

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **SUBCOMMITTEE ON NATURAL RESOURCES**

**Call to Order:** By CHAIRMAN BERV KIMBERLEY, on January 24, 1991,  
at 8:00 A.M.

#### **ROLL CALL**

##### **Members Present:**

Rep. Berv Kimberley, Chair (D)  
Sen. Esther Bengtson, Vice Chair (D)  
Sen. Gerry Devlin (R)  
Rep. Ed Grady (R)  
Rep. Jerry Nisbet (D)  
Sen. Cecil Weeding (D)

##### **Members Excused:**

##### **Members Absent:**

**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:**

#### **DEPARTMENT OF STATE LANDS**

**Exhibit 1 - Roger Lloyd, LFA** reviewed the Reclamation and Development Account. He stated, the total amount in the account is \$4,300,000. DNRC has some State Lands funding and the Environmental Quality funding out of this account. The remainder is available for Grants.

**SEN. BENGTSON** asked, how many Grant applications do you have?  
**Carl Schweitzer, OBPP** stated, basically the Executive Budget would fund through Applicant 16 and with some adjustments we have made in the Budget it will probably be up to Applicant 14.

**SEN. DEVLIN** stated the committee will have to take a close look at these RIT funds. There is no set formula for the various groups which spend these funds. We may have to back-up and review some of the action we have taken.

**Mr. Schweitzer** suggested, this committee may wish to have a joint meeting with the Long Range Building Committee, since they

prioritize and appropriate the grants. We could hear an Executive proposal as well as from the department as to what they need for a grant program and perhaps get a recommendation for your consideration.

**LAND ADMINISTRATION DIVISION: EXHIBIT 2. & 2-A.**

**Jeff Hagener, Administrator of Lands Division** gave an overview of this division. The Lands Division administers all of the state school trust lands. He reviewed a map of the trust lands to show how widely scattered they are. He reviewed the Distributable Income and NonDistributable Income with the committee. See **EXHIBIT 2, Page 4.**

**Future Concerns of Lands Division - See EXHIBIT 2, Page 7.** He stated, in regard to Recreational Use, the department would need more administration to deal with this problem. Navigable Rivers, the State owns the river bed of all navigable rivers in the State. Where there are oil and gas reserves, these are owned by the State of Montana. We own the abandoned river channels and any islands which have arisen from the bed of the river. It is a complicated situation trying to figure out exactly what the owns.

We currently have a hydrologist and a land geologist trying to clear up the ownership, leasing and the revenues from minerals.

Other issues we have to deal with are Noxious Weed Control, Liability of Landfill Sites, Environmental Restrictions and Compliance with the Federal Farm Program.

**Mr. Hagener** stated, there are 9 field persons each covering 508,888 acres of land. As you can see with the increase in work load, we do not have enough FTE's to take care of the responsibilities of the Land Division. See **EXHIBIT 2, Page 8.**

**REP. GRADY** asked, are your agriculture leases reviewed yearly?

**Mr. Hagener** answered, these are reviewed on a 5 or 10 year basis. However, we are trying to review the Farm Program more often because of the concerns with compliance.

**SEN. BENGTON** stated, with the bill we passed last session dealing with cabinsites, have you had any problems with the migrant beet workers along the Yellowstone where their dwellings are designated as cabinsites? Have you had any complaints as to how these rules were established?

**Mr. Casey** said, they had lots of complaints from lessees when the legislature established new rates of rental for cabinsites. The law states that the rent will be based upon 3.5% of the appraised value. For some people this is a significant increase. For cabinsites in the rural areas we had significant increases. We were able, in some cases, to work with the lessee and reduce the number of acres included in the cabinsite which was helpful.

**SEN. BENGTON** said, the migrant workers dwellings were designated

as homesites or cabinsites and the rent was very high. These workers could not afford the rent. Actually they were not home sites or cabin sites and were not intended for migrant workers.

**Mr. Casey** stated, some of these cabinsites have been put up for sale by the lessee. The lessee is the only one who can request a cabinsite be sold.

**SEN. WEEDING** said, we have a grazing rental and an agriculture rental which are two different types of rental. Are we differentiating between these two types of leases?

**Mr. Hagener** stated, the current law broke it into 4 major classifications, one of which was grazing land and one was agriculture land. On the grazing, the amount is based on the animal grazing and the agriculture is based on the crop share.

**SEN. BENGTON** asked, how do you distribute this money?

**Mr. Casey** said, the Governor's Budget states, a certain amount of interest income would be used to manage these State Lands. There is a legal disagreement as to the constitutionality of it. The Legislative Council's opinion is, it is unconstitutional, so we made a decision not to pursue it this session. Therefore, it reverts back to general funding for education and is distributed on an annual basis.

We are working with the Federal Government with what is called Cross-Compliance and their interpretation is, "If there is any farmer in the State of Montana that farms state lands or his deeded land is in non-compliance, we lose payments which in some years means 4 to 5 million dollars.

**REP. GRADY** said, you mentioned you were doing a study on better management of state lands for increasing the revenue or is it for better management of use of the land? How much control do you have if a lessee isn't doing a good job of managing that land?

**Mr. Hagener** stated, we do have the control to cancel the lease if it is not being managed properly. We will try to work with the lessee on ways to better manage the land. If there are continued problems, we will pursue cancellation of the lease. They do have the right to appeal and some of these can be rather lengthy.

**REP. GRADY** asked, are you looking at how to get more rent from the lessee or better manage the land? **Mr. Hagener** answered, we are trying to manage the land as to the best use and long-term revenue.

**REP. GRADY** asked, what is the long range plan for? **Mr. Hagener** answered, we are looking at an individual basis. Each tract of land is either agriculture or grazing and the land is classified as to what the land is best suited for. A lot of times we can increase revenue by renting that land for recreational use.

**Mr. Casey** said, we don't have a precise plan as yet concerning land development.

**Mr. Hagener** said, we are looking at long-term use of the land through better management.

**Mr. Lloyd** gave an overview of the differences between the LFA budget and the Executive Budget. **EXHIBIT 3.**

**Mr. Schweitzer** stated, in general fund which shows a zero amount we were using trust revenues. However, we have since reversed that position and we recommend this to be financed with general funds including the Budget Mods.

**SEN. DEVLIN** asked, what kind of changes are their between the trust fund and the general fund? **Mr. Casey** answered, the bottom line in the budget is the same. The money that went for administration now goes toward education.

**SEN. DEVLIN** said, there is still some state revenue in there. **Mr. Casey** replied, the Resource and Development funding is still there.

**Mr. Schweitzer** explained, Item 2, A & B are both general fund. Item 3 & 4 are state land development funds. The Budget modifications are general fund and the differences are basically \$18,000 a year and about \$9,000 difference in the State Special revenue fund.

**SEN. BENGTON** asked, the addition of FTE'S in the Budget modifications for enhancing those particular programs, are these for increased revenue? **Mr. Hagener** stated, these additional FTE'S are to generate more revenue. We hired an Agriculture Specialist in about 1986 in the Miles City area and that person attributed about \$100,000 of revenue within a year or two. We expect to be more efficient and react to the lessees and the demands of State Lands with the additional FTE'S.

**SEN. BENGTON** stated, if an increase in personnel increases production and revenue, I feel this is a good investment.

**REP. GRADY** said, I don't see how any individual can manage this much land per FTE. We have other main concerns in the State besides managing the land for increased income such as erosion, etc.

**SEN. DEVLIN** stated, I don't know how many abuses of the land you have, but I would think it is fairly minimal considering the severe drought around the state.

**SEN. BENGTON** stated, state lands is an intricate part of farming and ranching and has been sound stable.

**Mr. Hagener** said, our relationship with lessees is good. We have some problems with the Federal Government intermingling with

their lands. We also have to deal with the endangered species.

**EXHIBIT 3 - Mr Hagener reviewed the budget.**

**Land Administration Program:** Item A, this position was formerly .62 FTE Crop Checker. The .12 FTE has been combined with a .10 FTE with the Forestry Division to fund a .22 secretarial position in the Conrad office. Conrad is a large area and some of the paper work had to be sent to Helena to get done. This is a shared cost with the Forestry Division. The position was vacant through FY90 and filled on May 29th. Through Nov. 2nd that position was funded from the Forestry's portion of the funding.

Item B, Budget Base Differences - The LFA difference of \$26,860 was attributed to \$20,000 to State Lands for weed control. In FY90 we only spent \$3,560 due to a high turnover of employees. Some of these people were active in noxious weed control. In FY91 we anticipate spending the funds which are allocated for this year. There are some vacant tracts which we are spending funds for weed control. Also, the abandoned railroads now revert to the state and we will be working in these areas.

**SEN. BENGTON** asked, if there was a cost-share on weed control? **Mr. Hagener** stated, we try to work with the adjacent lessee or land owner, but if there is no lessee or owner, we have to take care of the weed control. We usually contract with the local County to spray the weeds.

**SEN. DEVLIN** asked, do you get any help from the weed trust fund and is there a way you could qualify. **Mr. Hagener** answered, we have contracted with lessees but have not looked into vacant tracts. We have not pursued help from the Weed Trust Fund.

**SEN. WEEDING** asked, how do you acquire abandoned railroad property? **Mr. Hagener** replied, some are land grants, others had easements which revert back to the State of Montana. **Sen. Weeding** asked, what about right-of-way, an adjoining land owner must be leasing this right away. Wouldn't it revert back to the land owner? We are trying to integrate with the land owner, however they did not cause the weed problem on the railroad portion.

**CHAIR. KIMBERLEY** asked, in regard to the Burlington Northern land which was deeded land, didn't they offer to sell this to the adjacent land owners? **Mr. Hagener** answered, that is correct, however, the others are only leased.

**SEN. DEVLIN** asked, has there been any cases of people dropping their land because they can't control the weeds? **Mr. Hagener** answered, there was one case where we went into a management plan with a sheep operator. The sheep did a good job, but I am not sure what the long term effect will be.

**Resource Development Program -** **Mr. Hagener** said, originally this was a Grade 16, Step 7 position. Since that time, the incumbent

resigned from the department and the position was resubmitted to personnel and classified as Grade 15, Step 2. The position was filled by a Grade 15, Step 6. The difference of \$2,370 is needed to be added to the LFA Budget for a total of \$8,241.

**Capital Outlay** - This fund out of the resource development program is for special projects and assessments. I have estimated we would need \$5,000 for capital expenditures. Some of the expenditures are at a different time because they have to do with water replacement measuring devices. We have \$725 in water assessments for water irrigation, \$1,800 for maintenance fees requested from Yellowstone County for water and sewer lines. There are two places of \$500 each where water control and measuring devices have to be replaced. We have been notified that we have 5 hazardous dam sites and hope to have some cost sharing with the lessee. Therefore, the department would need a total of \$5,000.

**Executive Budget Modifications** - Item 1, Trust Land Management; we do not have the personnel to react to the increase in demands of land management. Each field person does approximately 100 appraisals per year which takes most of his time. It becomes extremely difficult to follow-up. By adding these extra FTE'S we can have better management and be more responsive to the public. This is a phase-in approach which is why there is a difference in FTE'S from FY92 to FY93. See EXHIBIT 2, A, Page 22.

CHAIRMAN KIMBERLEY asked, how much time does a .5 clerical position put in? Randy Mosley, DSL stated, a half-time secretary basically 1,040 hours or 2.5 days per week. The field people are gone so much, they need someone to answer the telephone and questions of the public so the half-time would bring this position up to a full-time position.

SEN. DEVLIN asked, can't you answer the phone here? Mr. Mosley answered, the public want to deal with the local people on a one to one basis.

SEN. DEVLIN asked, can't you refer these calls to your field person? Don't you check with them on a day to day basis? Mr. Mosley answered, yes that is correct, however answering the phone is only one of the many duties of the secretary.

SEN. WEEDING asked, how many field offices do you have? Mr. Mosley replied, the department has 26 field offices of which 5 are seasonal which is basically wildfire suppression. We have 6 major land offices and some of our offices are satellite offices. The satellite offices are located in areas where there is a potential for wildfire protection.

**Federal Farm Program Administration** - EXHIBIT 2, A Page 21.

Mr. Hagener reviewed this program previously.

SEN. WEEDING asked, after the CRP came in and the state got involved did revenues from agriculture go up or down?

**Mr. Hagener** replied, I believed it stabilized the revenue. It is hard to tell because of the drought years we have had. We lost about \$2,000,000 because of a deficiency discrepancy. The Federal Government declared the state was not eligible to collect funds because of the drought deficiency. We got into a legal battle with the government as to whether or not the Lessee was entitled to all of those funds.

**SEN. DEVLIN** asked, the landowner had to take a reduction in his annual payment, did the State take a reduction also? **Mr. Hagener** replied, the first year there was no reduction and that was the drought year. Some of the farmers were selling the wheat for hay at \$100 per ton and they were also getting \$35 per acre from the government. We tried to get a share of those we could keep track of. In the subsequent years because of the problems there is a reduction requirement. The requirement is, all parties to the contract would be reduced by one quarter of their payment from the Federal Government. We went to the lessee and worked with them and decided we would not pay the reduction. We notified the ASCS that was the decision and therefore none of the reduction would come out of the State share.

**CHAIRMAN KIMBERLEY** introduced **Beverly Gibson** from **Montana Association of Counties**. She stated, there are 18 Counties in the state which are eligible for equalization payments from the state. The appropriation in the most recent biennium is \$265,000. The formula for the county to apply for this appropriation exceeds the \$265,000. Under the formula, the appropriation for the 18 counties was \$356,478. Therefore, every county received a pro-rated amount to equal the \$265,000. Based on the CPI increase the pay out would be \$352,497. We would like to ask that the line-item be \$350,000 minimum.

We have a bill in the legislature that asks for another formula for reimbursing the counties. We would like to see a more realistic formula for appropriations than is currently in the law. **EXHIBIT 4.**

**Mr. Schweitzer** explained, in the Centralized Services budget there is a line item of \$265,000. That appropriation goes to pay the Counties that have a large amount of the county area in Trust Land. Therefore, we give the county these funds in lieu of taxes as they are not getting any tax revenue from the trust lands.

**SEN. WEEDING** asked, does this just apply to those 18 Counties that have more than 6% of their land in state trust lands? **Ms. Gibson** answered, it is just those 18 Counties that are affected under law.

**REP. GRADY** asked, how does this compare with the rest of the Counties where there are large tracts of state lands? Is the payment the same? How did you come up with this formula? **Mr. Casey** clarified, the law was established to reimburse Counties which have an excess of 6% of their land as State Lands. The law

is for making a payment to the counties in lieu of taxes they would have received if the land was privately owned. That \$265,000 they have been getting over the years is not enough to meet the requests of the counties which would be more if they were privately owned. This issue was discussed between myself and the Budget Office and the request was to increase the amount, which I support.

CHAIRMAN KIMBERLEY asked Ms. Gibson where the figure of \$352,497 came from? Ms. Gibson answered, .12 cents is for grazing fees, .12 for agriculture and .12 for forestry. Based on that formula the request was for \$356,478. Therefore, we were not appropriated full funding under the law. We applied a CPI factor from FY83 to present and came up with \$352,497.

REP. GRADY said, when you say same basis as private owned land, that means fair market value. It appears this is how you want to set these values. Ms. Gibson stated, if HB282 would pass, I believe the total amount would exceed \$350,000.


SEN. DEVLIN asked, have you applied the CPI in the other private lands in the County? Ms. Gibson replied, we only applied the CPI to the appropriations which occurred here.


SEN. BENGTON stated, obviously this would mean an increase in grazing fees.

CHAIRMAN KIMBERLEY stated, the committee would hold Executive Action in the morning because some of the members had been excused.

#### ADJOURNMENT

Adjournment: 9:45 A.M.

  
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REP. BERV KIMBERLEY, Chair

  
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THEDA ROSSBERG, Secretary

BK/tr



HOUSE OF REPRESENTATIVES  
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL

DATE 1-24-91

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

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EXHIBIT 1DATE 1-24-91BY Pat. P. W. Del.Exhibit 1  
1-24-91DSL - RECLAMATION DIVISION  
RECLAMATION AND DEVELOPMENT  
ACCOUNT

	LFA		EXECUTIVE	
	92	93	92	93
ADMIN	\$37,336	\$37,326	\$60,341	\$60,451
OPEN CUT	\$70,132	\$69,949	\$70,859	\$71,088
COAL & U	\$214,603	\$214,700	\$200,746	\$200,575
AML	\$0	\$0	\$0	\$0
HARD ROCK	\$263,004	\$262,877	\$277,148	\$278,671
ENVIR. A.	\$0	\$0	\$0	\$0
	<u>\$585,075</u>	<u>\$584,852</u>	<u>\$609,094</u>	<u>\$610,785</u>

## EXECUTIVE BUDGET MODIFICATIONS

COAL BUREAU WORKLOAD	\$43,098	\$46,831
HARD ROCK BUREAU WORKLOAD	\$127,118	\$121,239
ENVIRONMENTAL COMPLIANCE	\$121,721	\$98,637
	<u>\$291,937</u>	<u>\$266,707</u>

## EXECUTIVE BUDGET ADDITIONS

ABANDONED MINE RENT	\$0	\$0
COAL AND URANIUM RENT	\$5,335	\$5,335
HARD ROCK INCREASE	\$100,000	\$100,000
	<u>\$105,335</u>	<u>\$105,335</u>

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## DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

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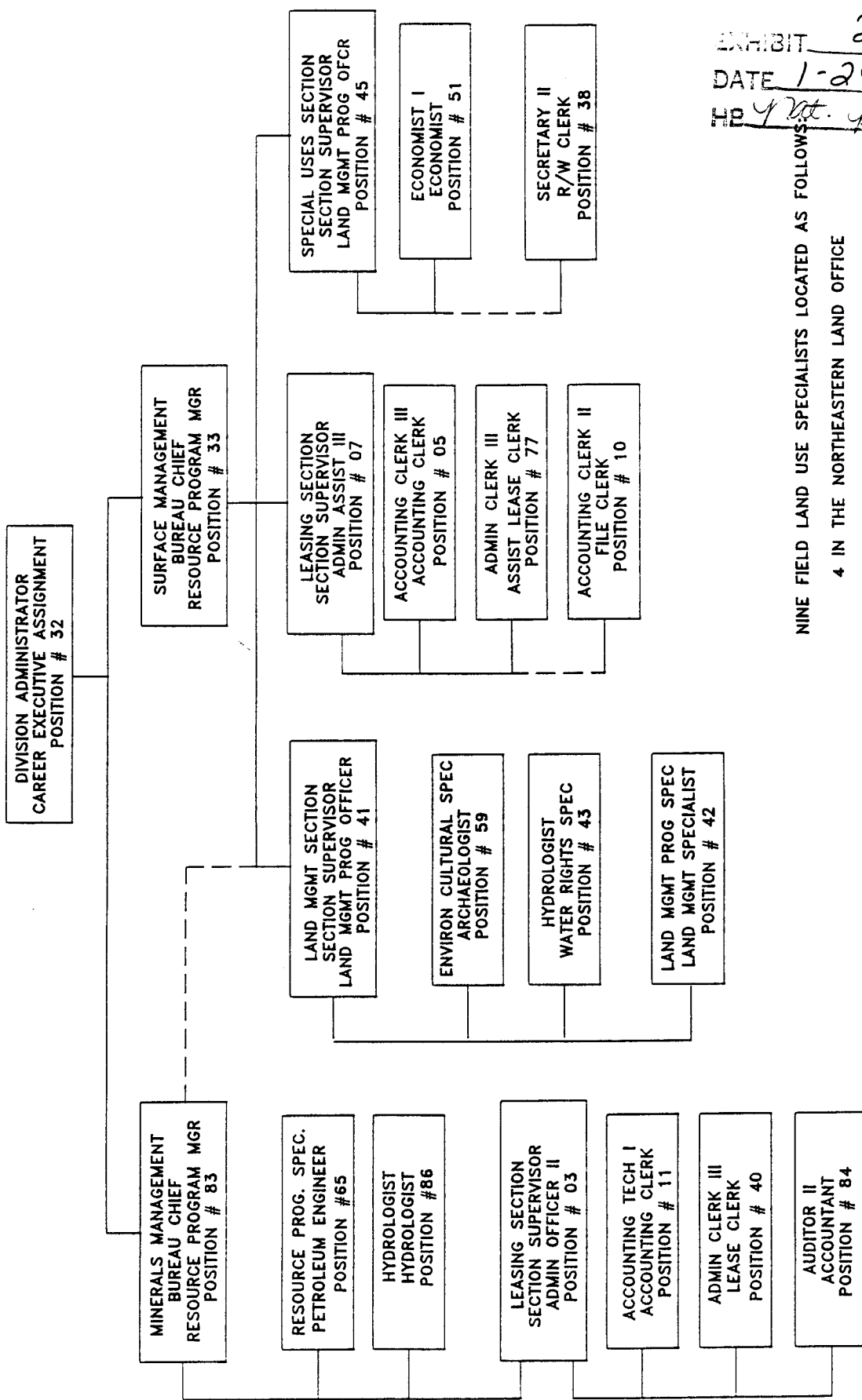
Table 3  
Reclamation and Development  
Department of Natural Resources and Conservation  
Fiscal 1991, 1993 Biennium

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	<u>Appropriated Fiscal 1991</u>	<u>LFA Fiscal 1992</u>	<u>LFA Fiscal 1993</u>
Beginning Balance	\$2,219,998	\$ 575,061	\$2,012,375
Revenues	<u>3,465,040</u>	<u>3,732,077</u>	<u>3,991,200</u>
Total Funds Available	<u>\$5,685,038</u>	<u>\$4,307,138</u>	<u>\$6,003,575</u>
Disbursements			
Dept Natural Resources & Conservation			
Bd of Ntrl Rsc & Conservation	\$ 0	\$ 1,918	\$ 1,918
Centralized Services	125,133	168,119	166,603
Conservation Districts*	431,682	486,243	475,357
Rural Econ Development	38,150	30,938	30,922
Water Resources			
Administration	90,000	120,442	120,245
New Water Rights\Adjudication	161,970	153,926	153,564
Water Management	350,000	354,771	354,541
Dam Safety	145,348	156,018	155,780
Reserved Water Rights	281,018	224,088	222,242
Dept State Lands			
Reclamation Division**	624,507	585,075	584,852
Central Management			
Env Quality Council	19,411	13,225	13,226
Grants	<u>2,842,758</u>		
Total Disbursements	<u>\$5,109,977</u>	<u>\$2,294,763</u>	<u>\$2,279,250</u>
Ending Balance	\$ 575,061	\$2,012,375	\$3,724,325

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# MONTANA DEPARTMENT OF STATE LANDS LAND ADMINISTRATION DIVISION



NINE FIELD LAND USE SPECIALISTS LOCATED AS FOLLOWS:

- 4 IN THE NORTHEASTERN LAND OFFICE
- 2 IN THE CENTRAL LAND OFFICE
- 2 IN THE EASTERN LAND OFFICE
- 1 IN THE SOUTHERN LAND OFFICE

EXHIBIT 2  
DATE 1-24-91  
TO Ymt. Res. Div.

APPROVAL BY: m. J. J. R. R.  
DATE: 1/13/91

DRAFTING DATE 12/27/90

FILE: LAND2.DWG

## LANDS ADMINISTRATION PROGRAM

The primary goal of the Lands Administration Program is to generate the highest income from the leasing of the natural resources on the surface and mineral estates for the greatest benefit of the Common Schools and the Endowed Institutions in the State of Montana. The highest income from a specific use must be weighed against the long term productivity of the land to ensure future returns to the school trusts.

### SURFACE MANAGEMENT PROGRAM RESPONSIBILITIES

Conduct the orderly leasing, renewal, recording and assignment of grazing, agricultural and special leases for the benefit of the trusts. The surface trust estate includes 4.1 million acres of grazing land, 550,000 acres of agricultural land and 28,000 acres of special use land.

Inspect and review the current status of approximately 9500 grazing, agricultural, and special leases.

Develop and implement management plans on trust lands as necessary to improve the land capability and long term productivity.

Maintain State and lessee compliance with the Federal Farm Programs.

Record all agreements and resource information within the Trust Land Management System for the orderly retrieval and use of resource information in making management decisions for the benefit of the trusts.

### MINERALS MANAGEMENT PROGRAM RESPONSIBILITIES

Conduct the orderly leasing, permitting, evaluating and recording of approximately 3,500 oil and gas, metalliferous and non metalliferous, coal, and sand and gravel agreements for the benefit of the trusts on a mineral estate of 6.2 million acres.

Call for the review and inspection of pre-development plans and operations by the Area Land Offices to assure protection and wise use of natural resources on trust lands.

Record all agreements and resource information in the Trust Land Management System for the orderly retrieval and use of resource information in making management decisions for the benefit of the trusts.

EXHIBIT 2  
DATE 1-24-91  
BY Mar. Fred. A. W.

## RESOURCE DEVELOPMENT PROGRAM

The goal of the Resource Development Program is to develop, conserve and improve state trust lands to increase the revenue generation to the Common School and Endowed Institutions and to perfect title of state lands in the State of Montana.

### RESOURCE DEVELOPMENT PROGRAM RESPONSIBILITIES

Develop new projects in the areas of stockwater development, irrigation, commercial development and resource protection which will enhance the value of trust lands for the benefit of the trusts.

Conduct the orderly review and evaluation on existing development projects to assure proper maintenance and protection.

Conduct the appropriate Environmental reviews on proposed new uses of trust land to insure compliance with MEPA and other environmental regulations.

Continue the water adjudication process on all state trust lands.

Evaluate the title question of state ownership on the beds of the navigable rivers and islands within those rivers.

Evaluate potential Federal and Private land exchange proposals for the benefit of the trusts.

Evaluate and process applications for R/W easements and Land Use Licenses for secondary uses of trust lands.

Evaluate and process applications for the purchase of trust lands.

LAND ADMINISTRATION FY 90 INCOME EARNED

DISTRIBUTABLE INCOME

Grazing rentals	4,133,290
Agricultural rentals (inc. Fed. Farm Prog.)	7,350,753
Oil and Gas Lease rentals	1,561,866
Oil and Gas penalties	712,388
Oil and Gas Bonus payments	225,303
Other revenues (special leases, licenses, etc)	200,000*
Transaction fees (assignments, subleases, etc)	125,000*
DISTRIBUTABLE SUBTOTAL	14,308,600

NONDISTRIBUTABLE INCOME

Rights-of-way	105,350
Oil Royalties	2,597,544
Gas Royalties	1,115,172
Coal Royalties	2,302,504
Sand & Gravel	108,725
Miscellaneous (other royalties)	39,659
NONDISTRIBUTABLE SUBTOTAL	6,268,954

<b>TOTAL INCOME</b>	<b>20,577,554</b>
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\* these figures are estimates as the exact break down within these categories between Lands and Forestry Division are not compiled.

EXHIBIT 2  
DATE 1-24-91  
HB Dir. Res. Sec.

BUDGET BREAKDOWN FOR LANDS DIVISION

LANDS PROGRAM

	<u>FY90</u>	<u>FY91</u>
TOTAL FTE	21.12	21.62
TOTAL BUDGET	\$726,289	\$709,155
FUNDING:		
GENERAL FUND	\$726,289	\$709,155

RESOURCE DEVELOPMENT PROGRAM

TOTAL FTE	7.00	7.00
TOTAL BUDGET	\$290,646	\$295,484
FUNDING:		
STATE SPECIAL	\$290,646	\$295,484



## LANDS PROGRAM ACCOMPLISHMENTS

- Annually collected over 20 million dollars of distributable and nondistributable income from management of state trust lands on.
- Collected 11 million dollars of income from state's share of federal farm program payments over the past five years.
- Collected over one million dollars of royalties owed from mineral leasing through the Royalty Audit Program.
- Revised regulations pertaining to surface management of school trust lands.

In FY 90:

- Processed over 120 right of way applications on state trust land.
- Reviewed over 10 applications for land exchanges.
- Issued 85 land use licenses for supplementary uses of state land.
- Conducted lease renewal inspections on over 1200 tracts of state agricultural or grazing land.
- Conducted 150 supplemental lease inspections on state agricultural or grazing land at request of lessee or because of management concerns.
- Instituted 85 management actions to improve condition of surface lease.
- Authorized 100 improvement requests on state owned land.
- Conducted 75 mineral lease and/or bond release inspections.
- Issued or renewed 24 sand and gravel permits.
- Issued 405 new oil and gas leases.

EXHIBIT 2  
DATE 1-24-91  
HE Mark. Res. Div.

## FUTURE CONCERNS OF LANDS DIVISION

**Recreational use of and access to and through state lands** are currently issues driving a lawsuit against the Department and the Land Board. Regardless of the outcome of the lawsuit, recreational use is a potential source of revenue to the school trusts which must be considered. In order to effectively administer a recreational leasing program, additional funding and staff would be required.

**Administration of Navigable rivers** is in the initial stages at present. The Department has developed a list of those rivers deemed to be navigable and therefore owned by the state. This list is currently disputed by various groups and individuals.

**Noxious weed control** is an ever increasing problem throughout the entire state. Currently the Department requires the lessee to control noxious weeds. The cost of this control is becoming a major problem for many lessees and may result in termination of many leases. The resulting vacant tracts will be very difficult to lease to anyone else because of the existing noxious weed problems.

**State liability** from landfill sites, producing and abandoned oil and gas wells, and other potential environmental hazards existing on trust lands may become an issue.

**Increased Environmental restrictions** may greatly effect the revenue potentials from state lands. There is an ever increasing concern over protection of and enhancement of wildlife habitat for many species. Threatened and Endangered species are known to exist on or may potentially exist on trust lands. Cultural/-historical concerns are also appearing more often on trust lands.

**Compliance with the Federal Farm Program** is difficult at present and can be expected to become more difficult in the future with program changes and restrictions.

Points to note regarding Lands Division administration and management.

- There are only 28.62 FTE in the Division responsible for the administration and management of 4.58 million acres of surface estate and 6.2 million acres of mineral estate. Of the total FTEs, nine are field personnel; thus leaving an average of 508,888 surface acres per field person. This ratio is far greater than found in any other major land management agency in the state.

- The annual revenues of \$20+ million have been achieved through expenditures of less than \$1 million for administration and management.

- The demands for new uses and better management of existing uses on trust lands have been steadily increasing. The Lands Division has attempted to keep up with these demands with existing staff. The result has been a need to closely prioritize the workload and often longer timeframes are required to accomplish many tasks. Additionally, many requests for potential new sources of revenue may not be processed at all due to workload constraints.



- o Record all agreements and resource information within the Trust Land Management System for the orderly retrieval and use of resource information in making management decisions for the benefit of the state school trusts.

#### Minerals Management

- o Use available technology to manage State mineral resources in an economically efficient and environmentally sound manner as possible.
- o Conduct the orderly leasing, permitting, evaluating and recording of approximately 3,500 oil and gas, metalliferous and non-metalliferous, coal, and sand and gravel agreements for the benefit of the school trust.
- o Review and inspect pre-development plans and operations to assure the protection and the wise use of natural resources on school trust lands.
- o Provide periodic review and inspection of existing mineral leases to ensure compliance with the lease agreement, statute, and rules and regulations.
- o Evaluate potential Federal and Private mineral exchanges for the benefit of the school trust.

- o Continue evaluation of the title question of state ownership on the river beds, islands, and abandoned river channels of the navigable rivers throughout the state.

- o Record all agreements and resource information in the Trust Land Management System for the orderly retrieval and use of resource information in making management decisions for the benefit of the trusts.

#### Resource Development

- o Develop new projects in the areas of stockwater development, irrigation, commercial development and resource protection which will enhance the value of the

school trust lands for the benefit of the school trusts.

- o Conduct the orderly review and evaluation on existing projects to ensure proper maintenance and protection.
- o Inspect and record cultural resource sites on state trust lands to insure the protection and quantification for future reference and preservation.
- o Continue the water adjudication process on state school trust lands.
- o Evaluate potential Federal and private land exchange proposals for the benefit to the school trust.
- o Review and authorize temporary land uses on State lands for uses other than the primary classified use to provide income to the school trust, and provide multiple use of the school trust lands.
- o Review and evaluate permanent easement applications for rights of way across state trust lands.
- o Review and evaluate requests for sales of state trust lands for the benefits to the trusts and the people of the State.

#### **AUTHORIZATION**

25 STAT. 679

The Enabling Act of 1889 granted the State certain lands for the support of common schools and other trusts.

Art. I Montana Constitution

Accepts all provisions of the enabling act of Congress.

Art. IX, Sec. 1 Montana Constitution

Calls for a clean and healthful environment for present and future generations.

Art. X, Sec. 10 Montana Constitution

Provides for the classification of state lands acquiring full market value for sale of state lands and the exchange of state lands for other lands.

75-1-103 MCA.

Montana Environmental Policy Act Promotes efforts to prevent or eliminate damage to the environment and to attain the widest range of beneficial uses of the environment without degradation or other undesirable or unintended consequences.

77-1-202 MCA.

Powers and Duties of the Board Trust lands are held in trust for the support of education and the lands shall be held in trust to secure the largest measure of legitimate and reasonable advantage to the state.

77-1-203 MCA.

Multiple Use Management Provides that the various resources of state lands be managed in a combination that best meets the need of the people and the beneficiaries of the trust.

77-1-204 MCA.

Power to sell, lease, or exchange certain state lands. Authorizes the sale and exchange of state lands and leasing of state lands for uses other than agricultural, grazing, timber harvest, or mineral production.

77-1-301 MCA.

Powers and Duties of the department. Provides that the department has charge of the selecting, exchange, classification, appraisal, leasing management, sale, or other disposition of state lands and the department shall collect and receive all monies payable to the state from various sources resulting from school trust land uses.

77-1-604 MCA.

Resource Development account. Provides for a special revenue fund for the purpose of investing in the improvement and development of state school lands.

77-2-101 MCA.

Easements for public uses. Provides for the granting of easements on state lands.

77-2-201, 202 & 203 MCA

Exchanges of land. Provide for the exchanging of state lands with the United States or tribal governments, counties and private lands.

77-2-301 MCA.

Sale of state land under Board control. Provides for the sale of certain state lands.

77-3-102 MCA.

Mining leases authorized. Authorizes the leasing of state lands for the purpose of prospecting for or mining of metalliferous minerals or gems.

77-3-201 MCA.

Nonmetallic mineral leases authorized. Authorizes the issuance of permits or leases for removal and disposition of nonmetallic minerals on state lands.

77-3-301 MCA.

Coal leases authorized. Authorizes the leasing of state owned coal.

77-3-401 MCA.

Oil and gas leases authorized. Authorizes the leasing state owned oil and gas resources.

77-3-501 MCA.

Lease for underground storage of natural gas authorized. Authorizes the leasing state lands for use for the underground storage of natural gas.

77-6-102 MCA.

Surface leases authorized. Authorizes the leasing of state lands for agriculture, grazing, and commercial development.

77-6-201 MCA.

Appraisal of grazing lands. Outlines the department responsibilities in appraising grazing lands owned by the state.

77-6-205 MCA.

Renewal leases. Outlines the procedures for renewal of grazing, agricultural and commercial leases.

1-6-208 MCA.  
Assignment of leases -- subleasing -- loss of preference  
right. Provides for the assignment of state leases with  
approval by the department.

7-6-210 MCA.  
Cancellation of leases. Authorizes the department to  
cancel leases certain causes.

7-6-401 MCA.  
Ledge or mortgage of leasehold interest in state lands.  
Authorizes the pledging or mortgaging of the leasehold  
interest in grazing or agricultural state lands.

7-6-501 MCA.  
Agricultural leases. Provides for the basis for rental  
to be charged on state agricultural leases.

## **BASE PROGRAM**

### Surface Management

The Surface Management program is responsible for the  
leasing and management of approximately 9500 leases on  
4.5 million acres of agricultural, grazing and special  
lease lands throughout the state.

Leasing activities include: the appraisals and renewal  
processing on approximately 950 leases expiring annually;  
the advertising, competitive bidding and issuance of  
approximately 50 new leases annually; review and  
processing of assignments, subleases, pasturing  
agreements, custom farming agreements, pledges and  
mortgages; and collection, verification and posting of  
rentals and fees.

Management activities include participation in and  
compliance with the Federal Farm Program; review of  
applications for reclassification of lands for new uses;  
management plans to correct existing problems and enhance  
future lease production and revenue generation; ensuring  
MEPA compliance; investigations of lease non-compliance  
(i.e. illegal subleasing or illegal breaking);

coordinated planning with other resource management  
agencies; improvement application review and approval.

The overall coordination and management of the Surface  
Management program is conducted from the state office and  
the majority of the field work is conducted by the field  
offices located throughout the state.

Surface Management activities annually return  
approximately 9 million dollars to the school trusts.

### **Specific Program objectives:**

Maintain accurate seeding and production reports, verify  
and post rentals on all agricultural leases.

Generate annual billings and post annual rentals on all  
grazing and special leases.

Complete surface renewal evaluations on all leases  
expiring the following year by November 1 of the current  
year.

Process renewal applications including competitive bids,  
preference right employment, and competitive bid  
hearings.

Begin surface evaluations on leases expiring in the next  
two years to allow greater flexibility in management.

Evaluate and process applications and reclassification  
for new uses.

Evaluate and process requests to convert from  
agricultural crop share rental to cash rental.

Review, and adjust accordingly, special lease rentals at  
five year lease anniversary.

Process and issue new leases on vacant tracts as soon as  
cancellation, reclassification or title clearance is  
completed.

Field check production on agricultural leases to verify  
yields.

Identify and initiate corrective action to lease use violations such as illegal breaking and illegal subleasing.

Identify and initiate corrective action to lease management problems such as weeds, pests etc.

Investigate, evaluate and process applications for assignment, subleases, pasturing agreements, custom farming agreements, reclassification, pledges and mortgages.

Investigate, evaluate and process applications for lessee funded improvements.

Administer the Federal Farm Program as it pertains to state leases.

Develop and maintain up-to-date policies and procedures regarding the administration and management of trust surface resources.

#### Minerals Management

The Minerals Management program is responsible for the leasing, permitting and management of approximately 3,500 oil and gas, metalliferous and non-metalliferous, coal, and sand and gravel agreements on 6.2 million acres of school trust lands and approximately 100,000+ acres of other state owned land throughout the state. This Recent increases in technical and accounting staff are responsible for the increasing numbers of tasks accomplished and projections of future performance.

Leasing and permitting activities include: the review and processing of all mineral lease and permit applications; review of annual reports and operating plans; ensuring MEPA compliance; collection, verification and posting of rentals and production royalties; royalty audits; review and approval of assignments; review of royalty and rental rates contracts and other terms.

Management of leases and permits includes: drainage protection; ensuring that diligence and performance standards are met; production audits; field inspections; statistics and trend analysis; verifying well plugging

and reclamation; witnessing well tests and production runs; technical review of units and communitization agreements; protection of soils, surfade and groundwater; computer data entry; rule, permit and lease re-writes; evaluation of Board of Oil and Gas docket; and disaster contingency planning.

These reviews are conducted by both staff personnel in the state office and field personnel in the six area offices located throughout the state.

Minerals Management activities annually return approximately 10+ million dollars to the school trusts. This 10 million is based on the past five years over which oil and gas royalties and rentals have been in a downward trend. The market appears to be stabilizing now, and a slight increase can be anticipated over the next few years. Therefore, trust revenues can be expected to increase accordingly.

#### Specific Program Objectives:

Evaluate and lease or permit new lands for metalliferous, non-metalliferous, coal, sand and gravel exploration and development.

Verify and post rentals and production royalties on all leased or permitted land.

Conduct royalty and production audits on producing mineral leases and permits.

Evaluate and process requests on existing leases to assign, shut in wells, pool and unitize, extend leases, plug wells, drill wells, change operating plans, release bonds, suspend operations and other typical requests on mineral leases.

Inspect producing mineral leases to ensure compliance with lease terms, to maintain an inventory of wells, improvements and equipment, to ensure adequate plugging and restoration of wells and to conduct production audits.



Determine the state's ownership in streambeds, islands, abandoned channels and dammed water bodies in and near navigable rivers.

Investigate and require diligent performance, prevention of waste and protection against drainage of hydrocarbons from offsetting wells.

Conduct planning, statistical and trend analysis, work scheduling, performance evaluations, mailings and advertisements, legislative research, and special projects to improve efficiency and accuracy in developing state minerals.

Propose and evaluate surface driven and mineral driven land exchanges.

Develop and maintain rules, forms, policies and procedures regarding administration and management of state mineral resources.

Analyze dockets brought before the Board of Oil and Gas to ensure protection of the state's correlative rights.

#### Resource Development

The responsibilities of the Resource Development program have been broadened from previous Fiscal years. The Resource Development Program is currently funded as a separate program under ICC but will be changed to a control variable under the Land Administration Program in the future. This reorganization will allow for a more efficient Land Administration program and greater flexibility in resource development.

Resource Development activities include reviewing applications for state cost-shared improvements; evaluating right-of-way applications; evaluating land exchange proposals; evaluating land use license applications; evaluating requests for sales of trust lands; coordinating the water adjudication process for trust lands; insuring compliance with the Antiquities Act; and providing noxious weed control on vacant tracts.

The Resource Development program annually returns approximately 1 million dollars to the school trusts. In

addition to the monetary return, Resource Development provides technical and professional support to both the Surface and Minerals Management programs. Additionally, resource development projects are implemented to insure and enhance future revenues to the trusts.

#### Specific Program Objectives.

Evaluate and process applications for new resource development projects.

Periodically review and conduct inspections on existing and completed resource development projects.

Investigate, evaluate and process applications for right-of-ways.

Investigate, evaluate and process applications for Land Use Licenses (uses other than the classified use).

Investigate, evaluate and process applications for navigable riverbed uses.

Investigate, evaluate and process requests for sale of trust lands.

Evaluate land exchange proposals for merit and proceed with exchange proposals as appropriate.

Conduct appropriate review and inspections on water related management problems.

Conduct the filing for water rights and maintain department files regarding trust water rights.

Conduct necessary archaeological assessments/reviews prior to any new development activities on state lands.

Identify noxious weed control needs on vacant tracts and evaluate expenditure of needed funds.

### Base Funding

The Surface Management and Minerals Management functions of the Land Administration Program are currently funded primarily by general funds. The Resource Development functions are funded by the state special revenue (resource) development fund, which is derived from up to 2.5% of the interest and income fund and other land grant earnings, with the percentage being determined by the Board of Land Commissioners pursuant to 77-1-601 et seq, (CA).

The department is proposing to replace all of the current general funding of the Land Administration programs with a percentage of the annual expendable income and interest derived from the school trust lands. This new account will be known as the Trust Land Administration Account.

EXHIBIT 2A  
DATE 1-24-91  
48 Mr. Pro Du

### PERFORMANCE INDICATORS

Surface Management  
Lease rentals posted  
Annual lease renewals  
Supplemental lease inspect  
Management actions  
Improvement requests  
Noncompliance actions  
Spec lease rent reviews  
Agric cash lease reviews  
Assignments processed  
Subleases processed  
Minerals Management  
Rentals/Royalties posted  
Leases/permits issued  
Reports/plans reviewed  
Leases/permits canceled  
Royalties verified  
Assignments/DA's approved  
Units and CA's approved  
Audits completed  
But in wells evaluated  
Leases inspected

FY90 Actual	FY91 Enacted	FY92 Base	FY93 Base
12,000	12,000	12,000	12,000
950	950	950	950
150	180	180	180
80	120	120	120
100	100	100	100
20	25	25	25
10	15	20	20
35	50	50	50
250	250	250	250
250	250	250	250
10,074	10,000	10,000	10,000
507	635	755	755
146	150	150	150
780	750	700	700
200	200	200	200
480	530	530	530
5	15	15	15
40	55	70	80
35	45	45	45
88	170	230	230

River investigations	4	15	15	15
Performance demands	7	60	120	120
Wells plugged	0	2	10	10
BOG dockets analyzed	75	75	75	75
Resource Development				
New RD projects reviewed	1	1	1	1
Existing projects inspected	12	12	13	13
Water rights appropriations	30	50	50	50
Water right adjudication	10,000	12,000	12,000	12,000
Weed control actions	4	5	5	5
Land Use Licenses issued	80	100	100	100
Rights of way issued	100	120	120	120
Exchanges reviewed	3	5	5	5
Land sales reviewed	3	5	5	5
Cultural resource reviews	250	250	250	250

Increase or Decrease from Base

Performance Indicators

	<u>FY92 Increases/</u>	<u>FY92 Recommend Decreases</u>	<u>FY93 Increases/</u>	<u>FY93 Recommend Decreases</u>
Surface Management				
Supplemental lease inspect	50	230	25	255
Management actions	15	135	25	160
Fed Farm Prog reviews	150	150	150	300
Noncompliance actions	5	30	5	35
Spec lease rent reviews	10	20	15	35
Agric cash lease reviews	10	45	10	55
Subleases processed	10	260	15	275
Minerals Management				
Leases inspected	15	245	20	255
River investigations	2	17	2	19

Resource Development  
 New RD projects reviewed  
 Existing projects inspected  
 Water rights appropriations  
 Weed control actions  
 Land Use Licenses issued  
 Rights of way issued  
 Exchanges reviewed  
 Land sales reviewed  
 Cultural resource reviews

2 3 5  
 1 13 14  
 10 40 50  
 5 10 15  
 15 10 125  
 5 5 130  
 5 5 15  
 5 10 20  
 15 10 275

EXHIBIT 2A  
 DATE 1-24-91  
 HB For. Pres. Sec.

## INCREASE OR DECREASE FROM BASE

### Federal Farm Program

The department has become increasingly involved in the Federal Farm Programs with increased lessee participation in those programs. The department currently administers over 2600 agricultural leases encompassing over 500,000 acres. Approximately 95% of these leases are enrolled in some aspect of the Federal Farm Programs resulting in over 9 million dollars in revenues to the school trusts since 1986. The department currently has over 600 Conservation Reserve Program contracts on approximately 135,000 acres which annually return \$1.3+ million to the school trusts. The annual price Support and Production Adjustment programs have the potential to return \$1 to \$5 million annually to the school trusts. Greater revenues would be anticipated with additional review and coordination. To obtain these revenues requires a great deal of review and coordination by the Lands Division and the Field Operations Division. The current level of participation in these farm programs has been at the expense of other Lands Division programs. Administration of the farm programs is now estimated to take 30% of the present land use specialists' time and an even greater percent of the Surface Management Bureau Chief's time. No additional funding or FTE's have been provided to date to administer the state's participation in these programs. Changes in the Federal Farm Programs occur regularly which effect DSL participation and require a coordinated department response.

Additionally, compliance with the provisions of these programs is becoming a greater responsibility for the department. Noncompliance with Conservation Plans of Operation or contract terms may result in losses of substantial funds to the school trust and/or fines against the state. Each instance of noncompliance requires investigation, analysis, and enforcement of contractual stipulations. Ensuring compliance requires a close coordination between the department, the lessee(s), the Soil Conservation Service, and the Agricultural Stabilization and Conservation Service.

Three FTEs are requested to upgrade the department role in Federal Farm Program Administration and Compliance. The department will phase these positions in by bringing on two FTEs during FY 92 and the third FTE will be added during FY 93.

One requested FTE is for a staff level Agricultural Land Use Specialist to coordinate department Federal Farm Program policy statewide and to coordinate closely with the Agricultural Stabilization and Conservation Service and the Soil Conservation Service.

The second and third FTEs are for Agricultural Land Use Specialists in the Conrad Unit Office and the Glasgow Unit Office. Both of these offices are responsible for a large acreage of agricultural lands which are enrolled in the federal farm programs. The necessary review and coordination to properly implement the farm programs in these offices has greatly increased the already excessive Lands programs' workload in these offices.

The funding for this Federal Farm Program increase above the base will come from the Trust Land Administration Account.

FY 92 (2.0 FTE)      FY 93 (3.0 FTE)  
\$99,015 SSRF      \$91,215 SSRF

#### Trust Land Management

Public demand for a multitude of uses of and the proper management of state school trust lands has dramatically increased in recent years. The department has responded to this demand by reviewing each request for new uses and steadily increasing the level of management performed on school trust lands. Additional uses of and increased management on trust lands has increased annual revenues and can be expected to produce greater long-term revenues to the trusts. These new uses and management efforts each require environmental reviews and must meet legal requirements before any authorization is issued. These new uses and management efforts have created needs for procedures updating, lease stipulations and follow-up field reviews, illegal land use investigations, and resource planning on grazing, agricultural and special use lands. Cancellations of state leases have increased every year as the department becomes more efficient in the statutory and business requirements. Management of school trust mineral resources has been largely custodial in the past and the trusts have not realized the full value of those mineral resources. Efforts to become more actively involved in the development and proper management of the mineral resources have been slow due to lack of sufficient personnel at both the staff and field level. Additionally, the department has increased its workload in addressing investigations of land exchanges, land sales, land use licenses, R/W easements and other land related issues on trust lands.

The department is no longer able to conduct its business as it has in the past. Existing personnel are not able to complete the required work for the present demand for services and are presently being forced to delay and not accept requests for uses of state trust lands. This is causing a loss of income to the trust and creating an irate public in many circumstances. In FY 89, income

from agricultural, grazing, special and mineral uses of state lands produced over 20 million dollars. Continued income at this and greater levels will require higher administrative costs. However, the cost benefit ratio still exceeds that of any other state program.

This increase to provide more effective Trust Land Management will be phased in over the biennium. 4.25 FTE will be hired during FY 92 and an additional 2.5 FTE will be added during FY 93. Therefore, the total new FTE under this increase will be 6.75.

One Land Use Specialist FTE is requested at the staff level (Surface Management Bureau) to properly coordinate management activities on a state wide level. Two FTEs are requested for Land Use specialists in the Central Land Office and the Northeastern Land Office. These two field offices currently have the greatest workload of Land Administration programs per Land Use Specialist.

An additional 1.75 FTE is requested for clerical personnel as follows: .75 FTE at the Northeastern Land Office; .50 at the Southern Land Office; and .50 FTE at the Eastern Land Office.

The last two FTEs are for 7.34 seasonal Land Use Technicians to perform the required field evaluations on the majority of annual renewals. This will allow the permanent Land Use Specialists to devote more time to problem renewals and other necessary management tasks.

The funding for this Trust Land Management increase above the base will come from the Trust Land Administration Account.

FY 92 (4.25 FTE)      FY 93 (6.75 FTE)  
\$159,659 SSRF      \$201,978 SSRF

#### Resource Development Projects

The special projects that the Lands Division were contemplating have been reduced from the FY91 base due to the lack of anticipated funds in the Resource Development Account.

(\$43,000) SSRF      (\$43,000) SSRF

5501 DEPARTMENT OF STATE LANDS  
0% LAND ADMINISTRATION PGM  
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	28.12	28.62	28.50	.12	28.62	28.50	.12
Personal Services	624,974	793,345	785,707	7,638	792,215	784,616	7,599
Operating Expenses	152,037	165,784	149,012	16,772	166,222	148,266	17,956
Equipment	77,913	19,100	19,100	0	19,100	19,100	0
Capital Outlay	1,332	5,000	1,332	3,668	5,000	1,332	3,668
Total Expend.	\$856,256	\$983,229	\$955,151	\$28,078	\$982,537	\$953,314	\$29,223
Fund Sources							
General Fund	621,851	0	705,526	705,526-	0	703,866	703,866-
State Revenue Fund	234,405	983,229	249,625	733,604	982,537	249,448	733,089
Total Funds	\$856,256	\$983,229	\$955,151	\$28,078	\$982,537	\$953,314	\$29,223

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CURRENT LEVEL ISSUES:

--EXEC OVER (UNDER) LFA--  
FY 92      FY 93

1. TRUST AND LEGACY INCOME FUNDING - The Executive Budget replaces general fund with trust and legacy funds.

2. LAND ADMINISTRATION PROGRAM

- A. FTE - The LFA eliminated .12 FTE which was vacant all of fiscal 1990 (General Fund)
- B. Budget Base Differences (General Fund) *LFA 90 vs Ex*

3. RESOURCE DEVELOPMENT PROGRAM

- A. The LFA personal services reflects current position control grades and steps *State General Fund*

- A. The LFA reflects actual fiscal 1990 expenditures *General*

TOTAL CURRENT LEVEL

EXECUTIVE BUDGET MODIFICATIONS:

1. TRUST LAND MANAGEMENT *ELI.*
2. FEDERAL FARM PROGRAM ADMINISTRATION *and - H.L. Johnson.*

TOTAL MODIFICATIONS

FTE	1992	1993
	6.25	6.75
	(2.00)	(3.00)
	6.25	9.75
	====	====

\$1,679	\$1,654
\$16,860	\$17,664
\$5,871 - 8,241	\$6,237
\$3,668	\$3,668
\$28,078	\$29,223
=====	=====
\$159,659	\$201,978
\$99,015	\$91,215
\$258,674	\$293,193
=====	=====

DATE 1-24-91  
Report. Des. Dev.

1-23-91  
 1-24-91  
 Exhibit 4  
 from

GRADE INCREASES

<u>PROGRAM</u>	<u>OLD</u> <u>GRADE</u>	<u>NEW</u> <u>GRADE</u>	<u>INCREASE</u>	<u>FUNDING</u>	
				<u>STATE</u>	<u>FEDERAL</u>

Reclamation Administration

1. Position No. 00016	18/12	19/12	\$3,727	\$1,863	\$1,864
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Coal Bureau

1. Position No. 00021	14/2	15/2	1,933	580	1,353
2. Position No. 00091	15/2	16/2	2,214	1,329	886
3. Position No. 00031	15/10	16/10	2,597	780	1,818
4. Position No. 00023	15/7	16/7	2,444	734	1,711
5. Position No. 00049	14/2	16/2	4,147	1,245	2,903

Hard Rock Bureau

1. Position No. 00145	13/1	14/2	3,267	3,267	0
2. Position No. 00048	14/2	15/2	1,933	1,933	0
3. Position No. 00082	14/7	16/7	4,018	4,018	0
4. Position No. 00143	14/8	16/8	4,094	4,094	0
				\$19,846	\$10,535
				+4,962	+2,634

Benefits @ 25%

Totals				\$24,808	\$13,169
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EXHIBIT 4  
 DATE 1-23-91  
 HB Mar. 428. 206

Mr. Dick Davis RESOLUTION 90- 9

PRIORITY: MEDIUM



Ex. 5  
1-24-91  
Per. Des. Sub.

5501 04 00000

## LAND ADMINISTRATION PROGRAM

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	28.12	28.62	28.50	28.50	-.12
Personal Services	624,974	777,560	785,707	784,616	11.96%
Operating Expenses	152,037	162,979	149,012	148,266	-5.63%
Equipment	77,913	19,100	19,100	19,100	-60.62%
Capital Outlay	1,332	45,000	1,332	1,332	-94.25%
Total Program	\$856,256	\$1,004,639	\$955,151	\$953,314	2.56%
<u>Fund Sources</u>					
General Fund	621,851	709,155	705,526	703,866	5.89%
State Revenue Fund	234,405	295,484	249,625	249,448	-5.82%
Total Funds	\$856,256	\$1,004,639	\$955,151	\$953,314	2.56%

### Program Description

The Land Administration program is responsible for leasing the surface and mineral resources for the benefit of Montana's public schools and other endowed institutions. This program oversees the appraisal and reclassification of all state lands to obtain the greatest revenue for the trust funds commensurate with the preservation of the resource. This program includes the Surface Management Bureau, the Minerals Management Bureau, and the Resource Development Bureau. Beginning in the 1993 biennium, the Resource Development program's duties and responsibilities will be in this program.

### Current Level Budget

The program's current level increases 2.6 percent over the previous biennium due to vacancy savings in fiscal 1990 and the pay plan increase in fiscal 1991 which continues in the 1993 biennium. Because a 0.12 FTE aggregate crop checker position has been vacant much of the 1991 biennium, it has been removed from the current level budget at a biennial savings of \$3,605. Lower operating expenses in the 1993 biennium reflect the consultant and professional services requested by the agency, which are less than fiscal 1990 actual expenditures. The agency's equipment

request, which includes two replacement vehicles and two computers, is included in the current level budget. Higher equipment expenditures in fiscal 1990 were due to the purchase of two trucks, computer equipment, and other equipment related to authorized program expansion.

While the division was appropriated \$45,000 per year during the 1991 biennium for capital outlay, only \$1,332 was spent in fiscal 1990. The department, which had anticipated the completion of several large projects during the 1991 biennium, no longer plans to undertake the projects due to limited resource and development funds.

The administration portion of this program is funded entirely with general fund, while the resource development portion is funded from the resource development account. By statute, the State Land Board can allocate up to 2.5 percent of income generated by state trust fund lands to this account. The increase in general fund is due to the increased personal services costs, which are primarily funded with general fund.

### Executive Budget Modifications

#### Trust Land Management

The Executive Budget includes an additional \$361,637 for the biennium, 4.25 FTE for fiscal 1992, and 6.75 FTE for fiscal 1993, for this program funded

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## LAND ADMINISTRATION PROGRAM

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from trust land administration revenue. Due to public demand for increased uses of state lands and the increased awareness of the importance of state school trust lands, the department says its needs for lease stipulations and follow-up field reviews, illegal land use investigations, and resource planning on grazing, agricultural, mineral, and special use lands have grown. In addition, the department has expanded its investigations of land exchanges, land sales, land use licenses, right-of-way easements, and other land-related issues on trust lands. The requested positions include 3.0 FTE land use specialists, 2.0 FTE for seasonal land use technicians, and 1.75 FTE clerical personnel. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

### Federal Farm Program Administration

The Executive Budget includes \$190,230 for the biennium, 2.0 FTE for fiscal 1992, and 3.0 FTE for fiscal 1993, to be funded from trust land administration revenue to facilitate involvement in federal farm programs with increased lessee participation in conservation reserve, price support, and production adjustment programs. The requested FTE include 3.0 FTE agricultural land use specialists to coordinate department federal farm program policy statewide and to work with the Agricultural Stabilization and Conservation Service and the Soil Conservation Service. The department anticipates greater revenues will be realized from lessees as a result of the additional review and coordination of these programs. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

# HOUSE OF REPRESENTATIVES

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## VISITOR'S REGISTER

Natural Resources

SUBCOMMITTEE

DATE

1-24-91

DEPARTMENT

DIVISION

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NAME	REPRESENTING
BOB KUCHENROD	DSL
DEAN'S CASEY	✓
Kimberly Bernard	DSL
Gary Amestoy	DSL
John Fitzpatrick	Pegasus 611
Beverly Gibson	Mont. Assoc. of Counties
John North	DSL
Kathy Mosley	DSL
Jeff Hagen	Admin. C & Div.

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