the request of the Legislative Finance Committee. Exhibit 2. The analysis explained how the payment is calculated. The three factors which are taken into consideration in doing the calculation are (1) the taxes that would have been paid on the land if the land had been taxable; (2) the percentage of a county's total land area that is state owned; and (3) the amount

appropriated for payment in lieu of taxes. There is a formula that is written into the statutes; however, the legislature has never fully appropriated enough money so payments to counties have been prorated based on the amount of money available.

Mr. Bill Tande, County Commissioner from Daniels County, addressed the committee. Exhibit 3. According to his figures, Daniels County lost \$54,000 in 1988. Payment was based on 1971 assessment.

John Witt, Choteau County Commissioner, stated that the Choteau County payment was based on a 1977 assessment. They felt they should have received \$109,000 and actually received \$81,000. He said that Lincoln County was based on a different assessment and he wanted to know why they were different.

Trudy Laas Skari, Liberty County, said they should have received \$11,000 and received only \$8,000. The payments are based on 1969 assessments.

Mr. Tande remarked that the difference is being made up by the private land owners and they are getting upset about taxes. He said that in the past five years the average they received is 80% of what they have requested.

Mr. Schweitzer stated that he had looked at the amounts requested and the department of revenue has handled all requests uniformly. When the taxable value is determined, the counties get 77% of what the payment would be if it was fully funded.

Senator Nathe, District #10, stated that he wanted to go on record as being in support of the position of the people from Daniels County on this issue.

Senator Jenkins requested that the committee get someone from the Department of Revenue to answer the questions being posed by both the committee members and the county commissioners appearing before the committee.

Mr. Williams of the Department of State Lands said the money for this purpose appeared in the Department of State Lands budget in the grant section under the Director's office. He said this is the first time the question has come up. The Department requests the funds and the Appropriations Committee either increases or decreases the amount depending on the availability of general funds. The amount requested is current level and, therefore, it does not show up in the budget as a specific issue and during the last two bienniums "things have been tough" and the amount has not been changed.

Representative Iverson stated that if departments of state

government are encouraged to go into the counties and become landowners, the legislature should, at the very least, be paying a full amount of reimbursement for taxes. He said he thought the program should be fully reimbursed for what the tax would have been. He said he would recommend picking up the shortfall each year. Chairman Spaeth clarified that the Fish, Wildlife and Parks Department does pay actual taxes on the property they own.

Representative Linda Nelson, District 19, Sheridan County, said that she was appearing before the committee to show her support for the county commissioners' request.

Senator Devlin said that he felt that if this matter were to be addressed to insure that the counties were getting their money from the land, it would take legislation and he didn't think it could be done through the budget process. Chairman Spaeth said he thought it could, at least to bring it up to the full formula; however, they couldn't do anything retroactively.

Mr. Schweitzer stated that one option might be to fund the program for a year back because the figures would be available then.

Chairman Spaeth said he would ask the analyst to come up with different figures and the committee will look at the amount of money and potential sources. Various options can be considered at a later time after the LFA and the OBPP have had a chance to look at the matter.

The discussion on this matter will continue at 10:30 this morning when a representative of the Department of Revenue will be available for questions.

**HEARING ON DEPARTMENT OF STATE LANDS (CONTINUED)**

67:B (563)

Issue No. 6. Language Sections. Mr. Schweitzer stated that there was some language that had been suggested by the department and the executive to be added to the bill.

(A) The department has requested language that would allow them to increase their expenditure authority by the amount of federal rebate received by the division for loaning personnel to federal agencies to assist in fire suppression actions. The request would basically grant contract authority. The executive agrees with the department.

**MOTION:** Representative Swift made a motion to approve the language and the LFA will provide the figures.

**VOTE:** MOTION PASSED. All present voted in favor.

- (B) The executive has requested language which would provide them with general fund spending authority for the funds necessary to pay for fire suppression costs. Chairman Spaeth said this issue had been dealt with.
- (C) Exhibit 4. Mr. John North said there was some dissatisfaction which Representative Marks had noted at a previous hearing on state lands about some of the federal firefighting action and, specifically, on the Warm Springs Creek fire. The question was whether the federal fire fighters had aggressively fought the fire and the question came back to whether or not the federal fire fighters were actually aware of the federal policy. He said the suggested language will give the department some direction to meet with the federal people and make sure before the season begins that everyone knows exactly what the policy is so that there won't be a repeat of what happened in 1988. Mr. Brown said he had discussed this issue with the forest service regional forester and he is interested in meeting and evaluating the master fire agreement to incorporate an understanding that will allow the department of state lands to have input to deal with this issue.

MOTION: Senator Devlin made a motion to approve the language suggested in Exhibit 4. Senator Jenkins stated that he didn't feel the language was aggressive enough. Representative Iverson said the problem was that the state is still at the mercy of what the federal will do.

VOTE: MOTION PASSED. The vote was unanimous in favor of adopting the suggested language.

Issue No. 7. Hazard Reduction Budget Modification. The executive budget proposes 2.81 FTE and \$104,670 in fiscal 1990 and \$71,760 in fiscal 1991. Mr. Schweitzer stated that the subcommittee had deferred action on this item pending the introduction of a bill which would raise the slash fees. The bill will be heard in the House Natural Resources Committee.

MOTION: Representative Iverson made a motion to approve this modification subject to the passage of HB 657.

VOTE: MOTION PASSED. All present voted yes.

Chairman Spaeth stated that the DSL has asked the committee to reconsider action taken at an earlier date relative to their telephone system. Mr. North stated that this was a part of the Land Administration budget and the item is for \$10,800 per biennium to upgrade the telephone lines between the Helena Central Office which has the trust lands management computer system and the various land offices around the state. The lines the department has are not adequate to access the computer system and it would allow the area offices to respond to the people who come into the offices

with questions.

MOTION: Representative Iverson made a motion to reconsider the executive action taken previously when considering the budget in relation to the Land Administration Division's budget which was Issue 3 in that budget.

VOTE: MOTION PASSED. All present voted in favor.

MOTION: Representative Iverson made a motion to adopt the executive level on Issue No. 3 of the Land Administration budget.

VOTE: MOTION PASSED. All present voted in favor.

#### HEARING ON DEPARTMENT OF AGRICULTURE

The remaining issues on this budget are outlined in Exhibit 5.

#### Environmental Management Division

Mr. Schweitzer explained that the subcommittee had not made a decision on three budget modifications in the Environmental Management Division or Issue 9, the maintenance contract on the gas chromatograph/mass spectrometer. If the subcommittee approved the equipment budget modification, they could also accept the executive recommendation on Issue 9. The reason these were not considered was the fact that there was a bill which was introduced in the House that would increase the fees for pesticide registration, HB 490. The bill did pass second reading in the House and would provide the money for this.

MOTION: Representative Swift made a motion to approve the modifications subject to the passage of House Bill 490 and also approve the executive recommendation for maintenance in Issue No. 9.

VOTE: MOTION PASSED. All members of the committee voted yes.

#### Noxious Weed Program

- (A) Use of Noxious Weed funding to support Centralized Services Division and administrative support for the Noxious Weed Program. The subcommittee had previously accepted the LFA current level which appropriated \$28,000 of Noxious Weed funds to Centralized Services Division which reduced the amount of general fund.

With respect to funding of the administrative support of the Noxious Weed Program with Noxious Weed Trust funds, the subcommittee has accepted the LFA current level which appropriated \$68,000 general fund for the administrator's position rather than following the executive recommendation for using Noxious Weed Trust funds.

Mr. Schweitzer stated that the question was whether or not the Noxious Weed Trust could be used for administrative costs or not. The legislative auditor's opinion is that it can't. The opinion of the department's attorney is that it can. Mr. Schweitzer stated that he had asked Mr. Petesch from the Council for his opinion and he said he thought it could be used for administrative costs but he wasn't quite so sure it could be used for the administrative position. Chairman Spaeth stated that because there was some question on this, he felt it should be brought up for discussion. He asked if the committee might want to revisit this item and make any changes. He said that of all the options he felt the committee had adopted the one which was the most defensible.

(B) Noxious Weed Contracted Services. The executive recommendation is \$2,674 greater than the LFA. Based on prior subcommittee decisions, the difference would be general fund. Mr. Murphy stated the increase is associated with the number of grants that are being funded by the program and the associated printing costs.

MOTION: Senator Jergeson made a motion to accept the executive.

VOTE: MOTION PASSED. All members voted in favor.

(C) Noxious Weed Accountant. This item was previously approved by the subcommittee, but if Noxious Weed Trust cannot be used to administer the program, then this modification should either be refinanced with general fund to support the accountant position or it could be eliminated. The general fund would have to replace \$45,735 of Noxious Weed funding.

MOTION: Representative Swift made a motion to leave it as it is.

Senator Jergeson said this accountant would be spending time helping to collect the surcharge on pesticides. Mr. Peck said, no, this person would be dealing with monitoring of grants. Mr. Schweitzer clarified that the committee had already voted to fund the weed coordinator position with general funds. The position now being considered is for an accountant to work with the weed coordinator and this position has been funded with Noxious Weed funds. There is also 1/4 of a position for the person who collects the money and that has been funded with Noxious Weed funds and, finally, there is the centralized services indirect funds which have been funded with Noxious Weed funds. The only position that is not Noxious Weed funds is the weed coordinator and the committee could change the financing to come from general funds since this is an administrative function.

SUBSTITUTE MOTION: Senator Jergeson made a substitute motion to fund the position, \$45,735, with general funds.



VOTE: The Chairman called for a roll call vote. Senator Jergeson voted yes; all others voted no. SUBSTITUTE MOTION FAILED.

Chairman Spaeth stated that he thought the committee should look at House Bill 477 before any further action is taken.

Payment in Lieu of Taxes 68:B (083)

Mr. Randy Wilke of the Department of Revenue appeared before the committee to answer questions regarding assessment of state owned lands. Chairman Spaeth stated that the main question concerned the different assessments that were used in the different counties and why the different years were used.

Mr. Wilke explained how the system works. He said that in the spring the county assessors send in a statement which indicates the number of acres of state land and breaks it down by category. The Department of Revenue calculates the tax as if it was owned by an individual. It requires a classification by the Department of Revenue. Mr. Wilke said that unfortunately, in the majority of the state, that doesn't exist. There is no classification so there is a default clause that suggests if you don't have a classification, the taxes are 12 cents per grazing acre, some other figure for farm land. There are a few counties that have tried to use classification of adjacent acres. In terms of using different years, he said he was not sure what was meant. If there is no classification, they would have defaulted to law. If they were able to use an actual classification, they would have used the existing department schedule and those schedules have been in place since the early 60's and the legislature has frozen the tax schedule. Therefore, he said that in terms of different years, unless there was a specific example, he did not know where the figures came from.

Discussion followed relative to the fact that the Department of Revenue has not classified any state land. Mr. Wilke said it would be an incredible large task and additional paper work to keep track of and they do not have the staff to do it. Mr. North stated that on the grazing land they have rated each section for grazing capacity and they have crop reports that come in on the agricultural land. This information is on the Land Management computer system. Mr. Wilke said he was not aware that the Department of State Lands had that information and would certainly look at any information they might have.

Chairman Spaeth stated that he would have the LFA look into the matter further and the committee will look at this again at a later time.

HEARING ON DEPARTMENT OF LIVESTOCK

Meat Inspection Program (231)

Chairman Spaeth stated that the department had come in with more current figures, and more expensive figures, than the committee originally had and this was thoroughly discussed. The executive has recommended \$139,400, the LFA current level is \$128,888 and the department is requesting \$276,700 for the biennium to operate the program at full capacity. Exhibit 6.

Mr. Schweitzer commented that he had not done an issue sheet but the department had done a good job of explaining the program. He said, however, that he had provided some options for consideration. One was to eliminate the program and give it back to the federal government. The other was to continue the program basically at the current level and re-examine it during the next legislative session and the third option would be to continue the meat inspection program at a limited level. They would not be able to accommodate any more inspection sites. The final option would be to consider the department's request to fund at the full level to accommodate everyone who might opt for state inspection. Mr. Graham stated that there also was another option they had developed and he proceeded to explain the program which would be about half way between what they are currently doing and what the original request was for. Chairman Spaeth commented that if the optimum plan is not funded at this time, it will probably have to be at sometime in the future. However, the philosophy adopted by the legislature was to phase the program in gradually.

MOTION: Representative Swift made a motion to adopt the second option presented by Mr. Graham, Exhibit 7. Senator Devlin asked what the difference in services would be. Mr. Graham stated that they would probably expand in only two new areas of the state which would be in the Kalispell/West Slope/Hamilton area and the other would be in the Billings area. He said he did not think they would have to turn many away.

Ms. Hamman stated that the budget office did recognize that what was submitted was not high enough and the position of the executive at this point would be to go as high as option 1, recognizing that this may need to be revisited again when the look at the bottom line of the total budget.

SUBSTITUTE MOTION: Senator Jenkins made a substitute motion to adopt Option 1, Exhibit 8, with the understanding that the funds would be spent only if they needed them. Representative Iverson said that he did agree with Senator Jenkins, however he felt that even if they were giving the department spending authority, that authority did have to be

covered by revenue because it would be going in the appropriations bill as general fund.

VOTE: MOTION FAILED. Jenkins voted yes; all others voted no.

MOTION: The Chairman called for a vote on the original motion, Option 2.

VOTE: MOTION PASSED. Spaeth voted no; all others voted in favor.

ADJOURNMENT

Adjournment At: 11:30 a.m.

  
REP. GARY SPAETH, Chairman

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DAILY ROLL CALL

NATURAL RESOURCES

SUBCOMMITTEE

DATE Dec. 15, 1989

NAME	PRESENT	ABSENT	EXCUSED
Representative Spaeth	✓		
Senator Devlin	✓		
Representative Kimberley	✓		
Representative Iverson	✓		
Representative Swift	✓		
Senator Jenkins	✓		
Senator Jergeson	✓		

ROLL CALL VOTE

NATURAL RESOURCES

SUBCOMMITTEE

DATE 2/15/89

AGENCY State Lands

NUMBER 1

NAME	AYE	NAY
Representative Spaeth	✓	
Senator Devlin	✓	
Representative Kimberley		✓
Representative Iverson		
Representative Swift	✓	
Senator Jenkins	✓	
Senator Jergeson		✓

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Nonna Grace  
Secretary

Lucy Spalding  
Chairman

Motion: Senator Devlin made a motion to adopt the LFA on Issue No. 2, Coal and Uranium Bureau Equipment.

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*not weed*

ROLL CALL VOTE

NATURAL RESOURCES

SUBCOMMITTEE

DATE 2/15/89

AGENCY Agriculture

NUMBER 2

NAME	AYE	NAY
Representative Spaeth		✓
Senator Devlin		✓
Representative Kimberley		✓
Representative Iverson		✓
Representative Swift		✓
Senator Jenkins		✓
Senator Jergeson	✓	

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*Donna Grace* Secretary                  *Ray Spaeth* Chairman

Motion: Senator Jergeson made a substitute motion to fund the noxious  
weed accountant position, \$45,735, with general funds.

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Department of State Lands  
Remaining Issues

1. Funding of the Reclamation Division

The Subcommittee has approved the level of spending authority for the division but has not made any decisions on how the spending authority will be financed. The executive has recommended that the division's funding include \$1,200,000 of RIT interest.

2. Coal and Uranium Bureau Equipment

There is a difference between the LFA current level and the executive recommendation which was omitted from the decision sheet. The executive budget contains \$24,386 more for equipment than the LFA. The differences are the executive contains \$13,376 for a computer printer, computer upgrades, software, and a network file server; \$5,000 for a hydraulic probe; and an additional \$4,010 to 3 replace vehicles. The LFA contains \$38,990 to replace 3 vehicles, while the executive recommends \$43,000.

3. Forest Management Equipment

The subcommittee discussed this issue previously and requested that the executive office provide the committee with a recommendation. The issue is that the Forestry division has requested more than the Governor's budget recommended, and the LFA current level has more than the Governor's recommendation. Table A details the Executive recommendation, the LFA current level, and the division's request.

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Table A  
Forest Management Equipment

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	<u>OBPP</u>	<u>LFA</u>	<u>Division</u>
Fiscal 1990	\$69,752	\$ 69,895	\$ 78,930
Fiscal 1991	56,250	116,725	131,017

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#### 4. Elimination of Vacant Positions

The House Appropriations committee has removed a 0.50 FTE forestry worker which was in the Forestry Nursery Budget. The net general fund saving is \$7,600 per year. The committee also eliminated a 0.62 FTE in the Land Administration Division which was titled a crop checker. The general fund savings for this position is \$8,809 per year.

#### 5. De-earmarking of funds

The State Nursery fund is proposed to be de-earmarked. If the subcommittee accepts the de-earmarking then the state special funding will have to be replaced with general fund.

#### 6. Language Sections - 3 section proposed by the department and the executive

A. The department has requested language that would allow them to increase their expenditure authority by the amount of federal rebate received by the division for loaning personnel to federal agencies to assist in fire suppression actions.

B. The executive has requests language which would provide them with general fund spending authority for the funds necessary to pay for fire suppression costs.

#### 7. Hazard Reduction Budget Modification

The executive budget proposes 2.81 FTE and \$104,670 in fiscal 1990 and \$71,760 in fiscal 1991. The subcommittee deferred action on this item pending an introduction of a bill to raise the slash fees.

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C. -

*area telephone .*





JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL  
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2-15-89  
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September 2, 1988

TO: Legislative Finance Committee  
FROM: Carl Schweitzer, Senior Fiscal Analyst  
Curt Nichols, Deputy Fiscal Analyst  
SUBJECT: Payment in Lieu of Taxes

*Carl Schweitzer*  
*CNN*

At the January 22, 1988 Legislative Finance Committee meeting there were four items relative to the report on "Trust Lands Income" that the committee requested staff to provide additional information. The four questions were: 1) what would each county receive if the existing \$265,000 payment in lieu of taxes appropriation were spread to all counties using the present formula; 2) if the 18 counties who are currently receiving payment in lieu of taxes continue to share a \$265,000 appropriation, what additional funds would be needed to include the other 38 counties in a payment in lieu of taxes formula; 3) what would the cost be to completely replace all lost tax revenues; and 4) what would be the effect of appropriating trust lands income rather than general fund for the payment in lieu of taxes. The questions are addressed in the following paragraphs.

Sharing \$265,000 With All 56 Counties

As stated in the January report, the legislature has annually appropriated \$265,000 for the payment in lieu of taxes to those counties in which the state owns 6 percent or more of the county's land area. Currently there are 18 counties which receive a portion of the payment in lieu of taxes appropriation. The first question of "what would each county

the existing \$265,000 payment in lieu of taxes appropriation were spread to all counties using the present formula" requires amending the present formula to permit payment to counties with less than 6 percent of their land area owned by the state.

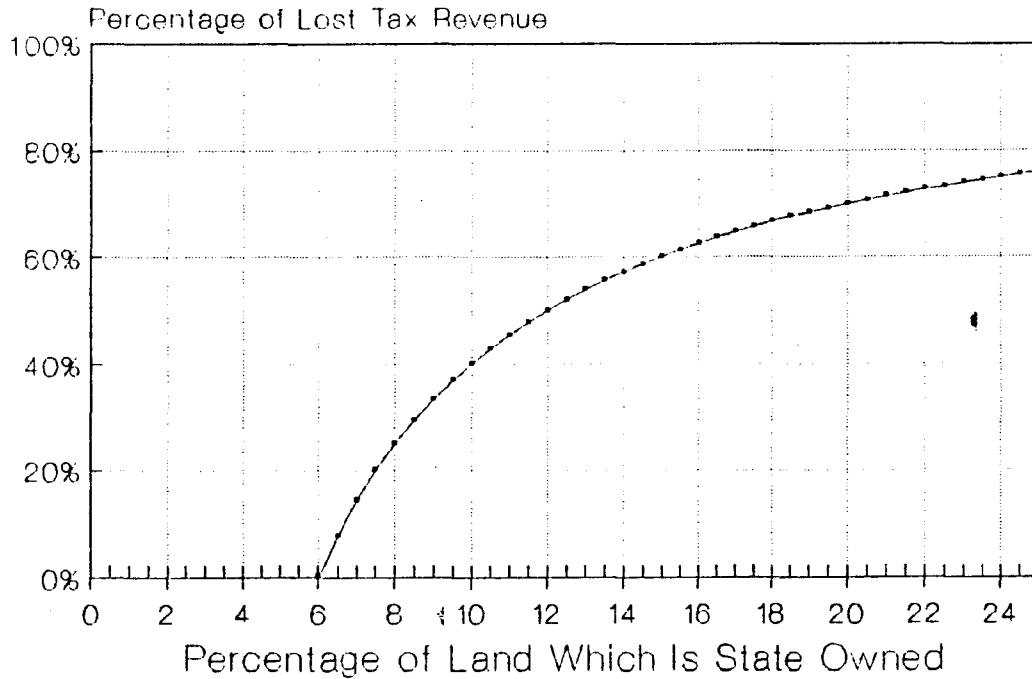
The payment in lieu of taxes to each county is calculated based on: 1) the taxes that would have been paid on the land if the land had been taxable; 2) the percentage of a county's total land area that is state owned; and 3) the amount appropriated for payment in lieu of taxes. The first part of the calculation, "the taxes that would have been paid on the land had it been taxable," is produced by the Department of Revenue. For each county in which the state owns over 6 percent of the land area the Department of Revenue computes the taxes which would have been payable if the state property were taxable. The computed taxes which would have been payable is called the "lost tax revenue."

The second part of the calculation, "the percentage of a county's total land area that is stated owned," is a statutory formula. The formula relates the percentage of a county's lost tax revenues the state will pay, to the percentage of state land owned in the county. Under this formula counties which have 6 percent or less state-owned land receive zero percent of their lost tax revenue; a county with 10 percent state-owned land would receive 40 percent of its lost tax revenue; and a county with 20 percent state-owned land would receive 70 percent of its lost tax revenue. This formula is illustrated in Graph 1. To use Graph 1 one must know the percent of land owned by the state in a county. For example, if the state owns 10 percent of a county, the county will receive 40 percent of its lost tax revenues.

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**Graph 1**  
**Payment in Lieu of Taxes**  
**Current Distribution Formula**

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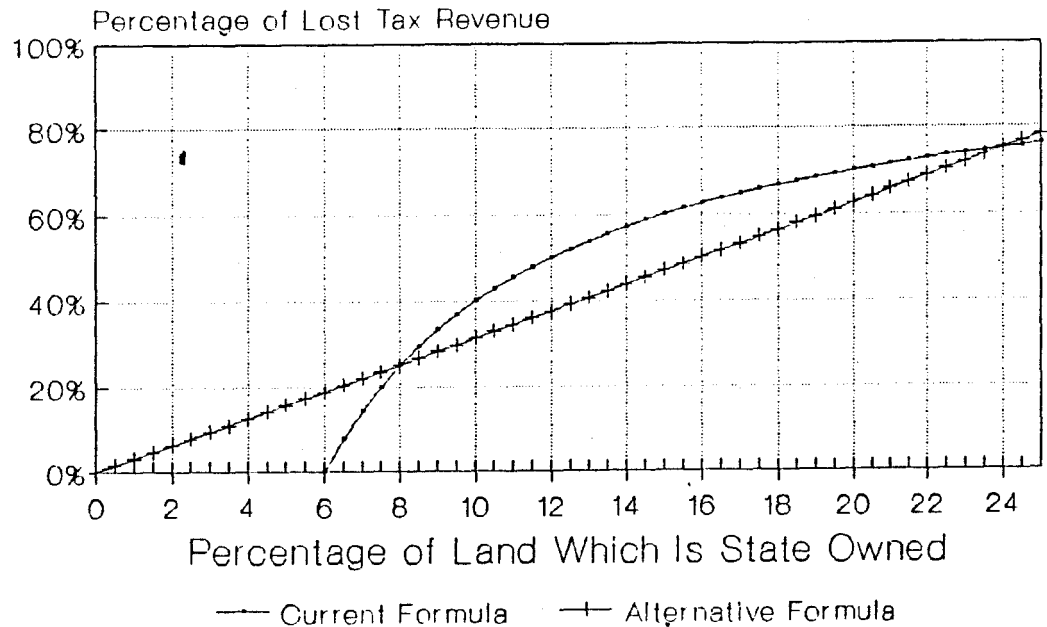
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The third step in the calculation is to total all the amounts the counties would receive from the statutory formula. The amount appropriated for "payment in lieu of taxes" is then divided by the total to determine the percentage each county will receive. For example, in fiscal 1986 the total amount the counties would have received from the statutory formula was \$332,320. The amount appropriated was \$265,000, or 80 percent of the total amount.

As can be seen in Graph 1, the current formula does not allow a payment in lieu of taxes payment to counties with less than 6 percent of their land area owned by the state. Therefore, an alternative formula has been developed which does include counties with less than six percent stated-owned land. That formula, which is illustrated in Graph 2 retains

the concept of counties with higher percentages of their land owned by the state receiving a higher percentage of their lost tax revenue. Graph 2 also includes the curve of the current formula for perspective.

**Graph 2**  
**Payment in Lieu of Taxes**  
**Alternative Distribution Formula**



Using the alternative formula and an average lost tax revenue of \$0.395 per acre for state-owned land in the 38 counties with less than 6 percent state-owned land (the average lost tax revenue per acre in the current 18 counties receiving the payment in lieu of taxes - see pages 7 and 8), the total amount all counties would receive is \$489,837. If \$265,000 is appropriated for payment in lieu of taxes, each county would receive 54 percent of its eligible lost tax revenues. Table 1 details what each county would receive if the \$265,000 were shared by all counties. Table 1 also shows what each county received in fiscal 1986 (current formula column).

**Table 1**  
**Allocating \$265,000 to 56 Counties**

<u>County</u>	<u>Current Formula</u>	<u>Alternative Formula</u>	<u>County</u>	<u>Current Formula</u>	<u>Alternative Formula</u>
Beaverhead	\$26,288	\$14,415	Musselshell	\$ 398	\$1,101
Choteau	82,177	42,473	Wheatland	4,001	2,674
Daniels	82,494	56,010	Missoula	-0-	1,934
Valley	5,645	7,506	Fallon	503	913
Phillips	-0-	7,210	Lincoln	-0-	1,198
Blaine	2,544	4,683	Sanders	-0-	1,514
Rosebud	-0-	6,534	Petroleum	-0-	2,540
Garfield	-0-	6,537	Lake	-0-	2,483
Fergus	-0-	6,039	Powell	-0-	1,550
Hill	13,568	8,971	Pondera	-0-	2,041
Carter	3,233	4,242	Gallatin	-0-	1,129
Powder River	1,616	2,117	Golden Valley	-0-	1,305
Custer	-0-	5,478	Sweet Grass	-0-	1,257
Lewis and Clark	-0-	5,376	Sheridan	-0-	1,291
Flathead	-0-	3,466	Stillwater	-0-	1,186
Madison	-0-	6,242	Carbon	-0-	934
Teton	6,175	6,086	Treasure	-0-	1,479
Toole	7,022	4,701	Jefferson	-0-	741
Judith Basin	18,524	11,888	Park	-0-	396
McCone	-0-	2,623	Wibaux	-0-	1,251
Meagher	-0-	3,625	Ravalli	-0-	417
Dawson	-0-	3,387	Broadwater	-0-	525
Big Horn	-0-	1,573	Mineral	-0-	412
Liberty	8,242	4,549	Roosevelt	-0-	174
Richland	318	1,613	Granite	-0-	211
Yellowstone	-0-	2,473	Silver Bow	-0-	257
Cascade	-0-	2,336	Glacier	-0-	24
Prairie	1,404	1,828	Deer Lodge	-0-	83
<b>Total Current Formula for All Counties</b>				<b>\$265,000</b>	
<b>Total Alternative Formula for All Counties</b>					<b>\$265,000</b>

Eighteen Counties Share \$265,000; Thirty-eight Counties Share \$131,583

The second question was: If the 18 counties who are currently receiving a payment in lieu of taxes continue to share a \$265,000 appropriation, what additional funds would be needed to include the other 38 counties in a payment in lieu of taxes formula? Using the alternative formula the current 18 counties would be eligible to receive \$327,314 of

lost tax revenues. If \$265,000 was appropriated, 81 percent of the \$327,314 would be paid. In using the alternative formula the amounts received by each county would change though the total would remain at \$265,000. Five counties would receive more and 13 counties would receive less.

Under the alternative formula the total amount the other 38 counties would be eligible to receive would be \$162,524. If they can receive only 81 percent as the 18 counties did, the \$162,524 would be reduced to \$131,583. Therefore, to fund a payment in lieu of taxes to all counties would require an annual appropriation of \$396,583 ( $\$265,000 + \$131,583$ ). Table 2 details what each of the counties would receive. The first column is the current distribution of the \$265,000 appropriation. The second column is the distribution of funds with \$265,000 being shared by 18 counties and \$131,583 shared by 38 counties.

**Table 2**  
**Allocating \$265,000 to 18 Counties and \$131,583 to 38 Counties**

<u>County</u>	<u>Current Formula</u>	<u>Alternative Formula</u>	<u>County</u>	<u>Current Formula</u>	<u>Alternative Formula</u>
Beaverhead	\$26,288	\$21,573	Musselshell	\$ 398	\$1,647
Choteau	82,177	63,562	Wheatland	4,001	4,002
Daniels	82,494	83,821	Missoula	-0-	2,894
Valley	5,645	11,233	Fallon	503	1,366
Phillips	-0-	10,791	Lincoln	-0-	1,794
Blaine	2,544	7,009	Sanders	-0-	2,266
Rosebud	-0-	9,778	Petroleum	-0-	3,801
Garfield	-0-	9,783	Lake	-0-	3,716
Fergus	-0-	9,037	Powell	-0-	2,320
Mill	13,568	13,425	Pondera	-0-	3,055
Carter	3,233	6,348	Gallatin	-0-	1,689
Powder River	1,616	3,168	Golden Valley	-0-	1,954
Custer	-0-	8,197	Sweet Grass	-0-	1,881
Lewis and Clark	-0-	8,045	Sheridan	-0-	1,933
Flathead	-0-	5,187	Stillwater	-0-	1,775
Madison	-0-	9,342	Carbon	-0-	1,397
Teton	6,175	9,109	Treasure	-0-	2,213
Toole	7,022	7,036	Jefferson	-0-	1,109
Judith Basin	18,524	17,791	Park	-0-	592
McCone	-0-	3,925	Hibaux	-0-	1,873
Meagher	-0-	5,425	Ravalli	-0-	624
Dawson	-0-	5,068	Broadwater	-0-	786
Big Horn	-0-	2,355	Mineral	-0-	616
Liberty	8,242	6,808	Roosevelt	-0-	260
Richland	318	2,414	Granite	-0-	316
Yellowstone	-0-	3,701	Silver Bow	-0-	384
Cascade	-0-	3,496	Glacier	-0-	36
Prairie	1,404	2,735	Deer Lodge	-0-	124
<b>Total Current Formula for All Counties</b>				<b>\$265,000</b>	
<b>Total Alternative Formula for All Counties</b>					<b>\$396,583</b>

**Fully Funded Payment in Lieu of Taxes Program**

The third question was: What would the cost be to completely replace all lost tax revenues? We do not have information on the taxable value of all state owned lands nor the tax rates to which the lands would be subject. However, a rough estimate may be made based upon the 18 counties who received payments. The fiscal 1986 Department of Revenue

statement of taxes that would have been collected on state lands in the 18 counties who received payments was calculated at \$974,950, and the land owned by the state in the 18 counties was 2,467,285 acres. This results in lost taxes of \$0.395 per acre. If the lost tax revenue on all of the 5.1 million acres of trust land were the average of \$0.395 per acre the total state obligation would be \$2,037,700.

#### Alternative Funding

The fourth question was: What would be the effect of appropriating trust lands income rather than general funds for the payment in lieu of taxes? In terms of the overall state budget, using trust income rather than general fund for the payment in lieu of taxes would make little difference. Trust income is currently used each year for the support of the trustees (i.e., public schools, universities, and state institutions). Also, general fund dollars are used to finance the operations of these trustees. If a portion of trust income were used to fund the payment in lieu of taxes, then the general fund saving would most likely be used to increase the general fund support of the trustees who had lost trust income.



# DANIELS COUNTY

SCOBEEY, MONTANA 59263

EXHIBIT 3  
DATE 2-15-89  
HD 100

State land was granted to the State by the United States Government to hold in trust for the support of education and for attainment of other worthy objects helpful to the well-being of the people of the State of Montana. This amount of land is approximately 5.37%. Six counties have over 8% of their total land area held in trust by the state. They are Beaverhead, Choteau, Daniels, Judith Basin, Liberty and Wheatland Counties.

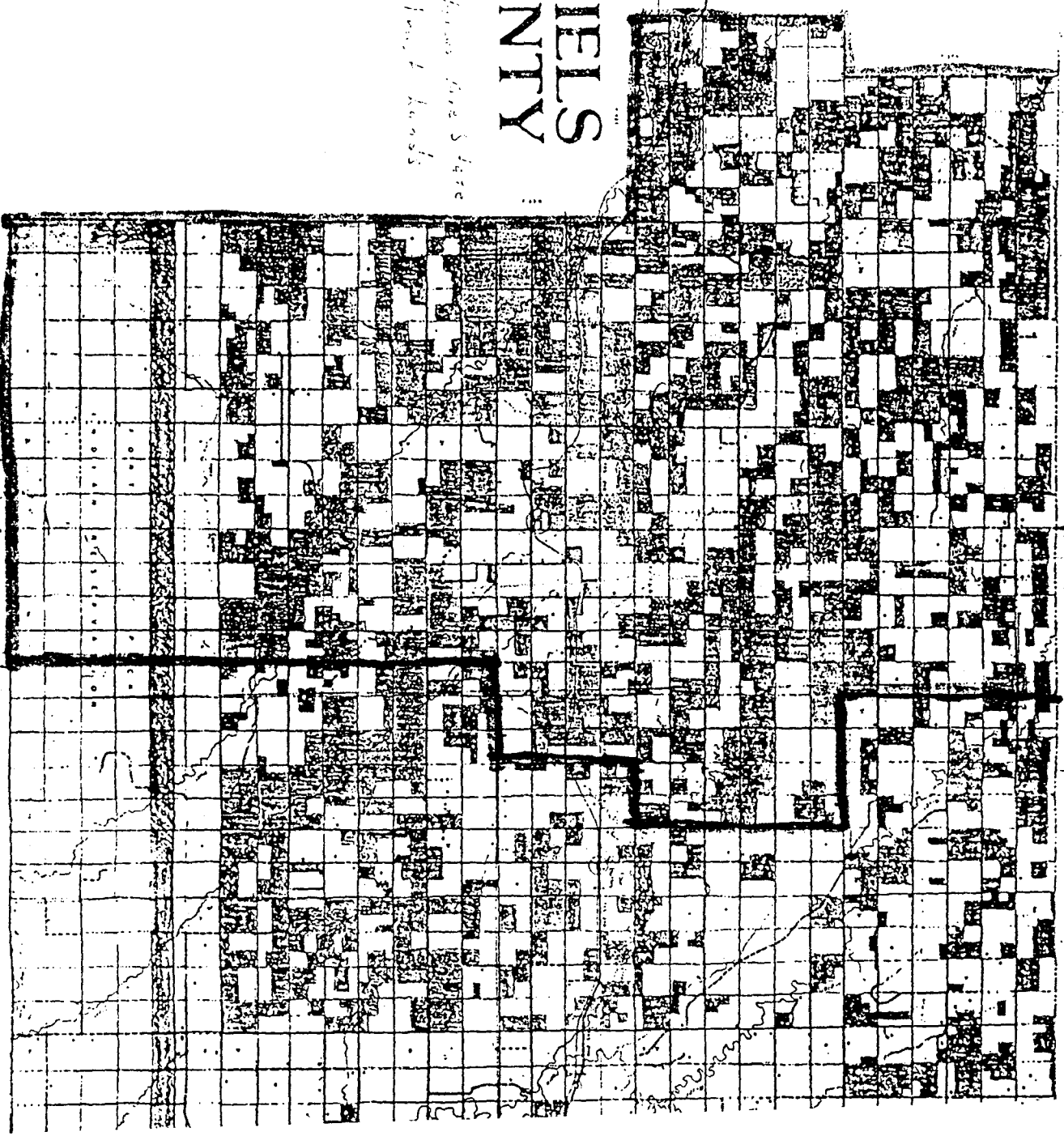
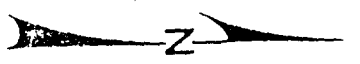
Because of excessive holdings of state-owned land in certain counties, the tax base of these counties is materially reduced. For the maintenance of county government and operation of schools within the county the property holders of counties with large holdings of state land have to carry a greater tax burden than other counties with less than the average portion of state-owned tax-free land.

Daniels County's state land equalization payment request for 1988 is based on a taxable value of \$464,268.00. This is based on the 1971 assessment. If based on a 1981 assessment, the taxable value would be \$561,219.00. Therefore, the county has a loss of \$97,000.00 taxable value. In the last five years the Daniels County equalization payment has averaged 80% of the county's request. These losses are made up by the private taxpayers.

If the 1988 equalization payment request had been based on a 1981 assessment, the amount would have been approximately \$141,000.00 requested instead of \$117,000.00. Daniels County received approximately \$87,000.00, which is 75% of the \$117,000.00 requested. Using 100% of the 1981 assessment, Daniels County lost \$54,000.00!

# DANIELS COUNTY

*Dep. Areas are State  
owned land & roads*



DOMINION OF CANADA  
OR  
OREGON

State Land Reimbursement For Daniels County

1969	37,967.55	
1970	37,967.55	
1971	57,420.00	
1972	52,200.00	
1973	52,384.00	
1974	55,472.00	
1975	59,762.50	
1976	61,398.49	
1977	61,858.95	
1978	55,179.97	= 90.3%
1979	70,159.00	= 91.1%
1980	67,293.00	= 89.2%
1981	69,923.00	
1982	67,790.00	
1983	84,671.00	
1984	79,375.00	93.5% = 84.82%
1985	86,278.00	100.2% = 81.23%
1986	80,844.61	103.9% = 77.75%
1987	78,621.00	97.6% = 80.54%
1988	86,897.32	117.4% = 73.47%

EXHIBIT 4  
DATE 2-15-89  
NO. 100

February 14, 1989

C. The Department of State Lands and each recognized federal fire protection agency shall, in advance of the fire season, prepare annual operating plans concerning fire prevention, training, communications, detection, suppression, and prescribed fire for all areas, including special management areas, that are of concern to both agencies. It is the intent of the legislature that one of the Department's purposes in negotiating these plans be to promote clarity among federal and state firefighting units regarding policies for management of fires in special management areas and to thereby prevent unnecessary expenditure of state general fund.

EXHIBIT 5  
DATE 2-15-89  
HB 100

Department of Agriculture Issues  
Remaining Issues

1. Environmental Management Division

The subcommittee has not made a decision on the 3 budget modifications in the the Environmental Management Division. Page 2 of the Agriculture Department Decision Package. Also dependent upon the committee's decision on the Equipment Purchase budget modification is Issue 9 the maintenance contract on gas chromatograph/mass spectrometer. If the subcommittee approves the equipment budget modification then they could also accept the executive recommendation on Issue 9.

2. Noxious Weed Program.

A. Use of Noxious Weed funding to support Centralized Services Division and administrative support for the Noxious Weed Program. The subcommittee has previous accepted the LFA current level which appropriated \$28,000 (\$14,000/year) of Noxious Weed funding to Centralized Services Division which reduced the general fund. Issue 7 on Page 10.

With respect to funding of the andministrative support of the Noxious Weed Program with Noxious Weed funding, the subcommittee has accepted the LFA current level which appropriated \$68,400 general fund for the administrators position rather than following the executive recommendation of using Noxious Weed funding.

B. Noxious Weed Contracted Services: Issue 3 on Page 6 The Executive recommendation is \$2,674 greater than the LFA. Based on prior subcommittee decisions the difference would be general fund.

C. Noxious Weed Accountant: -Budget Modification 1 on Page 8 This item was previously approved by the subcommittee. But if Noxious Weed funding can not be used to administer the program than this modification should either be refinanced with general fund to support the accountant position, or it could be turned down. The general fund would have to replace \$45,735 of Noxious Weed funding

EXHIBIT 6  
 DATE 2-15-89  
 HB 100

Department of Livestock  
 Remaining Issues

1. Meat Inspection Program

Table A. Details the Executive original recommendation, the LFA current level and the Department's revised request

Table A  
 Meat Inspection Program  
 1991 Biennial Budget

<u>Budget Item</u>	<u>Executive</u>	<u>LFA Curr Lvl</u>	<u>Department</u>
FTE	10.0	9.0	17.0
Personal Ser	\$239,428	\$218,405	\$414,399
Operating Ex	37,868	37,868	136,000
Equipment	1,504	1,504	3,000
Total	\$278,800	\$257,777	\$553,399
<b>Funding</b>			
General Fund	\$139,400	\$128,888	\$276,700
Federal Funds	\$139,400	\$128,888	\$276,700

EXHIBIT 7  
 DATE 2-15-89  
 HB 100

DEPARTMENT OF LIVESTOCK  
 MEAT INSPECTION PROGRAM  
 PROJECTED BUDGET F.Y. 90

OPTION 2

Personal Services:

1 grade 16 x	39,617	39,617
1 grade 19 x	40,537	40,537
1 grade 14 x	28,112	28,112
1 grade 14 x	25,621	25,621
1 grade 11 x	21,430	21,430
5 grade 11 x	20,754	103,770
2 grade 11 x	19,642	39,284
1 grade 10 x	19,826	<u>19,826</u>
		318,197

Total F.T.E. 13

Total Personal Services 318,197 318,197

Operations:

Contracted Services	30,000
Supplies	24,000
Communications	5,000
Travel	30,000
Rent	14,375
Repair & Maintenance	5,000
Other	<u>4,000</u>

Total Operations 112,375 112,375

Equipment 3,000 3,000

Total Program 433,572

433,572 x .5 = 216,786 Gen. Fund  
 216,786 Fed. Funding

- 1.) This adds 1 F.T.E. to current level.
- 2.) This adds \$ 79,886 to current level without supplemental.
- 3.) This adds \$60,018 to current level with supplemental.
- 4.) We could expand into 2 new areas of state.

EXHIBIT 8  
 DATE 2-15-89  
 HB 100

DEPARTMENT OF LIVESTOCK  
 MEAT INSPECTION PROGRAM  
 PROJECTED BUDGET F.Y. 90 & 91

OPTION 1

Personal Services:

1 grade 16 x	39,617	39,617	
1 grade 19 x	40,537	40,537	
1 grade 14 x	28,112	28,112	
1 grade 14 x	25,621	25,621	
1 grade 11 x	21,430	21,430	
5 grade 11 x	20,754	103,770	
4 grade 11 x	19,642	78,568	
1 grade 10 x	19,826	19,826	
2 grade 13 x	23,459	46,918	
		<u>404,399</u>	
Total F.T.E. 17			
Overtime		<u>10,000</u>	
Total Personal Services	414,399		414,399

Operations:

Contracted Services	35,000	
Supplies	24,000	
Communications	5,000	
Travel	40,000	
Rent	23,000	
Repair & Maintenance	5,000	
Other	<u>4,000</u>	
Total Operations	136,000	136,000
Equipment	3,000	<u>3,000</u>
Total Program		553,399

553,399 x .5 = 276,700 Gen. Fund  
 276,699 Fed. Funding

- 1.) This adds 5 F.T.E. to current level.
- 2.) This adds \$139,800 to current level general fund without supplemental.
- 3.) This adds \$119,932 to current level with supplemental.
- 4.) This allows for complete statewide program.



VISITOR'S REGISTER

SUBCOMMITTEE \_\_\_\_\_

AGENCY (S) \_\_\_\_\_

DATE Feb. 15, 1989

DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
DALE FOSSEN	D.C. Commissioner		
Tandy Laas Stark	Liberty County Commissioner		
Laverne Piershaws	Daniels C. Commissioner		
Bill Tande	Daniels County Comm		
John E. Witt	Monteau County		
Gary J. Brown	DSL		
Kelly Blake	DSL		
Jim Williams	DSL		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.