MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN BERV KIMBERLEY**, on January 21, 1991, at 8;00 A.M.

ROLL CALL

Members Present:
Rep. Berv Kimberley, Chair (D)
Sen. Gerry Devlin (R)
Rep. Ed Grady (R)
Rep. Jerry Nisbet (D)
Sen. Cecil Weeding (D)

Members Excused: None

Members Absent: Sen. Esther Bengtson,Vice-Chair.

Staff Present: Roger Lloyd, Associate Fiscal Analyst (LFA)
Carl Schweitzer, Budget Analyst (OBPP)
Theda Rossberg, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: **CHAIRMAN KIMBERLEY**, discussed the overtime for upgrading positions on the previous meeting and said they would wait for both subcommittees to get together. **Carl Schweitzer, OBPP** told the committee the upgrades were put into overtime as there wasn't an upgrade category and Department of Health also has had a number of upgrades approved and funded.

SEN. WEEDING asked about amendments. **CHAIR. KIMBERLEY** stated, they have to go through a committee member. However, if they fail in this committee, that is the end of it. If it passes here it would be submitted to the entire Appropriations Committee.
SEN. WEEDING asked if the amendment should be in a written form? **Mr. Schweitzer** wasn't sure of the procedure if a bill is presented to House Appropriations, it would have to be formally amended. However, if a bill is created after House Appropriations acts, I don't think you need a formal amendment. All you would do is, the LFA and this committee would get together and present the recommendations of the subcommittee to the full committee and they would be voted on at that time.

DEPARTMENT OF STATE LANDS

EXHIBIT 1 - Dennis Casey, Commissioner of Department of State Lands gave an overview on this department. He directed his testimony towards the differences of the LFA Budget and the Executive Budget. Each program administrator will provide a brief description of their program.

Page 2. Organization Chart of Divisions and their administrators.

Page 3. Department of State Lands Missions: Trust Land Management, Wildfire Suppression, Mined Land Reclamation and Forestry Assistance.

Page 4. 1989 Grants for Trust Land Surface Acreage.

Page 5. Distributable and Non-distributable Income Earned on State Lands (a five year comparison).

Page 6. FY 90-91 Budget Breakdown.

Mr. Casey stated, some of the items of concern to the department are: Hiring and Retention - The Reclamation Division has had a severe problem of retention and recruitment problems. One of the problems is the salaries of professionals fall about 30% below market value for their expertise. Many professionals spend two years working for State Lands, reaching a level of competence in a program which is valuable to the state, only to be hired by a consulting firm or a mining company at a much higher salary. When this committee looks at the pay plan, I hope you will consider a higher pay plan for pay at the professional level.

Equipment Replacement:
Replace of equipment is vital if the department is to accomplish it's mandated goals. For several bienniums the department's capital has been insufficient to replace obsolete equipment which is beyond repair. Our vehicles are especially in need of replacement for our Forestry Division and land-use specialists to conduct field activities. The 1989 Legislature requested a study by the department of vehicle needs and present a replacement schedule to the next session. The Forestry Division has made the study and will be presenting a schedule to this committee.

Rental Space:
The department currently rents the top floor of the USF&G building which is not adequate. We are extremely overcrowded and have file cabinets in the hallways, which creates a hazard.

Personnel Needs:
The department is asking for an increase in FTE'S. With the increase in demands in the different areas, we cannot meet our mandates without additional FTE'S.

Trust Land Funding:
The Governor's budget includes interest and income from the trust of about $3.5 million per year. We feel that paying for management of trust lands from this fund is good business. However, there is some feeling that earmarking funds is not the best solution. Using the general fund may be the best way for funding which we will discuss with the committee. The Legislative Council's opinion is, using trust funds for managing of the trust is unconstitutional. The budget amount does not change.

Recreational EIS:
When the present land board took office in 1989 and the commissioner took office in that same year, we found ourselves in a law suit that had been filed against the board by sportsman to obtain access to state lands. We were directed by an attorney to seek an agreement between the sportsman group, the Montana Stockgrowers and the Montana Farm Bureau, who had entered this suit with the department and the Board of Land Commissioners. We resolved many issues; unfortunately, neither side could resolve the issue of reimbursement for damage to lessees. The board was instructed to hold public meetings for public input and come up with a plan for which recreational use of lands could be adopted. From those meetings, we developed a preliminary plan to ask the Board of Land Commissioners for permission to develop an Environmental Analysis Assessment. The permission was granted and we were to report back to the Commission the results of the assessment. When making an EAA, it has to be determined if an Environmental Impact may occur, which could not be resolved so we recommended an Environmental Impact Statement on recreational use which was funded at $300,000. We are asking for an amendment of an additional $650,000 for an expanded EIS which would include grazing, timber and agriculture uses.

Central Management Division:
Bob Kuchenbrod, Division Administrator of Central Management introduced some of the Bureau Chiefs which will be giving testimony. **Gary Willis, Personnel Bureau Chief; Al Christianson, Fiscal Bureau Chief; Rick Burger, Air Operations Head Pilot.**

EXHIBIT 2 - Mr. Kuchenbrod reviewed the Central Management Division Functional Chart.

EXHIBIT 3 - Page 6 - 12. **Mr. Kuchenbrod** reviewed this exhibit with the committee.

EXHIBIT 4 - Mr. Lloyd addressed the budget differences between the LFA and the Executive Budget. The funding sources differences are broken down on Page 2 into categories which were easy to identify. On Item 1, Trust and Legacy Income, General Funds will now be used as Mr. Casey recommended in his testimony.

2. Reorganization: The differences of the LFA of $17,833 FY92

and $17,820 FY93 is the result of moving one FTE out of this program. Also, additional rent of $45,000 each year if reorganization passes. Therefore, this would not be an action item for this committee.

3. Administration Program: A. Networking Fees, the General Government Subcommittee has met and approved the modification which allows the Department of Administration to increase Networking Fees of $58,605 each year. B. Budget Base Differences, The LFA budgeted $14,224 FY92 and $13,588 FY93 actual FY90 expenditures which were greater than the Executive Budget. C. Funding, the committee should review funding after the funding of other programs have been set. The LFA uses a portion of resources and development funds to fund a portion of this program. The legislature approved 2.5% of income coming from Department State Lands which can be deposited into this account. The statute states, "For the purpose of investing, improvement and development of state lands acquired by grant or foreclosure in order to increase the revenue to be derived that they are from. Appropriations from the account shall be expended for no other purposes."

The division is funded by federal indirect Funds and since the budget has been developed, the department has calculated the Federal indirect rates to be used for FY92 and FY93 are considerably less than originally anticipated. The rate of 13.4% was used for FY90 and according to new calculations the rate is only 8.3%. I have not had time to review this, but if it is correct the department will receive less Federal Indirect Funds and this committee may consider replacing the funds with general funds.

4. Aviation Program: The LFA did not budget for a helicopter mover.

5. Trust Land Management System: The Executive Budget of $45,183 FY92 and $46,855 FY93 was for maintenance costs. In 1989 the legislature funded $166,000 each year of the biennium for this program. Because the LFA did not fund the entire amount requested by the department it did not use all the funds available in the Resource and Development account. There were additional funds available, which the LFA used to fund parts of the Administration Program, Item 3. If the committee approves the Executive Budget and funds the Trust Land Management Maintenance and Program Expansion costs and uses the Resource Development funds, there will be no more funds in that account to fund the Administration Program as the LFA did. Therefore, the general fund would have to be used to replace the resource evelopment funds.

EXHIBIT 5 - Page C-13 and C-14 Executive Budget Modification: Explains the 5 Budget Modifications.

Mr. Schweitzer suggested taking the LFA on Item 2. until reorganization was decided. Also, Item 2. A,B transfer of one FTE to DNRE and additional rent for moving could be considered. Item 3. Administration Program, when we get to this program we would like to explain more about the funding issues. Also the Trust Land Management System funding.

Mr. Schweitzer reviewed the remaining items with the committee.

Mr. Kuchenbrod reviewed the budget with the committee. See **EXHIBIT 3 & 5.**

QUESTIONS:
CHAIR. KIMBERLEY asked, on Item 1. Mr. Casey, did you say there was an Attorney General's opinion on Trust and Legacy funding? **Mr. Casey** replied, there was an opinion several years ago, however the Attorney General does not provide opinions on proposed legislation.

SEN. DEVLIN asked to explain the funding on the Administration Program. It is confusing when working from FY90 and FY91 and now we are back to FY88.

Mr. Kuchenbrod explained, the Executive Budget used the FY88 base and added inflation and fixed costs and came up with the FY91 base of a difference of $14,124.

SEN. DEVLIN asked, what the helicopter mover was? **Mr. Burger** explained, this is a mover that enables one person to move the helicopter to different locations. These helicopters weigh about 4500 lbs. We are currently moving them by borrowing National Guard equipment. This takes about 3 people to move them around and we have to get tow bars from the Guard to do this. This equipment is designed so it can be used for both the large and smaller helicopter.

CHAIR. KIMBERLEY asked, if you get a new helicopter will you have to have a new mover also? **Mr. Burger** replied, no the mover would be adaptable for both helicopters.

SEN. DEVLIN asked, what about shared costs? How do the other departments move their helicopters? **Mr. Burger** answered, the Fish and Game are having the same problems we are. We help them push their helicopters around and they help us with borrowed Guard equipment. We would share the mover between the departments.

SEN. DEVLIN asked, if there would be some shared costs here? **Mr. Burger** replied, they hadn't approached the Fish & Game as yet. The only other helicopters in the State are located in Billings.

SEN. WEEDING asked, do you keep all these helicopters in Helena? **Mr. Burger** replied, in the summer we station them in different access areas around the state. One is at the Helena Land Office and one is stationed in Missoula. These are used in support of the State Lands Fire Program, the Abandoned Mine Program, Aerial surveys and transporting crews around the State.

REP. GRADY asked, are any of the helicopters rigged to help seed some of the fire areas? **Mr.Burger** replied, we do not have this capability, but we can rent one from Salt Lake City. However, they could be rigged to help with the seeding.

SEN. DEVLIN asked if these movers were hydraulic lifts? **Mr. Burger** answered, yes.

EXECUTIVE BUDGET MODIFICATIONS:

1. Trust Land Access EIS - **REP GRADY** asked, if the $650,000 was in addition to the $300,000 for a total budget of $950,000? Does this include any of the Helena Office Support Staff. **Mr. Kuchenbrod** explained, the total budget is for $950,000 and the Helena Office Support Staff will use some of this for contracted services.

REP. GRADY asked, if there is a breakdown of where the $950,000 will be used? **Mr. Kuchenbrod** explained, the $300,000 is an estimate for a programmatic Environmental Impact Statement for recreational use only. By expanding this, we estimate we will need an additional $100,000 for Forestry, $200,000 for Grazing and $300,000 for Agriculture. The reason the Forestry Division is lower is they have developed some guidelines related to wildlife. They have been doing environmental analysis for timber sales and are further ahead in this respect than other divisions. We have been working closely with MSU in developing the EIS so graduate students could participate and help save some costs.

REP. GRADY asked, when you take in grazing for livestock, where does wildlife come in? **Mr. Kuchenbrod** replied, it will be part of the EIS.

REP. GRADY asked, will we have the same thing in the Fish, Wildlife and Parks for their budget? **Mr. Kuchenbrod** answered, they are not seeking funds for the EIS, but we may utilize their knowledge in the development of the EIS.

CHAIR. KIMBERLEY asked, **Mr. Casey,** how did we get to this point, I thought we were originally concerned with the EIS for public access to State Lands. **Mr. Casey** explained, all of these issues are included in the EIS for $300,000.

SEN. DEVLIN asked, what would happen if we didn't give you any funds? **Mr. Casey** replied, we wouldn't have the funds for the EIS.

SEN. DEVLIN stated, that an EIS is a lot more expensive than an Environmental Assessment. Why not have an Environmental Assessment? **Mr. Casey** answered, we started the process by doing and Environmental Assessment. We have to make a determination whether or not there will be significant environmental impact. If you cannot make this determination, you must do an EIS. My personal view is, recreational access of state lands probably will not create significant impacts. I cannot make this decision, therefore, under state law an EIS is required.

SEN. WEEDING said, I have heard there is a bill being introduced which will take us directly to the access of state lands without the EIS. Would you still be required by law to do the EIS? **Mr. Casey** replied, he had also heard the bill would exempt recreational use from the EIS. If the legislature passes this, the EIS would not be necessary.

REP. GRADY asked, if the legislature would exempt recreational use would we need the EIS for the other? **Mr. Casey** answered, if the legislature exempts recreational use, from that part of MEPA that requires an EIS, we would not need to do one. Our position in the law suit has been, we do not need an EIS for grazing. However, the Board of Land Commissioners decided they would seek additional funding of $650,000 to include grazing, agriculture and timber.

SEN. DEVLIN asked, does this include mining. **Mr. Casey** replied, we do an Environmental Assessment in each mining situation.

REP. GRADY stated, with wildlife and grazing, we should have a lot of data. FWP spends thousands of dollars studying wildlife and grazing. I cannot see why we should spend a lot of money studying what the FWP has been doing for years. I would like to see a breakdown where these additional dollars will be spent. **Mr. Casey** explained, they agree, there is good information to be obtained for the EIS, but it has to be brought together for the EIS. I will try to give the committee a breakdown of this expenditure.

SEN. DEVLIN stated, in regard to the auditor; a couple of years ago we approved funding for an auditor and travel expenses for coal and gas. Has he made you any money? **MR. CASEY** replied, the Audit Program for State Lands began in 1986. Our audits have been primarily on the gas industry and recently on the coal companies. As a result, the state has collected over a million dollars.

SEN. DEVLIN stated, funding for the auditor comes out of the Department of Revenue and travel out of this budget. The Department of Revenue budget is in another committee.

SEN. WEEDING said, in the Governor's Budget there is an increase revenue for state lands. Will this be for higher grazing fees or something in agriculture? **Mr. Casey** said, the sources of income change from year to year. The only thing I can think of that would not be in the budget would be an increase in grazing fees.

Mr. Lloyd clarified, you may have read Executive Justification for using Trust and Legacy Income. This goes into the

Administration of Lands to increase the income from lands.

Item 4. of the Modifications, Revised Lease for Office Space - **Mr. Kuchenbrod** stated, we need these funds for relocating whether or not reorganization takes place.

Additions to the Executive Budget - Item 2. **REP. GRADY** asked, why are we upgrading the aviation positions?

Mr. Schweitzer explained, on the grade 16 to 17, there was a study done on all the pilots and the Department of State Lands was the only one which received an upgrade. The other position which went from step 2 to 13, was due to a pilot leaving and we could not fill this position, so that is the reason for the increase.

Mr. Kuchenbrod explained the funding issue of Central Management and suggested that the four of them; including the LFA, OBPP and **Al Christianson** get together and review the Federal Indirect rate item by item. We need an additional $70,000 General Fund, so it is important to come up with a solution.

Mr. Willis gave an overview of the history of State Lands office space from 1981 to present. He stated, the department has continued to grow and therefore, the space they are now occupying is inadequate. In 1988 the department did a review and developed a plan that could be utilized. The options were: build a new building within the Capitol Complex, build a new building by the Highway department which we do have some land, Department of Commerce is looking at building a new building which would leave about 28,000 sq. ft. available to our department or move the Division into new space. There was a possibility additional space would be available in the old Federal Reserve building. After General Services evaluated the possibility of moving into this building, that move did take place and we occupy the 1st floor which is about 14,025 sq.ft.

Deborah Care, Administrator of Department of Administration stated, the Department of Administration has to approve all leases. After reviewing the space available and reviewing the terms of the lease, we found the space was adequate and the building was close to the Capitol Complex which would be more convenient.

Mr. Kuchenbrod stated, they would be using the 1st floor and the 3rd floor which is approximately 2/3rds of the building. It costs $6.80 per sq.ft. plus $.60 for janitorial. The reorganization came about due to the cramped space on one floor. We moved some of the personnel to the other floor. We are restructuring Central Management and will be moving 3 FTE'S from Missoula to Helena.

Mr. Schweitzer, clarified the Trust Land Management System Program's Development Costs and Maintenance Costs. The

Department manages about 5 million acres of land. Of these, approximately 8,000 are grazing leases, there are also agriculture leases. They have a computer system which manages these. Originally, they had $154,000 in the budget which would allow more capabilities. After looking at the revenue, they realized they did not have the funds to expand the system. However, they would need $94,000 just to main their current system. This is why we are recommending the Executive Budget.

Mr. Lloyd stated, after reviewing the budget, there was $370,179 in the resource and development account. Therefore, I used approximately $30,000 to fund the administration portion of Central Management. There was some question as to whether or not this was a proper use of these funds. After looking into this, it was found this was a proper use of funds as long as they were use within the department.

Mr. Kuchenbrod talked about the Helena Office Support Staff. The 2 FTE's were necessary to cut down on overtime, comptime and vacation time. We hired a Micro-Computer Analyst in 1990 funded with Federal funds and continued into FY91. The second part of our request is to support the DP position with or Micro-computer Analyst. We have a secretarial pool which can be used in all areas, so we need one more FTE in this area to help with the increased workload. The pool helps to work in all areas instead of a secretary being assigned to one administrator.

REP. GRADY asked, you mentioned that Federal funds were used in the past. Were both of these positions cut, or do we appropriate the funds and then they are reimbursed by Federal unds? **Mr. Kuchenbrod** replied, we used Federal spending authority from the reclamation area for use of Federal funds. We also had some funds in our indirect cost pool which we used for FY92. These funds will not be available for the next biennium, so we are asking for general funds to support these positions.

SEN. WEEDING asked, where is the savings with using computers if your have to hire additional staff? **Mr. Kuchenbrod** explained, you can take on more services and accomplish more accurate data. **SEN. WEEDING** asked, are we creating a data base that is beyond our needs? **Mr. Kuchenbrod** answered, this is a more efficient way of getting the work done, which saves time for both the secretary and myself.

Mr. Schweitzer explained, there is a lot of land to be managed and it is getting more complicated because of the Federal programs. A lot of land management is in the CRP program. There is a lot of information that can be tracked on computers that wasn't available before. These people do not have good records out in the field, they do not know exactly where these trust lands are. There has been abuses of people plowing up trust lands, etc. We were going to give them more people to help with this problem, but now we can give them the tools and information with computers so they can do a good job and perhaps generate more income for trust lands and not have to put in more general Fund.

Rick Burger, Pilot for Department of State Lands stated, we have had recruiting an retention problems in the Aviation Department also. Last year, one of our pilots sought employment elsewhere and received an increase of $8,000 more that what we were paying. We advertised to fill this position and were unable to hire anyone at the level we were paying with the qualifications needed according to Federal regulations. Therefore, we met with the Department of Administration and was granted us permission to advertise this position with a higher salary range from step 1 to step 13. One position was upgraded from step 16 to step 17. Because of these two upgrades, we need the $12,337 in the budget.

REP. GRADY asked how this department compared with other departments salaries? **Mr. Burger** replied, the Governor's pilot was hire in 1982 and his step increase was frozen in 1986. We hired a pilot in 1985 and was frozen at his present step which is a step 2. Without the freeze that pilot would be up to a Step 5 or 6 now. FWP just hired a pilot and they were forced to ask for an upgrade also, which was a Grade 16, Step 10. The problem is, pilots that have been with us for a number of years are making less than what we are paying for new pilots.

SEN. DEVLIN asked, why the indirect costs from the Feds. went from 13% to 8.3%? **Mr. Kuchenrod** explained, it was due to the difference in our calculations from FY91 to FY92 and is the reason we want to review this with the LFA and OBPP to make sure the 8.3% is correct.

EXECUTIVE ACTION ON CENTRAL MANAGEMENT PROGRAM

Motion/Vote: **SEN. WEEDING** moved to accept the LFA Budget. Motion **CARRIED** unanimously. **EXHIBIT 2.**

Motion/Vote: **REP. GRADY** moved to accept the addition of $14,124 to the LFA for Networking Fees. Motion **CARRIED** unanimously.

Mr. Lloyd clarified, the reason the LFA is $14,124 over the Executive Budget is, more was appropriated in FY90 than was in FY91. Therefore, I picked up the two expenditures and the Executive Budget did not. Because of a program transfer there was money coming into this program. They used the funds for increased workload and DP problems. This is also addressed in Budget Mod. No. 2. You will be funding it twice if you allow the LFA Budget which includes $14,124 over the Executive Budget and if you approve Mod. 2. Both of these address the same issue.

Motion/Vote: **SEN. WEEDING** moved to accept the Executive Budget on Item. 3.B, Budget Base Differences. Motion **CARRIED** 4 - 1 (**SEN. DEVLIN** voting no).

Item 4-A, Aviation Equipment. **SEN. DEVLIN** asked if they had check into military surplus. **Mr. Burger** stated, we have been trying for about 6 years and there is nothing available.

__Motion/Vote:__ **REP. GRADY** moved to accept the Executive Budget for Item 4-A, Aviation Equipment. __**Roll Call Vote:**__ **CARRIED** 3 - 2 (**REP. NISBET** and **SEN. DEVLIN** voting no).

Mr. Schweitzer reviewed Item 3.B Budget Base differences. He explained there were two items of that $5,440 which the Dept. would like to request. 1. $2,000 for hangar rent which did not got into the budget because they were not billed for until after the fiscal year. 2. $2,000 was needed for a fixed wing aircraft they received from surplus for storage space. It is necessary to keep it out of the weather to save on repair and maintenance. Therefore, the would need $4,000 rather than $5,400.

__Motion/Vote:__ **SEN. DEVLIN** moved to accept an additional $4,000 each year of the biennium to the LFA base. Item 4-B. Motion **CARRIED.**

SEN. WEEDING asked, why the budget office approved more than was requested? Item 5-A, Trust Land Management maintenance.

Mr. Schweitzer explained, due to inflation and to continue the system the department needs $98,000.

SEN. DEVLIN stated, how the LFA and OBPP came up with different revenues. **Mr. Lloyd** explained, the LFA used $14,800,000 which was actual FY90 revenues. Multiply this by 2.5% and you would get $370,000.

Mr. Christianson explained, the 2.5% comes from rentals which are lease incomes from grazing, oil, gas and coal rentals. We anticipate the revenues this year to be approximately $410,000.

__Motion/Vote:__ **SEN. DEVLIN** moved to accept the Executive Budget for Item 5-A, Trust Land Management maintenance. Motion **CARRIED** unanimously.

__Motion/Vote:__ **SEN. DEVLIN** moved to accept the Executive Budget for Item 5-B, Trust Land Management Funding. Motion **CARRIED** unanimously.

REP. GRADY asked for more information on Budget Modification Item 1, Trust Land Access.

__Motion/Vote:__ **REP. NISBET** moved to accept the Executive Budget on Modification Item 2, Helena Office Support Staff. Motion **CARRIED** 4 - 1, (**SEN. DEVLIN** voting no.)

__Motion/Vote:__ **SEN. DEVLIN** moved to accept the Executive Budget on Modification Item 3, Auditor Travel Expense. Motion **CARRIED** unanimously.

<u>**Motion/Vote:**</u> **REP. GRADY** moved to accept the Executive Budget on Modification Item 4, Lease for Office Space. Motion **CARRIED** unanimously.

<u>**Motion/Vote:**</u> **REP. NISBET** moved to accept the Executive Budget on Additions to the Budget Item 2, Aviation Reclassifications. Motion **CARRIED** unanimously.

ADJOURNMENT

Adjournment: 11:35 A.M.

Berv Kimberley
BERV KIMBERLEY, Chair

Theda Rossberg
THEDA ROSSBERG, Secretary

BK/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL **DATE** 1-21-91

NAME	PRESENT	ABSENT	EXCUSED
SEN. ESTHER BENGTSON, VICE-CHAIR		✓	
REP. ED GRADY	✓		
REP. JERRY NISBET	✓		
SEN. GERRY DEVLIN	✓		
SEN. CECIL WEEDING	✓		
REP. "BERV" KIMBERLY, CHAIRMAN			

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-21-91 AGENCY ______ NUMBER ______

MOTION: Aviation

Rep Kimberly moved to accept the Ex Budget on Aviation Equip 4-A

NAME	AYE	NO
SEN. ESTHER BENGTSOM, VICE-CHAIR		
REP. ED GRADY	✓	
REP. JERRY NISBET		✓
SEN. GERRY DEVLIN		✓
SEN. CECIL WEEDING	✓	
REP. "BERV" KIMBERLY, CHAIRMAN	✓	
TOTAL		

3 - 2

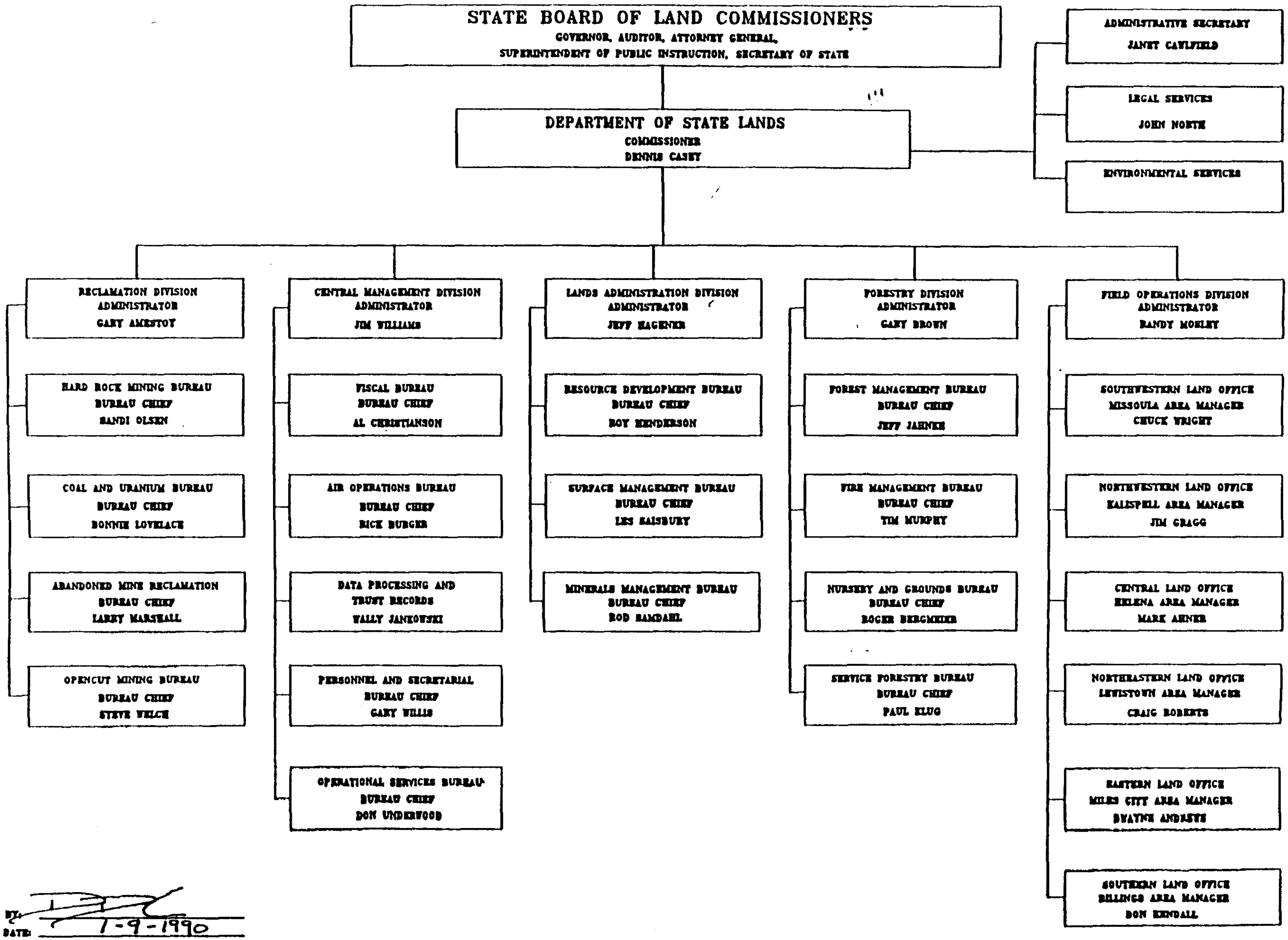
Passed

Exhibit

EXHIBIT 1
DATE 1-21-91
HB Natural Resources Sub.

MONTANA DEPARTMENT

OF STATE LANDS



2.

APPROVED BY:
APPROVAL DATE: 1-9-1990
DRAFTING DATE: 1/8/1990

EXHIBIT 1
DATE 1-21-91
HB Nat. Res. Sub.

DEPARTMENT OF STATE LANDS

MISSIONS

TRUST LAND MANAGEMENT

WILDFIRE SUPPRESSION

MINED LAND RECLAMATION

FORESTRY ASSISTANCE

STATE TRUST LAND SURFACE ACREAGE BY GRANT
1989

GRANT	NET ACREAGE
COMMON SCHOOLS	4,624,679
UNIVERSITY OF MONTANA	18,991
MSU - MORRILL	62,925
MSU - 2ND GRANT	31,058
SCHOOL OF MINES	59,123
STATE NORMAL SCHOOL	62,936
DEAF AND BLIND	35,837
SRS	68,153
PUBLIC BUILDINGS	186,948
SOLDIERS HOME	1,435
CHILDRENS HOME	320
AG EXPERIMENT STATION	1,920
TOTAL	5,154,330

1
1-21-91
Nar Res. Sub.

DEPARTMENT OF STATE LANDS
FIVE-YEAR COMPARISON OF DISTRIBUTABLE AND NONDISTRIBUTABLE INCOME EARNED ON STATE LANDS

Distributable

	FY 86	FY 87	FY 88	FY 89	FY 90
Grazing	3,262,417	3,234,765	3,557,287	4,120,289	4,133,290
Agricultural Rentals	4,393,681	7,229,903	8,892,079	4,939,512	7,350,754
State Forest Collections	101,306	96,523	32,521	1,487	1,275
Oil & Gas Leases	4,179,648	2,853,173	2,315,606	1,756,757	1,561,866
Oil & Gas Penalties	3,238,254	2,025,767	1,504,349	942,806	712,388
Oil & Gas Bonus Payments	771,130	225,750	179,449	136,062	225,303
Interest on CP's	43,537	22,105	19,333	17,697	16,551
T & L Interest	24,139,563	23,715,161	20,637,391	22,918,121	23,423,134
Other Revenues	180,062	119,968	248,960	319,133	290,448
Transaction Fees	142,480	145,003	133,276	129,152	174,195
Total Distrib. Income	$40,452,078	$39,668,118	$37,520,251	$35,281,016	$37,889,204

Nondistributable

	FY 86	FY 87	FY 88	FY 89	FY 90
Install. on Land Sales	86,315	75,322	51,532	53,711	52,481
5% of Annual School Interest Income	1,963,215	1,869,981	1,793,610	1,692,917	1,826,685
Timber Sales	1,105,621	1,812,832	3,890,958	4,495,427	6,642,118
Rights-of-Way	171,210	102,552	101,315	84,673	105,350
Oil Royalties	4,193,476	2,373,093	2,593,297	2,334,140	2,597,544
Gas Royalties 24%?	1,248,139	910,782	873,331	1,270,379	1,115,172
Coal Royalties	617,726	2,191,325	2,534,516	4,121,503	2,302,504
Sand & Gravel	129,763	163,851	225,922	53,486	108,725
Miscellaneous	36,746	38,338	44,901	48,164	39,659
Total Nondistrib. Income	$9,552,211	$9,538,076	$12,109,382	$14,154,400	$14,790,238 34%

DEPARTMENT OF STATE LANDS

BUDGET BREAKDOWN FY 90-91

	FY90	FY91
TOTAL FTE	328.92	336.69
TOTAL BUDGET	$22,669,126	$22,370,673
FUNDING:		
GENERAL FUND	$8,202,944	$8,225,776
STATE SPECIAL	$4,968,077	$4,778,556
FEDERAL REVENUE	$9,498,105	$9,424,990

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CENTRAL MANAGEMENT DIVISION
FUNCTIONAL CHART

ADMINISTRATOR

- Department Budget
- Interdepartment Coordination
- Division Supervision/Planning

AIR OPERATIONS BUREAU

Aircraft Support
Cost Data
Aircraft Maintenance
Scheduling
Air Operations Training
Needs analysis
Planning/Usage
Safety
Aircraft Records

DATA PROCESSING & TRUST RECORDS

Information Processing
-Planning/Direction
Management Group
System Analysis and Development
Interagency Coordin.
Mainframe System Support & Develop.
Micro Support (Helena)
Trust System Oper.
Title Abstract Mgt
Certificates of Pur.
Deeds and Patents
Title Searches

FISCAL BUREAU

Cashiering
SBAS Accounting
Accounts Payable (Claims)
Fiscal Management
Payroll Accounting
-Turn-arounds
-Position Control
Budget/Revenue Analysis
Grants Accounting
- Letter of Credit
-Indirect Cost Proposal
-Federal Liaison
Fiscal Procedures
- GAAP
-Income/Revenue
Trust Accting
Audit Support
-Year End Close
-Financial Reporting
Accounting Liaison

PERSONNEL BUREAU

Wally Jankowski

EEO/Affirmative Action
Classification
Labor Relations
Personnel Policies/ Procedures
-Payroll
-Personal
-Position Control
Recruitment/Hiring
Counseling
Personnel Records
Secretarial Services

OPERATIONAL SERVICES BUREAU

Forestry/Field Budget
Fire Business Mgt
-Field Direction
-Cost Accounting
-Fire Rec/Payables
-FEMA/USFS Liaison
-Fire Payroll
DP User Services
-Hard/Soft Support
-Software Development
-Training
-Planning
Purchasing/Contracting
Forestry Bookkeeping
Grant Preparation/Liaison
Property Mgt & Control
- Inventory
- Property Disposal
- Vehicle Reg/Insurance
- Warehouse/Shipping & Receiving
Secretarial Services
- Records Mge/File Code

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DEPARTMENT OF STATE LANDS

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Fiscal 1992 Base	Fiscal 1992 Incr/Decr	Fiscal 1992 Recommended	Fiscal 1993 Base	Fiscal 1993 Incr/Decr	Fiscal 1993 Recommended
Full Time Equivalent Employees	328.92	336.69	339.69	8.40	348.09	339.69	13.18	352.87
Personal Services	7,821,431.61	9,121,217	9,481,376	186,405	9,667,781	9,477,399	300,471	9,777,870
Operating Expenses	7,397,660.03	7,490,520	4,430,507	1,268,011	5,698,518	4,441,827	-11,283	4,430,544
Equipment	853,019.13	614,270	590,709	796,665	1,387,374	590,709	186,206	776,915
Capital Outlay	5,420,152.61	5,045,000	351,000	8,256,925	8,607,925	351,000	-40,000	311,000
Local Assistance	0.00	0	95,000	0	95,000	95,000	0	95,000
Grants	265,000.00	265,000	451,089	0	451,089	451,089	0	451,089
Transfers	0.00	0	132,000	0	132,000	132,000	0	132,000
Debt Service	0.00	0	214,094	6,419,591	6,633,685	214,094	6,491,381	6,705,475
Total Agency Costs	**$21,757,263.38**	**$22,536,007**	**$15,745,775**	**$16,927,597**	**$32,673,372**	**$15,753,118**	**$6,926,775**	**$22,679,893**
General Fund	8,620,555.45	8,237,585	8,685,685	-3,103,874	5,581,811	8,693,195	-3,562,630	5,130,565
State Special Revenue Fund	3,890,890.52	4,747,542	6,044,961	6,466,425	12,511,386	6,044,562	3,946,729	9,991,291
Federal Special Revenue Fund	9,066,656.86	9,366,341	799,020	6,927,178	7,726,198	799,086	-164,578	634,508
Debt Service Fund	0.00	0	0	6,633,600	6,633,600	0	6,705,390	6,705,390
Proprietary Fund	179,160.55	184,539	216,109	4,268	220,377	216,275	1,864	218,139
Total Funding Costs	**$21,757,263.38**	**$22,536,007**	**$15,745,775**	**$16,927,597**	**$32,673,372**	**$15,753,118**	**$6,926,775**	**$22,679,893**
Central Management	1,841,093.49	1,872,956	1,982,881	646,161	2,629,042	1,983,879	178,016	2,161,895
Reclamation	9,787,638.98	10,212,739	0	0	0	0	0	0
Land Administration	856,247.88	1,004,639	1,020,291	221,612	1,241,903	1,020,233	255,497	1,275,730
Conservation & Resource Dev.	0.00	0	1,643,496	3,736,985	5,380,481	1,644,815	3,808,928	5,453,743
Water Projects	0.00	0	1,135,311	12,223,551	13,358,862	1,137,018	2,590,205	3,727,223
Forestry	9,272,283.03	9,445,673	9,963,796	99,288	10,063,084	9,967,173	94,129	10,061,302
Total Program Costs	**$21,757,263.38**	**$22,536,007**	**$15,745,775**	**$16,927,597**	**$32,673,372**	**$15,753,118**	**$6,926,775**	**$22,679,893**

MISSION AND GENERAL DESCRIPTION

A. General Description

The Department of State Lands is provided for in Section 2-15-3201, MCA. The head of the department is the Board of Land Commissioners which consists of the Governor, Attorney General, Secretary of State, State Auditor and Superintendent of Public Instruction. The Chief Administrative Officer of the department is the Commissioner of State Lands. The Commissioner is responsible, under the direction of the Board of Land Commissioners, for the administration of the functions vested by law in the department or delegated to him the board. The department is divided into five divisions: Lands, Forestry, Conservation and Resource Development, Field Operations, and Central Management.

B. Mission

1. Basic Functions

The Department of State Lands has five basic functions: management of the lands held by the State of Montana in trust for the support of the common schools and other institutions; fire prevention and suppression on certain private, state, and federal lands; regulation of and assistance to private forest land owners; administration of soil and water conservation districts and projects; and management of state-owned water conservation projects.

2. Legal Bases

Article X, Sections 4 and 11 of the Montana Constitution define the purpose of the department with respect to its land management functions. The law defining the department land management responsibilities is codified in Title 77 of the Montana Code Annotated. The department water project responsibilities are contained in Title 85. The department duties regarding fire prevention and suppression and private forest regulation and assistance are found in Title 76, Chapter 13.

3. Land Management

When Montana entered the Union, the Federal Government granted land to the state to be held in trust for the various institutions, such as the common schools, units of the University System, School for the Deaf & Blind, Pine Hills School, Veteran's Home, Agricultural Experiment Station, and state penitentiary. The state now holds approximately 5.2 million acres of surface and 6.2 million acres of mineral land for these purposes. The vast majority is held for the common schools. The board and department are charged with the duty of managing these lands to provide income, which is applied to the budgets of the beneficiary institutions. In managing this land, the department must obtain the highest long-term monetary return. The department obtains income through surface and mineral leasing, timber harvesting, and granting of other interests, such as easements, and licenses. These functions are accomplished by the Lands Division, Forestry Division, and Field Operations Division.

4. Conservation and Resource Development

In implementing it's conservation and resource development functions the department implements a wide variety of programs responsible for; assisting Conservation Districts and state grazing districts in development and management of land, water and other resources, providing natural resource conservation programs and activities and administering loan and grant programs for natural resource development and reclamation.

5. Water Projects

In implementing its water project responsibilities the department must provide for the rehabilitation of state owned dams to ensure they meet current dam safety standards, manage the completion, operation and maintenance of the Broadwater power project, and to ensure the state water projects are properly managed and producing appropriate returns.

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6. Fire

In implementing its fire responsibilities, the department provides direct wildfire prevention, detection, presuppression and suppression services on 4.6 million acres of state, federal, and private forested lands. The department also assists 49 counties in the protection of 46.2 million acres of rural lands and wildlands through county cooperative programs. Through the county programs, the department acquires and reconditions federal excess vehicles and equipment and provides it to counties for fire suppression purposes. The department also provides planning, organization, and training assistance for fire suppression. Finally, the department assumes suppression responsibilities on fires that are too large for county capabilities. The functions are accomplished through the Forestry and Field Operations Divisions.

7. Private Forestry

In its private forestry assistance and regulation program, the department requires elimination of slash that could constitute a fire hazard on private lands subject to logging operations; produces genetically superior tree seedlings for reforestation plantings on private lands; provides forest pest management services for private forest lands; provides technical forestry assistance to non-industrial private forest landowners; assists the forest products industry with improved harvesting, sawmill improvement, forest product utilization and marketing projects; and manages the forestry work program at the Swan River Forest Camp. These functions are accomplished by the Forestry and Field Operations Division.

AGENCY ORGANIZATION

The Department of State Lands conducts its programs and assigned missions through the following organizational structure (see organizational chart). The Department of State Lands is organized into five divisions; Conservation and Resource Development, Central Management, Land Administration, Forestry, and Field Operations. The department has divided the state into six administrative regions and has located personnel and equipment at various land offices to serve the public and implement the department programs.

The State Board of Land Commissioners, comprised of the Governor, Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercise the general authority, direction, and control over the care, management and disposition of state lands coming under its administration.

The Commissioner is the chief administrative officer in the department and is responsible to the board for the administration and management of all programs and functions vested in the department. The Legal and Environmental Services staffs provide the necessary legal and environmental direction and support to the departments programs.

The Conservation and Resource Development Division consists of two bureaus; the Conservation Districts Bureau and the Resource Development Bureau. The Conservation Districts Bureau is required by statute to supervise, coordinate, and assist Montana's 59 Soil and Water Conservation Districts, plus 30 state grazing districts. The Resource Development Bureau administers the water development loan and grant programs, renewable resources development, reclamation and development grants, and provides technical assistance on water reservations.

The Central Management Division provides support in air operations, data processing, fiscal management, personnel administration, and operational support. The Division's programs are administered through five bureaus; the Fiscal Bureau, the Air Operations Bureau, the Data Processing and Trust Records Bureau, the Personnel and Secretarial Bureau, and the Operational Services Bureau.

The Lands Administration Division manages classified grazing and agricultural trust lands, administers the leasing of natural resources on the surface and mineral estates, and implements the department responsibilities in managing state-owned water projects, rehabilitating state-owned dams and manages the Broadwater power project. The Division's programs are administered through three bureaus; the Surface Management Bureau, the Mineral Management Bureau, and the Water Projects Engineering Bureau. The Division provides program direction, guidance, budget allocations and support to the Field Operations Division in the conduct of Lands Administration Programs.

The Forestry Division manages classified forest lands and their natural resources, protects the state's natural resources from wildfire, insect pests and disease, provides assistance to sustain or improve the natural resources of private forest lands, provides tree seedlings for conservation purposes and provides training in forestry, carpentry, and mechanics to Swan River Forest Camp residents. The Division's programs are administered through four bureaus; the Forest Management Bureau, the Fire Management Bureau, the Nursery and Grounds Bureau, and the Service Forestry Bureau. The Division provides program direction, guidance, budget allocations and support to the Field Operations Division in the conduct of Forestry Programs.

The Field Operations Division, through its 26 field offices, serves the public as the local department representatives and implements the field level programs and activities required by the department. It is comprised of personnel and equipment assigned by the other Divisions it's offices are located in the following communities; Helena, Missoula, Kalispell, Olney, Libby, Plains, Swan lake, Greenough, Anaconda, Hamilton, Conrad, Bozeman, Dillon, Lewistown, Glasgow, Billings, Miles City, Lima, Marion, Condon, Lincoln, and Garrison. Annual operating budgets are allocated to the Field Operations Division from each Division requiring Field Operations support.

Trust Interest Financing Trust Land Management

The executive budget replaces general fund with trust interest for all department functions related to the management of trust lands. In the executive budget, $3,735,494 in FY92 and $3,769,231 in FY93 of trust interest replaces general fund. Table 1 details the general fund replaced by program.

The executive budget recommends financing trust land management activities with trust income because it is customary for governmental and private trusts to finance management of these trusts with a portion of the earnings generated. Ten other western states, which have similar federally-provided school land trusts, use trust revenues to finance trust management activities.

Table 1
General Fund Replaced by Trust Income

Program	FY 92	FY93
Central Management	$267,463	$269,156
Land Administration	982,739	1,016,377
Forest Fire Program	369,955	369,648
Forest Management	1,832,900	1,832,032
Other Forest Services	282,437	282,018
Total	$3,735,494	$3,769,231

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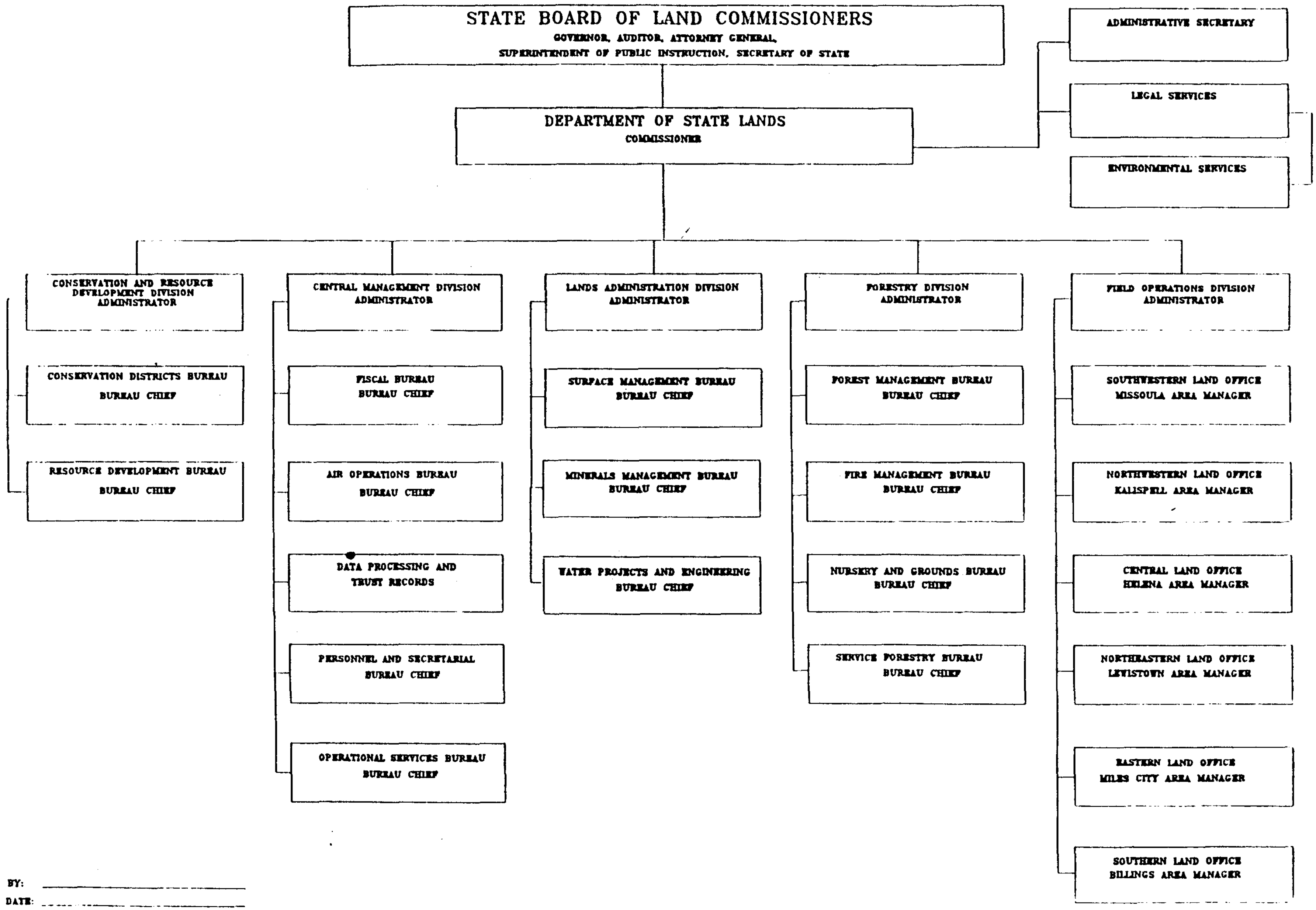

APPROVED BY: ____________________

APPROVAL DATE: ____________________

DRAFTING DATE: 12/3/1990

CENTRAL MANAGEMENT DIVISION

	Fiscal 1990 Actual	Fiscal 1991 Appropriated	Fiscal 1992 Base	Fiscal 1992 Incr/Decr	Fiscal 1992 Recommended	Fiscal 1993 Base	Fiscal 1993 Incr/Decr	Fiscal 1993 Recommended
Full Time Equivalent Employees	33.00	33.00	33.22	1.00	34.22	33.22	1.00	34.22
Personal Services	946,897.14	992,923	1,024,501	29,149	1,053,650	1,024,042	29,077	1,053,119
Operating Expenses	594,341.78	594,033	672,380	470,288	1,142,668	673,837	148,939	822,776
Equipment	34,854.57	21,000	21,000	146,724	167,724	21,000	0	21,000
Grants	265,000.00	265,000	265,000	0	265,000	265,000	0	265,000
Total Agency Costs	**$1,841,093.49**	**$1,872,956**	**$1,982,881**	**$646,161**	**$2,629,042**	**$1,983,879**	**$178,016**	**$2,161,895**
General Fund	1,382,585.55	1,391,027	1,513,726	180,581	1,694,307	1,517,268	-275,346	1,241,922
State Special Revenue Fund	135,673.01	171,500	156,403	541,312	697,715	153,813	526,498	680,311
Federal Special Revenue Fund	143,674.38	125,890	125,689	-80,000	45,689	125,672	-75,000	50,672
Proprietary Fund	179,160.55	184,539	187,063	4,268	191,331	187,126	1,864	188,990
Total Funding Costs	**$1,841,093.49**	**$1,872,956**	**$1,982,881**	**$646,161**	**$2,629,042**	**$1,983,879**	**$178,016**	**$2,161,895**

Overview

The Central Management Program provides support services to all programs within the Department of State Lands in air operations, data processing, fiscal management, personnel administration, legal services, mineral royalty auditing, and operational support.

Goals

o The goal of the program is to provide the quality of services that will best support program accomplishment throughout the Department of State Lands.

Authorization

Title 77, MCA.

Base Program

The Central Management Program staff provide administrative and operational support services for the department. The staff are responsible for trust revenue collection distribution, fiscal, data processing, personnel and aviation services to all programs in the department. Legal, reception, and mail services are included in this program. Ownership records for trust and non-trust state-owned land are maintained by this program.

The State Land Commissioner is the chief executive officer of the department. The Commissioner makes policy and performs administrative functions to maximize earnings from and protect 5.2 million acres of school trust land; and effectively carry out the requirements of fire suppression laws and other forestry related assistance programs. Current level base funding maintains these programs at a minimal level.

The Fiscal Bureau maintains accounting systems that assure proper and timely collection and distribution of revenue earned from trust lands. The bureau processes all expense and employee travel claims within 5 days and prepares payrolls within the time frames established by the State Auditor. The bureau assures that department accounting practices are consistent with state statute and Department of Administration regulations, and are consistent and in compliance with GAAP. The bureau

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coordinates department budget allocations to all operating responsibility centers.

Air Operations provides safe and economical aviation services to department programs on as needed availability basis and performs maintenance inspections within a frequency that assures maximum and safety and reliability for three fixed wing and four rotary wing aircraft. Current level base funding provides the minimum necessary for current operations based on the average usage in the last 5 years. However, aviation assets can't be adequately protected because of present hangar facilities.

Data Processing and Trust Records Bureau provide coordination and support for mainframe and microprocessor operations in the department and maintain deeds and patents that document the State's ownership in 5.1 million acres of trust surface land and approximately 6 million acres of minerals. With increased usage of microcomputers and mainframe applications, the bureau is pushed beyond it's resources to provide adequate training and assistance to users for optimum usage of the equipment and systems. The base funding for this program is not adequate to meet department information processing demands.

Personnel Bureau provides equal opportunity to all department employees and any applicants seeking employment with the department. This program administers personnel functions involving classification, recruitment and selection, discipline, grievance procedures, EEO Affirmative Action and payroll personnel records.

The bureau also supervises the typing, reception pool and the mail function in Helena; provides and manages the facilities rented for the Central office in Helena. The typing and reception workload has significantly increased because of mining and leasing activity in the state. Phone traffic averages approximately 300 calls per day with highs of nearly 600 calls. The base funding for these services are not adequate to accomplish the tremendous amount of work required of this bureau.

The Operational Services Bureau manages field purchasing programs and maintains records as established by statute and regulations administered by the Department of Administration. The bureau prepares and monitors budget allocations to the 6 area land offices and the Division of Forestry, provides fire business management support and assistance to include maintaining and updating a Fire Business Manual. Conducts training sessions. In addition the bureau provides clerical, mail and typing support for Missoula-based department staff personnel and maintains a department inventory of 3500 PAMS and 1200 federal excess property items statewide.

The Royalty Audit program is operated under a Memorandum of Understanding (MOU) between the Department of Revenue and Department of State Lands. Under this MOU, the two auditor's conduct audits of oil, gas and coal leases on trust lands to determine whether the trust has been properly compensated. The audit staff also provides evidentiary support and technical expertise in legal actions to recover past due royalties.

The Legal Staff provides legal advise, drafting, and representation to the Board of Land Commissioners and the department. Legal advice is in the form of formal written opinions and informal advice to agency personnel. Drafting duties include correspondence, contracts, leases, rules, and legislation. Representation includes lawsuits by and against the department, permit enforcement actions, and representations before the Legislature. The current workload is at a level where base funding isn't adequate to expedite department legal matters in a timely manner. The increased workload will be absorbed by fewer consultations, unprosecuted violations, settlement of lawsuits and enforcement actions, and a continued increase of compensatory time for the legal staff. Unfiled or unsettled lawsuits will in certain instances, result in loss of revenue or increased expense to the State General Fund.

Base Funding

Funding for the Central Management Division is made up of General Fund, state and federal special revenue and proprietary fund revenue. Control Variable 1002, Administration is 90% General Fund, less than 1% State Special Revenue, and the remainder is Federal Special Revenue Fund made up of Federal Indirect Cost monies. Control Variable 1010, Air Operations, is 48% General Fund and 52% Proprietary funding. Control Variable 1012, Trust Land Management System, is 100% State Special Revenue.

Performance Indicators

	FY90 Actual	FY91 Enacted	FY92 Base	FY93
Air Operations				
Hours flown	1,200	1,400	1,400	1,400
Maintenance inspections.	22	24		
Fiscal				
Trust revenue collected and distributed.	$49,500,000	$49,500,000	$49,500,000	$49,500,000
Claims processed.	9,500	9,500	9,500	9,500
Payrolls prepared.	26			
Budget allocations performed.	204	225		
Data Processing				
Main frame programs maintained.	160	180		
Micro training sessions.	25			
Mainframe training sessions.				
Develop new business functions.	0	1	2	
Personnel				
Number of hires.	112	115		
Reclassification and appeal reviews.	40			
Grievances	6			
Terminations	15			

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Operational Services				
Requisitions processed.	135			
Labor and material contracts awarded.	20			
Fire business management training sessions conducted.	2			
PAMS forms processed.	1,300	1,300	1,300	1,330
Legal				
Informal consultations.	3,000	3,000	3,000	3,000
Formal opinions written.	150			
Enforcement actions.	15			
Lawsuits	120			
Royalty Audit				
Under paid royalties collected.	600,000	600,000	600,000	600,000

Increase or Decrease from Base

Revised lease for office space

The Helena office for the Department of State Lands is requesting an increase of 14,000 square feet rental space, with the support of the Governor's Office and the Department of Administration. The space is located on the first floor of the same building the central office for State Lands currently occupies. The Department of Administration concurs that our current space is "being used very efficiently and is overcrowded, that current positions cannot be filled due to the lack of space and that the new additional square footage is supportive of the administration's efforts to facilitate the co-location of government offices and offers extremely competitive rental rates for property in the capitol area."

FY 92	FY 93
$66,393 GF	$66,393 GF
$16,599 SSRF	$16,599 SSRF
$82,992	$82,992

Royalty Auditor Travel Expense

Auditing is the main function of the State Lands Royalty Revenue Agent. All of the audits require travel to the taxpayer's main offices where accounting records are located. These offices are generally located in the larger cities throughout the U.S. Based upon an analysis of travel expenditures in the prior fiscal years we have computed the funding for travel associated with this position to be $10,469 for each year of the biennium. The analysis consisted of determining the number of trips made per fiscal year, the location of such trips, and an analysis of our most recent travel costs associated with these locations.

Funding below this level will decrease the number of audits that can be completed in the next biennium. Based upon data for the last 2 years, for every dollar in travel we can expect a $20 return in revenue.

FY 92	FY 93
$10,469 SSRF	$10,469 SSRF

Helena Office Support Staff

The ratio of clerical staff to professional staff in the Helena office is approximately 16-1. It is generally accepted that the ratio should not be any higher than 8-

10 to 1. Currently, it is difficult to schedule vacations for the reception area staff because of the heavy workload. Due to the workload, we can't allow anyone in this area to be gone any longer than a week without contracting for temporary help. In addition to typing for the 50 professionals in this building, the staff is also responsible for incoming and outgoing mail, numerous visitors for mining and leasing purposes and all the telephone traffic which often exceeds 300 calls a day. Heavy workloads in stressful situations creates morale problems, low productivity, and high employee turnover. An additional clerical position is requested.

The present data processing staff of two professionals cannot adequately support the number of microcomputers and mainframe applications currently being used in the department. This staff has not increased in size since the department started automating in 1983. Currently there are over 125 microprocessors in various locations throughout the State and two mainframe applications, one large and one medium sized, that require time to support. Additional DP staff of 1 FTE is necessary due to the following reasons.

1. As more users within the department access mainframe applications additional support is needed for maintenance, training and to provide enhancements to existing systems.
2. More jobs within the department are dependent upon the use of microcomputers. More microcomputers require more time from the DP staff for training and assistance.
3. The last Legislature appropriated funding to complete four more functions of the Trust Land Management System. However, because of current demands on the DP staff, the project has not been started.

FY 92 (2.0 FTE)	FY 93 (2.0 FTE)
49,972 SSRF	49,867 SSRF

Trust Land Management System

The Trust Land Management System was reduced $58,776 per year from the base budget. The reduction reflects decreases in systems development and computer processing charges.

FY 92	FY 93
($58,776) SSRF	($58,776) SSRF

Central Management - DNRC Transfer

The proposed executive reorganization transfers the Reclamation Division to the Department of Natural Resources and Environment (DNRE) and the Conservation and Resource Development Division and Water Projects/-Engineering Bureau from DNRE to State Lands. To accomplish the proposed reorganization the following adjustments to the division budget are recommended.

1. Funding shift: The federal indirect funds and general fund from the Reclamation Division which support this division be replaced by state special revenues. The following table details the proposed funding switches.

	FY 92	FY 93
General Fund	$(116,032)	$(116,032)
Federal Indirect	(71,174)	(71,217)
Rangeland Improvement Loans	9,095	9,095
Grazing District Fees	500	
Water Development	116,032	116,032
Renewable Resources	14,886	14,886
Reclamation and Development	41,393	41,436
Conservation District Grants	5,300	5,300
Net Change	$ 0	$ 0

2. The Reclamation Division will be transferred to the new DNRE and the space they now occupy in the State Lands leased building is paid out of the Federal Special Revenue Account; therefore, those federal dollars will have to be replaced to support the two new entities that will occupy the same space. The funds will be expended from the State Special Revenue Accounts that support the new State Lands programs. Additional funds from the State Special Revenue funds will be required as the square footage rate for the State Lands space is $7.40 a square foot compared to the state rate of $3.20 per square foot.

FY 92	FY 93
$45,000 SSRF	$45,000 SSRF

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3. The proposed reorganization will require additional funds to transfer the Conservation and Resource Development Division plus the Water Projects/Engineering Bureau to State Lands. The following costs will be incurred:

- Rent for the two new entities will be required when CARD and the Engineering Bureau occupy the non-state-owned building which houses the Department of State Lands. The new square footage cost of $7.40 will be needed as opposed to the State rate of $3.20 per square foot. $33,000 per year.

- Electronic Information for data required by CARD will have to be made available to the Department of State Lands. $21,950 for FY 92 and $5,400 for FY 93.

- $88,724 has been identified for numerous items that concern the move, i.e., replacement of the equipment owned by the Reclamation Division, which has been used by the other divisions and must be replaced; the replacement of the local area network that will be transferred to DNRE; replace the auto cad system and provide for the rewiring that will be needed on the first level of the DSL building.

- The Conservation and Resource Development Division will require funds to: contract for the arbitrage calculation; provide furniture for the new space. (existing furniture is modular and cannot be moved); provide for the changeover of the PC network; and provide funds for printing, legal services, rule adoptions, and filing fees - cost $100,000 FY 92 and $35,000 FY 93.

- The existing accounting technical position in CARD of DSL will be upgraded to an Accountant position at an additional cost of $8,000 per year. The position will be involved in very complex accounting procedures such as: paying and setting up bonds, calculating reserves and required debt service, dealing with coal severance funds and RIT funds, monitoring cash flows, and preparing financial statements for the Board of Investments. The position will also be involved in selling securities, and handling the administrative duties of the bonding program. Cost $8,000 per year.

FY 92	FY 93
$194,724 GF	$41,000 GF
56,950 SSRF	40,400 SSRF
$251,674	$81,400

4. Transfer of clerical position 1.00 to DNRE. One clerical position will be transferred with the Reclamation Division.

FY 92	FY 93
($18,840) Fed	($18,798) Fed

Public Recreational Access to State Lands

The Board of Land Commissioners instructed the Department of State Lands to develop a program for public recreational access to state lands. Major new programs require environmental analysis under the Montana Environmental Policy Act (MEPA). An environmental analysis (EA) was prepared that found that there is insufficient information available to analyze the impacts of recreation properly so that an environmental impact statement (EIS) is necessary. Staff and budget constraints preclude the preparation of an EIS, so $300,000 is requested with which to hire a consultant to do the work.

FY 92	FY 93
$300,000 GF	0

A biennial appropriation is requested.

Insurance Reduction

The executive budget reduced insurance for aircraft and other insurance by $33,000 per year. The aircraft insurance reduction reflects a premium reduction.

FY 92	FY 93
($33,000) GF	($33,000) GF

Conservation and Renewable Development Division Waste Water Consulting

The division processes the bond sales and bond payments for the DNRE wastewater program. The executive budget includes $10,000 in FY 92 and $15,000 in FY 93 for the administrative costs of selling and repaying bonds.

FY 92		FY 93	
$10,000	Fed	$15,000	Fed

EXHIBIT 4
DATE 1-21-91
HB Nat. Res. Sub.

5501 DEPARTMENT OF STATE LANDS
01 CENTRAL MANAGEMENT PROGRAM
00000

DATE : 01/08/91
TIME : 21/29/24
CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	32.50	32.22	33.22	1.00-	32.22	33.22	1.00-
Personal Services	946,901	1,007,976	1,025,809	17,833-	1,007,550	1,025,370	17,820-
Operating Expenses	598,658	629,857	489,753	140,104	628,515	483,837	144,678
Equipment	34,855	21,000	12,500	8,500	21,000	21,000	0
Grants	265,000	265,000	265,000	0	265,000	265,000	0
Total Expend.	$1,845,414	$1,923,833	$1,793,062	$130,771	$1,922,065	$1,795,207	$126,858
Fund Sources							
General Fund	1,382,592	1,133,190	1,378,021	244,831-	1,134,529	1,386,308	251,779-
State Revenue Fund	139,984	563,623	81,754	481,869	562,874	77,492	485,382
Federal Revenue Fund	143,675	35,689	143,675	107,986-	35,672	143,675	108,003-
Proprietary Fund	179,163	191,331	189,612	1,719	188,990	187,732	1,258
Total Funds	$1,845,414	$1,923,833	$1,793,062	$130,771	$1,922,065	$1,795,207	$126,858

	FTE 1992	FTE 1993	--EXEC OVER (UNDER) LFA-- FY 92	FY93
CURRENT LEVEL ISSUES:				
1. TRUST AND LEGACY INCOME FUNDING - The Executive Budget replaces general fund with trust and legacy funds.				
2. REORGANIZATION				
A. The Executive Budget transfers 1.0 FTE to the proposed DNRE			($17,833)	($17,820)
B. The Executive Budget includes additional rent for moving DNRC programs to DSL			$45,000	$45,000
3. ADMINISTRATION PROGRAM				
A. Department of Administration Networking Fees			$58,605	$58,605
B. Budget Base Differences (general fund)			($14,124)	($13,588)
C. Funding - For committee consideration after Central Management expenditures are set				
1. LFA uses resource development funds to finance a portion of this program				
2. Actual federal indirect funds expected are less than budgeted in LFA and Executive Budget				
4. AVIATION PROGRAM				
A. Equipment - The LFA does not budget for a helicopter mover (general fund)			$8,500	$0
B. Budget Base Differences (general fund)			4000 ~~$5,440~~	4000 ~~$7,806~~
5. TRUST LAND MANAGEMENT SYSTEM PROGRAM				
A. The LFA does not include additional system development costs for maint. cost			$45,183	$46,855
B. Funding - The LFA utilizes unused resource and development funds in this program to finance a portion of the administration program.				
TOTAL CURRENT LEVEL			$130,771	$126,858
EXECUTIVE BUDGET MODIFICATIONS:				
1. TRUST LAND ACCESS ENVIRONMENTAL IMPACT STATEMENT (100 percent general fund) delay action	0.00	0.00	$300,000	$0
2. HELENA OFFICE SUPPORT STAFF	2.00	2.00	$50,074	$49,969
3. ROYALTY AUDITOR TRAVEL TRAVEL EXPENSE	0.00	0.00	$10,469	$10,469
4. REVISED LEASE FOR OFFICE SPACE (80 percent general fund)	0.00	0.00	$82,992	$82,992
5. REORGANIZATION COSTS (66 percent general fund) delay	0.00	0.00	$261,674	$96,400
TOTAL MODIFICATIONS	2.00	2.00	$705,209	$239,830
ADDITIONS TO THE EXECUTIVE BUDGET				
1. ADDITIONAL GENERAL FUND TO THE MODIFICATION ABOVE TO FINANCE AN EXPANDED TRUST LAND ACCESS ENVIRONMENTAL IMPACT STATEMENT - later date			$650,000	$0
2. AVIATION RECLASSIFICATIONS - The agency requests general fund for two upgrades in the aviation program: Grade 15 Step 2 to a Grade 15 Step 13, and Grade 16 to a Grade 17.			$12,337	$12,337
			$662,337	$12,337

NISBET DEVLIN NO

EXHIBIT 5
DATE 1-21-91
HB Nat. Res. Sub.

1-21-91
Exh - 5

5501 01 00000

CENTRAL MANAGEMENT PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	32.50	32.50	33.22	33.22	.72
Personal Services	946,901	985,776	1,025,809	1,025,370	6.13%
Operating Expenses	598,658	591,684	489,753	483,837	-18.21%
Equipment	34,855	21,000	12,500	21,000	-40.02%
Grants	265,000	265,000	265,000	265,000	.00%
Total Program	$1,845,414	$1,863,460	$1,793,062	$1,795,207	-3.25%
Fund Sources					
General Fund	1,382,592	1,381,531	1,378,021	1,386,308	.01%
State Revenue Fund	139,984	171,500	81,754	77,492	-48.88%
Federal Revenue Fund	143,675	125,890	143,675	143,675	6.60%
Proprietary Fund	179,163	184,539	189,612	187,732	3.75%
Total Funds	$1,845,414	$1,863,460	$1,793,062	$1,795,207	-3.25%

Program Description

The Central Management program provides administrative and operational support services to all programs within the department. Support services include fiscal affairs, data processing, personnel, legal, reception, mail, and aviation. Responsibilities include trust revenue collection and distribution; oil, gas, and coal royalty audits; and maintenance of ownership records for trust and non-trust state-owned land.

Current Level Budget

The program's current level decreases 3.3 percent from the previous biennium due primarily to an 18.2 percent decrease in operating expenses. Fiscal 1990 operating expenses of $79,500 for development of a computerized trust land management system is not included in current level. Other decreases include lower audit fees, lower insurance and bonding costs in the aviation program, and the deduction of the gas and oil royalty auditor's travel expenses, which the 1989 legislature stipulated were not to be included in the 1993 biennium budget base. The increase in personal services is due to vacancy savings in fiscal 1990 and the fiscal 1991 pay plan increases which will continue in the 1993 biennium. In addition, the agency has transferred 0.72 FTE from the Forestry program to this program. Most of the agency's equipment request, which includes 12 new computers, is included in the current level. Funds for a helicopter mover are not included.

The program is funded with general fund, resource development funds, federal indirect grant reimbursements, and a proprietary fund. The resource development fund, which receives up to 2.5 percent of the income generated by state trust lands, finances the trust land management system, one-half of the $11,000 yearly travel cost of the oil and gas royalty auditor, and other program costs. The aviation program's direct costs, such as fuel and maintenance, are financed from the proprietary fund while its fixed costs are paid with general fund. The slight increase in general fund in the 1993 biennium is due to higher personal services costs, which are funded primarily with general fund. The decrease in state special revenue reflects lower operating costs in the trust land management system program.

Executive Budget Modifications

Trust Lands Access EIS

The Executive Budget includes $300,000 for the biennium from the general fund to develop an environmental impact statement (EIS) on the social, economic, and environmental impacts of allowing public access to state lands for recreational opportunities.

Helena Office Support Staff

The Executive Budget includes an additional $100,043 and 2.0 FTE for the biennium funded by one-third trust land administration revenue and two-thirds reclamation and development funds. Because of the current low ratio of clerical staff to professional staff, the department states that it is experiencing low productivity and high employee turnover. The data processing staff of two is currently supporting the 125 microcomputer workstations and mainframe applications used by the department. Additional staff would provide support for computer maintenance, training, and assistance. In addition, the requested staff would allow work to begin on several new functions authorized by the last legislature on the computerized trust land management system: 1) land evaluation, 2) land inventory, 3) development, and 4) land classification. The 1989 legislature appropriated $166,000 per year during the 1991 biennium for the trust land management system. In fiscal 1990, the department spent a total $135,673 on this system.

Royalty Auditor Expense

The Executive Budget includes $20,938 for the biennium from the state lands resource development account to continue funding travel expenses of a royalty auditor located in the Department of Revenue. Under a memorandum of understanding, the Department of Revenue pays the salary of this auditor and DSL pays the operational expenses. The 1989 legislature authorized an additional appropriation of $11,000 per year for this auditor's travel costs. Of this amount, $4,309 was expended in fiscal 1990. Language included in the 1989 appropriations bill required that travel costs for this auditor not be included in the 1993 biennium budget base. DSL also has another royalty auditor, funded solely by the department. These royalty auditors examine taxpayers' accounting records, located primarily in the larger cities throughout the U.S., to determine whether appropriate royalties on the gross value of gas, oil, and coal extracted from school trust lands has been collected and deposited in the common school trust.

Revised Office Lease

The Executive Budget includes an additional $165,984 for the biennium from the general fund and trust land administration revenue to rent additional office space. The additional 10,080 square feet would be rented in the same building currently occupied by the department's central office to alleviate overcrowding and allow for the filling of positions which the department says cannot now be filled due to lack of space.

Reorganization Costs

The Executive Budget includes $358,074 for the biennium from general fund, state special revenue, and federal funds for one-time and continuing costs associated with the proposed reorganization of the department. One-time costs of $165,274 in fiscal 1992 include: 1) data processing; 2) office equipment; 3) increased engineering costs; 4) word processing; and 5) miscellaneous costs. Continuing costs of $96,400 each year of the biennium include: 1) rent increase; 2) printing; 3) waste water consulting; 4) position upgrade; 5) legal services; and 6) miscellaneous. The rent increase is for the Reclamation Division's share of the increased office space rent requested in the previous budget modification.

VISITORS' REGISTER

______________________ COMMITTEE

BILL NO. ______________ DATE 1-21-91

SPONSOR ______________

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Jeff Hagener	DSL		
Gary Willis	DSL		
Rick Burger	DSL Head Pilot		
Al Christianson	DSL Tvice Bureau Chief		
Dennis Casey	DSL		
BOB KUCHENBROD Div Adm. Centra Mgmt.	DSL Div. Adm. Central Mgmt.		
DICK ELSTON	D of A		
Gary Amestoy	DSL		
John North	DSL		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.