

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By CHAIRMAN BERV KIMBERLEY, on January 28, 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)
Terri Perrigo, 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: CHAIR. KIMBERLEY stated, Mr. Lloyd
will review some of the budget issues from last Wednesday on
the Reclamation Division of Department of State Lands.
Also, the committee will meet with Long Range Planning at
noon on Friday, February 1st. after our regular committee
meeting.

DEPARTMENT OF STATE LANDS

RECLAMATION DIVISION:

EXHIBIT 1 - Roger Lloyd, LFA stated, this hand-out shows the
committee action and pending action of the RIT money which is
used by the Reclamation Division from their Reclamation and
Development account.

The hand-out shows the items approved by the committee which
equal a total of \$648,127 FY92 and \$649,765 FY93. The pending
action is the Executive Modifications: Coal Workload, Hard Rock
Bureau Workload and Environmental Compliance for a total of
\$291,937 FY92 and \$266,707 FY93. Also pending is the Hard Rock

Increase of \$100,000 each year of the biennium.
See Budget EXHIBIT 3, of Wed., January 23, 1991 Minutes.

EXECUTIVE ACTION LAND ADMINISTRATION

EXHIBIT - 3, January 24, 1991 minutes, (Budget).

Motion/Vote: REP. GRADY moved to accept the Executive Budget on Trust Land Management Modification of 4.25 FTE FY92 and a total of 6.75 FTE by FY93. Motion CARRIED 4 - 1 (SEN. DEVLIN voting "No"). SEN. BENGTON not present.

Motion/Vote: SEN. WEEDING moved to accept the Executive Budget on Federal Farm Administration Modification, 2.00 FTE for FY92 for a total of 3.00 FTE by FY93. Motion CARRIED unanimously.

EXECUTIVE ACTION FORESTRY DIVISION

EXHIBIT 1, January 25, 1991 minutes. (Budget)

Motion/Vote: REP. NISBET moved to accept the LFA Budget. Motion CARRIED unanimously.

Equipment - Carl Schweitzer, OBPP explained the difference between the LFA and the Executive. Inflation alone would justify the \$8,059 for a 3 year average.

Motion/Vote: SEN. DEVLIN moved to accept the Executive Budget on Equipment. Motion CARRIED 4 - 1, (SEN. NISBET voting "No") SEN. BENGTON not present.

Motion/Vote: REP. GRADY moved to accept the Executive Budget on the Fire Program, Item B. Transfers for Federal Fire Reimbursement including Language. (See EXHIBIT 3, of January 25, 1991 for context of language). Motion CARRIED unanimously.

Budget Base Differences, Fire Program: Mr. Lloyd explained, the difference here was due to the fire protection Blocks that were added last year and other Counties which were added into the cooperative program which were not fully functional in FY90. Therefore, the actual expenditures were less than they would have been in a full year.

SEN. WEEDING asked, why is the budget so much more in FY93 than FY92?

Jeff Hagener, DSL answered, the first year we didn't have all the people hired so the expenditures were less.

Motion/Vote: REP. NISBET moved to accept the Executive Budget on the Base Differences of the Fire Program. Motion CARRIED unanimously.

Forestry Program Base Difference: Mr. Schweitzer explained, the

reason for the \$7,000 is they used to have the University do the water testing, but due to increased workload they are going to have to pay a higher price for contracted water testing. There was \$3,000 for cabin site appraisals and increased travel costs to meet with public groups and \$2-3,000 for repair and maintenance of equipment.

Motion/Vote: REP. GRADY moved to accept the Executive Budget for the Forestry Base Differences. **Motion CARRIED** unanimously.

REP. NISBET asked, is there any reason why the appraisals on cabin sites can't be charged to these people?

Mr. Hagener explained, this fee is not for cabin site purchases, it is for cabin site licenses up for renewal.

Mr. Casey explained, the rules for cabin site purchases is up to the lessee to pay for the appraisal.

Mr. Schweitzer explained the funding issue for the Forestry Base Differences. The department thought they would get Federal Funding for 2 FTE, but the Federal funds had expired so the Executive recommended the use of General Fund to replace the Federal funds. The 2 FTE were for Water Shed and Water Quality Specialists.

Brush Program Base Differences, Overtime: Mr. Schweitzer explained the funding for this program. These are State Special Revenue funds from the sale of timber and reinvested into the State Lands. The Executive has a higher spending authority based upon the expectation of more revenue.

Motion/Vote: SEN. DEVLIN moved to accept the Executive Budget on Brush Program Base Differences and Overtime. **Motion CARRIED** unanimously.

Timber Stands Improvement Base Differences, Overtime: Mr. Schweitzer explained this is for spending authority for State Special Revenue.

Motion/Vote: SEN. WEEDING moved to accept the Executive Budget for Timber Stands Base Differences and the Overtime. **Motion CARRIED** unanimously.

Nursery Program Base Differences: Mr. Lloyd explained the LFA is higher than the Executive and Mr. Artly indicated that the Executive Budget would be adequate.

Motion/Vote: SEN. DEVLIN moved to accept the Executive Budget for the Nursery Program Base Differences. **Motion CARRIED** unanimously.

Item 4.A, Forestry Program Funding: Mr. Artly addressed this issue. He stated, the funding by the '89 Legislature was for 2

FTE for assistance in our Water Shed Management Program. Because of the increase in the workload in timber sales we hired a Hydrologist and one Technician to assist him. At that time we had Federal funds available. We do not have Federal Funding now and because of the increased workload we need these two positions. Therefore, we are asking for a shift of funds from Federal to General Funds. We are still trying to get Federal funding.

SEN. BENGTON asked, can you get a Hydrologist for \$35,000? Mr. Artly answered, we are about \$20,000 short and we hope we can get some Federal funding to help cover the cost.

Motion/Vote: REP. GRADY moved to accept the Executive Budget on the Funding for the Forestry Program. Motion CARRIED unanimously.

Slash Program:

Motion/Vote: SEN. DEVLIN moved to accept the Executive Budget for the Slash Funding including the Modification.

Mr. Artly explained, the workload has increased faster than we anticipated and the Executive Budget is inadequate. The Executive had planned for us to use Budget Amendments to use extra resources. However, because that money is now available we are obligated to use it.

Motion CARRIED unanimously.

Other Services Program:

Item A, Base Adjustments; Mr. Lloyd explained, an error was made in the actual Federal Fire reimbursement, they took out more than they spent. Therefore, an adjustment is needed to reflect the actual 1990 expenditures. Therefore, the LFA will concur approval of the \$21,328.

Motion/Vote: REP. NISBET moved to accept the Executive Budget on Other Services Base Adjustments. Motion CARRIED unanimously.

Other Services Budget Base Differences: Mr. Schweitzer explained, this reflects the Best Management Practices funding which had some utility and rent costs. The Best Management Practices was a new program in 1990 and didn't reflect all of the costs.

Motion/Vote: REP. GRADY moved to accept the Executive Budget on Other Services Budget Base Differences. Motion CARRIED unanimously.

Executive Budget Modifications:

State/County Cooperative Fire - SEN. BENGTON asked, when the Counties join your coop. what else do you do besides help them with fire fighting.

Mr. Artly answered, equipment is provided to Counties as well as training. If they need some assistance they will call us.

SEN. BENGTSON asked, what happens if we do not approve this modification? **Mr. Artly** replied, we do not have an operating agreement with the Counties. If the legislature does not let them enter into an agreement and they need assistance, we would bill them for our services.

SEN. BENGTSON asked, how many Counties do not have agreements with you at this time? **Mr. Artly** replied, there are 7 at this time. They are Lincoln, Lake, Sanders, Missoula, Powell, Mineral and Granite. All Eastern Montana Counties are in the program.

Mr. Schweitzer asked, if fire suppression costs would go down if you have an agreement with the Counties because they will be trained and be able to attack the fire quicker.

Mr. Artly stated, there is a cost savings when we work together and get the fires under control as quickly as possible.

SEN. WEEDING asked, what is involved in this program?

EXHIBIT 2, Mr. Tim Murphy, DSL testified on the County Cooperative Program.

SEN. BENGTSON moved to accept the Executive Budget on the State/County Cooperative Modification.

Mr. Lloyd clarified, that Statute states that the private landowner must pick up 1/3rd of the total cost of fire protection. The department says this is not being done so they have proposed legislation for a new fee structure. The approval of this modification depends upon the private landowner picking up their 1/3rd. share of the cost. The other 2/3rds. is funded with General Fund.

SEN. BENGTSON asked, how is the urban charged if they are not landowners?

Mr. Murphy stated, we are trying to zero out the 3/4 million acres of land which are not protected. These are those 7 Counties which are range lands. The timber lands of these areas are protected by Department of State Lands Forest Service.

SEN. BENGTSON asked, what about people who are not landowners?

Mr. Murphy stated, we charge the private landowners for protection of just the land.

Mr. Schweitzer said, in regard to the increase in the fee structure as was proposed previously, this increase would help the costs of fire suppression.

REP. GRADY asked, is the percentage of charges the same?

Mr. Schweitzer clarified, in the last biennium the law said we could charge up to 1/3 of the firesuppression cost to the private landowner. The last session when we went through the budget, we were less than 1/3rd. so the committee directed the legislature to look at the fee structure and they realized the small landowner which had buildings on the land would be more of a cost. Therefore, they came up with a fee structure that would increase the small landowner and not affect the large landowner.

SEN. BENGTON asked, what kind of a response are we getting from the small landowner? Mr. Murphy replied, we haven't had any response so far. We are proposing raising the fee from \$14 to \$22.

REP. GRADY said, when you look at all the people moving out into the forested areas a good share of them are not paying anything. I feel they should pay their fare share for this protection.

Mr. Murphy stated, of the total fires, 50% were natural caused and over a 3 year average, 45% - 50% were caused by the landowner.

Mr. Schweitzer stated, if legislation doesn't pass there is \$717,000 for the biennium which will have to be replaced with General Fund if you approve the mods. The only modification that wouldn't be affected is Best Management Practices.

Mr. Hagener stated, we have an obligation to protect these lands and the law says we are allowed to collect 1/3rd. from landowner. We are trying to assess these landowners to collect the 1/3rd. Should General Fund pay more than 2/3rds. or only 2/3rds?

Roll Call Vote: Motion CARRIED unanimously.

Forestry Road Maintenance: Mr. Lloyd said, the Executive Budget has withdrawn this modification with the agencies approval.

EXHIBIT 3, Philipsburg Fire District - Mr. Murphy gave testimony on this modification.

EXHIBIT 4, Block 5 Fire Protection - Mr. Murphy gave testimony on this modification. He stated this is the last of the Blocks.

SEN. BENGTON asked, how much equipment and manpower does the U. S. Forest Service have in that area. Mr. Murphy stated, beginning with Block 4, the Forest Service has cut back their fire fighters and we have replaced them with State Land fire fighters. The entire protection of the Federal lands as well as the State protection in Beaverhead and Madison Counties is a joint protection.

REP. GRADY said, doesn't this program eliminate a lot of duplication of different agencies? Mr. Murphy replied, that is

correct, we are trying to utilize the closest agency.

SEN. BENGTON asked, doesn't the Forest Service provide adequate protection without our interfacing? Mr. Murphy replied, the Forest Service does provide adequate protection but they informed us in 1982 they want their full cost of protection. We are currently paying 19 cents per acre and they want 79 cents per acre. In the last 4 years they have been increasing the cost 3 to 4 cents per acre per year.

Mr. Artly stated, if Block 5 is not approved we will have to put funds into contracted services and they will have to pay the Forest Service these increases.

SEN. BENGTON said, it seems there is a lot of equipment sitting around and you don't even know if there will be a fire.

Mr. Artly stated, we do not duplicate equipment. We either use their equipment or ours. If we need to use the Forest Service equipment, we have to pay them 79 cents per acre.

SEN. WEEDING asked, what are we bargaining for here? Are these all State Lands or different agencies. Mr. Murphy stated, when we started this Block offset program in 1983 the Forest Service was protecting 2.2 million acres more of State and private lands than Federal Lands protected by State Lands. This particular Block consists of BLM, private and Forest Service lands.

Motion/Vote: REP. GRADY moved to accept the Executive Budget on Block 5 and Philipsburg Fire Protection modification.

Roll Call Vote: Motion CARRIED 5 - 1, (SEN. BENGTON voting "No")

EXHIBIT 5 - Best Management Practices Modification: Mr. Artly gave testimony on this modification.

REP. GRADY asked, what happens if we don't get the Federal Funding? We will be back where we started from. Mr. Artly stated, that is correct, without the additional FTE, we cannot do the ground work.

REP. GRADY stated, I am wondering if even an additional FTE will be enough to do the job. Why wasn't there more emphasis on fully funding this FTE? How many FTE do you currently have working on this program?

Mr. Artly replied, we currently have 2.02 FTE working on the program for the whole State. If we do not have the resources for education the program will not be as successful as we hoped.

SEN. BENGTON asked, do you do any work with the Extension Service? Mr. Artly replied, the only education program we are developing at this time is a joint program with the Montana

Logging Association, Montana Wood Products Association, the Extension Forester and the Department of State Lands. The 2 FTE we are taking about are Field Foresters and office help which is reviewing the notifications and which operations to visit on the ground.

REP. GRADY asked, what is the full cost of funding of the FTE? Mr. Artly replied, \$24,400 per year is the full cost. The budget is \$6,100 General Fund and \$18,300 Federal Funds.

Mr. Schweitzer stated, they are assuming they will get Federal Funds to help fund this position including the \$24,400.

SEN. WEEDING asked, what is the rationale for asking the Feds to participate in a private program. Are we doing them a service in education with this BMP? Mr. Artly stated, we would not be seeking funds from the Forest Service. We hope to get a grant through the EPA from the Clean Water Act. If we do not get any Federal funds all we would have is \$6,000.

Motion/Vote: REP. GRADY moved to accept the Executive Budget on the Best Management Practices Modification. Motion CARRIED unanimously.

EXHIBIT 6, Forestry Capital Equipment Modification: Mr. Artly gave testimony on this modification. The Vehicle Replacement Schedule was a request of the 1989 Legislature. We have done comparisons with other agencies within State Government. FWP and State Highway are two we did comparisons with. Also checked with the Forestry Service and other States of which I received 32 responses.

CHAIR. KIMBERLEY stated, we already approved an equipment budget. How much did we approve? Mr. Artly replied, you have approved \$482,000 and this modification would give us an additional \$180,500 for equipment. This is earmarked strictly for vehicle replacement.

REP. NISBET asked, what is the total number of vehicles you need to replace this biennium. Mr. Artly answered, we would like to replace approximately 1/7 of our highway vehicles and 1/7 of our pickups. About half of the budget goes to vehicle replacement and half to replacing chain saws, tanks, radios and other types of fire equipment. Currently we are spending about \$250,000 on vehicle replacement and according to our study we should be spending about \$600,000 on vehicle replacement.

REP. NISBET stated according to the LFA Budget Page C-20 (Enclosed) it states, "The agency's equipment request, which includes 39 vehicles, is also included in current level." Would you explain this?

Mr. Lloyd explained, that is true the agency had in their equipment budget 39 vehicles requested. Mr. Artly is saying that

is not enough to fit into the schedule he has drawn up. In the equipment budget which was approved this morning, does include replacement vehicles. Mr. Artly said about half of that equipment budget was for vehicle replacement. If the budget is approved we will try to replace more than the 39 vehicles or approximately 1/7 of the vehicles.

Mr. Lloyd explained, those vehicles are a biennial appropriation for a total 39 vehicles.

REP. GRADY asked, why do you only go to 40,000 miles on light engine vehicles and the others you go over 100,000 miles?

Mr. Artly replied, the light engines are one ton chassis with 200 gallon tanks which is a heavy load and off road driving takes a heavy toll on equipment. Cargo trucks will last longer on highway driving.

SEN. DEVLIN asked, what happens to the old vehicles? Mr. Artly replied, our highway trucks go to State Surplus property. Our engines are sent in to be refurbished and sent to the Counties as part of the County Coop. Program. Some of the pickup engines are overhauled, but they can't be refurbished forever.

SEN. WEEDING asked, what about the criteria for economy vehicles? What about diesel engines for more fuel efficiency?

Mr. Murphy replied, our mechanics with our field people have done an analysis this past year on our vehicle fleet for 1/2 ton and 1 ton engines. We are also testing one diesel pickup to see how it will work out.

CHAIR. KIMBERLEY asked, why do these vary from agency to agency as mileage for replacement. Mr. Artly said, each agency comes up with his own rational as to what is efficient for them. The Highway Dept. replaces sedans in 5 years regardless of mileage. Pickup trucks 7 to 9 years depending upon if it is 3/4 ton, 1 ton, etc. and large trucks 8 to 9 years. FWP replace all of their vehicles at 85,000 miles regardless of age. The Forest Services uses 6 years or 80,000 miles. The 32 other States use about 6 2/3 years for sedans and pickups or 85,000 to 90,000 miles.

SEN. DEVLIN asked, is that surplus money going into the General Fund? Mr. Artly replied, that is correct, we don't receive any surplus money.

Motion/Vote: REP. GRADY moved to accept the Executive Budget on the Forestry Equipment Modification.

Roll Call Vote: Motion FAILED 4 - 2 (SEN. BENGTSON, REP. NISBET, SEN. WEEDING AND CHAIR. KIMBERLEY voting "No")

Funding for Slash Program Modification: Mr. Artly reviewed this

program on Friday. He stated this is funded by 40% to 50% General Fund and from fees paid by the loggers, which is State Special Revenue. The LFA has taken surplus cash balance and used it to offset the General Fund. We were reserving this cash balance to be used for a budget amendment to fund the increasing workload. We don't have the help to do the inspections so we are keeping the loggers and landowners money. We are asking for spending authority for the \$32,000.

Motion/Vote: SEN. BENGTON moved to accept the Executive Budget for the funding switch for the Slash Program including the \$32,000 and the .75 FTE. **Motion** CARRIED unanimously.

Amended Motion/Vote: REP. GRADY moved to fund the Best Managements Practice with General Fund. If we receive Federal Funds the General Fund will be reduced by like amount. **Motion** CARRIED 5 - 1, (REP. NISBET voting "No")

SEN. BENGTON asked, to have information as to how the Best Management Practices is working. Mr. Artly replied, the program has only been operating for one year and it will take more than a year to see how it is going to work. Some of the people who say the program is not working are referring to last summer's audits. However, all of the logging operations which were evaluated were all done prior to HB678. So last summer's audit is not a clear indication whether or not HB678 has been effective.

There was lengthy discussion as to the 2nd. language issue, Emergency for Workload Increases....

Mr. Casey stated this language was not needed because of action taken previously.

Mr. Lloyd said, Mr. Casey is referring to the action taken by the committee approving the \$32,000 and .75 FTE.

REP. NISBET stated, in regard to the vehicle replacements. I would like to see a list of the vehicles needed and the ones which are priority. Mr. Casey agreed to furnish this list to the committee.

HEARING ON
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Karen Barclay, DNRC introduced some of the staff: John Armstrong, Administrator Centralized Service Division; Dee Rickman, Administrator Oil & Gas Division; Gary Fritz, Administrator Water Division; Anna Miller, Financial Advisor Conservation & Development Division; Ray Beck, Administrator Conservation & Resource Development; John Tubbs, Bureau Chief, Resource Development; Susan Cottingham, Program Manager Reserve Water Rights Compact Commission; Van Jamison, Administrator Energy Division; Robin Harper, Assistant Administrator Water

Division; Wayne Wetzel, Deputy Director DNRC.

Ms. Barclay gave an overview of the Department: She showed an organizational chart of the different divisions within the department. **EXHIBIT 7.**

Energy Division: See Pages 34 & 35 for **Ms. Barclay's** review of this division.

SEN BENGTON asked, what does the Conservation and Renewal Energy Bureau do? **Ms. Barclay** they are responsible for some of the Federal monies received to provide workshop training, more efficient irrigation. Montana Power has added money to provide training with the Bonneville Power Co.

Mr. Jamison said one half deals with energy conservation and one half deals with water conservation.

Water Resources Division: See Page 17. for **Mrs. Barclay's** review of this division. This division is under the leadership of **Gary Fritz**. There are three bureau's within this division: Administration/Dam Safety, Water Management and Water Rights/Flood Plain Management.

Conservation and Resource Development Division: **Ms. Barclay** said this division is administered by **Mr. Beck's** and consists of two bureaus: Conservation Districts and Resource Development.

Oil and Gas Conservation: See Pages 12 - 16 for **Ms Barclay's** review of this division.

Reserve Water Rights Compact Commission: See Pages 30 - 33 for **Ms. Barclay's** review of this division.

Ms. Barclay stated, each administrator will provide a more detailed review of each division. We are reviewing the different divisions without reorganization.

We had some discussion about inflation between the LFA Budget and the Executive Budget.

Terry Perrigo, LFA stated, there is a difference between the LFA and the Executive in regard to inflation. The committees got together at the beginning of the session and the Chairmen decided they would go with the LFA inflation factors on all the Department's budgets.

Mr. Barclay stated there were some issues she would like to discuss such as: the pay exception; we will have some different classifications of pay which were not included in the LFA or the Executive budget. We hope that all the departments are treated consistently with the pay exceptions since the budget has been prepared. It is our understanding that the Governor will fully fund the pay plan exceptions.

In regard to Personal Services, in the last session there were some limitations in transferring funds from Personal Services to Operating Expenses. We were losing personnel to other States because of better salaries which placed us in a difficult situation in regard to hiring staff. We could have hired some replacements but because of the transfer restriction we were unable to do so.

Ms. Perrigo stated, that limitation will still be placed upon Personal Services. I was informed that if this was still an issue the department should go before the Legislative Finance Committee to amend the boiler-plate language as this committee is unable to take action on this.

Funding: **Ms. Barclay** reviewed the funding issues with the committee.

EXHIBIT 8 - This chart shows some of our funding sources for the Coal Severance Tax and the Resource Indemnity Trust Interest Income. The trust interest income comes from a tax on oil & gas, coal, hardrock mining, etc. It is about 1/2% or about 5 million per year. She stated, currently we use the interest from this fund but when the trust fund reaches a hundred million dollars then the proceeds and the interest can be used. The trust fund grows at about 5 million dollars per year.

SEN. DEVLIN asked, how much is in the trust fund now? **Ms. Barclay** answered, about 78 million dollars and we are estimating about a 10% return on that amount.

The interest is divided up into these different divisions by percentage. The Renewable Resource Development Program and the Water Development Program also receive a small amount of Coal Severance Tax money of about \$350,000 per year between the two programs.

She reviewed the Coal Severance Tax percentage breakdown.

SEN. DEVLIN asked, do you have a breakdown of which industries contributed to the RIT and how much from each one?

Ms. Barclay said it was about two thirds gas and oil and then coal and others. The Coal Severance Tax which is 50% is about \$450,000,000.

EXHIBIT 8, Figure 2 - This shows a diagram for the flow of money from the Water Development Bond Program which is backed by the Coal Severance Tax. We have about 55 million in Coal Severance Tax Bonds. About half of these are for waste water and facilities. The legislature gives an interest subsidy for the first 5 years on the bonds. The subsidy amounts to about 1/2 million dollars per year of Coal Severance trust money.

SEN. BENGTON asked, how do you handle the bookkeeping and

accounting are they done on a computer? **Ms. Barclay** answered, it is very complicated and basically is handled between our department and the budget office. It is reviewed frequently by our Bond Council and our Financial Advisor to insure we have adequate backing for these bonds. The State has the Bond Council which is Dorsy & Whitney and they also hired a financial advisor which is Prague out of Los Angeles.

SEN. BENGTSON asked, would we get into a lot of financial problems if we don't have this reviewed thoroughly? **Ms. Barclay** stated, the whole subject of bonds is very complicated and is the reason the State has hired a Bond Council and an Advisor. The Department has authority to bond up to 250 million dollars and currently we have about 55 million dollars out in existing bonds. We have a proposal for about 8 million dollars more for this biennium.

SEN. WEEDING asked, will we see some proposals to sell Water Development Bonds? **Ms. Barclay** said, this goes through Long Range Planning. Beside the 8 million dollars in proposals there is also 36 million dollars in previously authorized loans in the Water Development Program. The Tongue River is up for a large bond authorization.

SEN. BENGTSON asked, how much is the Tongue River bond. **Ms. Barclay** said, she could not answer that as that is part of the negotiations which are going on with the Water Rights Compact Commission and the Northern Cheyenne Tribe. The project is about a 50 million dollar rehabilitation project.

She stated about 22.2 million dollars is tied to the Coal Severance Tax Bonds for the Broadwater Hydroelectric Project, which has been operating a little over a year.

SEN. BENGTSON asked, what is the background on the Broadwater Hydroelectric Project? **Ms. Barclay** answered, the discussion went on in the 1980's and was approved by the legislature in 1987. The discussion was in the Long Range Planning Committee and initially approved the authorization to sell the bonds. This was developed to provide revenue for State owned water projects such as the State owned dams of which half of them are hazardous. The State would have a real liability with property damage or loss of life due to those hazardous dams. Therefore, this project would provide revenue to correct the hazards of the State owned dams.

We have a contract with Montana Power company to purchase the power from this project.

EXHIBIT 9 - Resource Indemnity Trust Interest Accounts: **Ms. Barclay** reviewed the Executive Budget Proposal of these accounts.

EXHIBIT 10 - Impact to Grant Programs from Known Requests: **Ms. Barclay** gave an overview of HB299 and HB215. These were heard in House Natural Resources and no action has been taken on them.

There was some discussion as to combining the two and there are a number of additional questions pending. Therefore we don't expect any action soon.

REP. GRADY stated, when we try to fund HB199 and HB215 there is going to be an impact somewhere. We have to decide how important these programs are.

Ms. Barclay said, there is another increase request from the Department of State Lands for \$550,000 for the biennium. When looking at the amount of money available for Grants it looks like a lot of money. However, we must look at the impact on the bottom line.

SEN. WEEDING asked, what part of the trust would the two bills take? Ms. Barclay stated, the money would come off the top before the money was deposited into the trust fund. On HB199 the percentage is one half percent. So we suggest that 1/10 percent goes to the Oil & Gas mitigation account and 1/10 percent goes to Ground Water Program. The suggestion on HB215 is .14 percent goes into the Ground Water Program.

Mr. Schweitzer explained, there is about 80 million dollars that creates 16.5 million dollars in interest. You can take the money out of the money flowing into the account or take it out of the Environmental Contingency account or the Oil and Gas Mitigation account.

Ms. Barclay said, what happens is the expenditures stay the same and the Grants take the decrease.

Summary: Ms. Barclay said, we felt it was important to review with the committee our request for RIT funding and reviewing the impact of the Grant Programs. We do not have an excess of money to be used in other programs.

ADJOURNMENT

Adjournment: 12:05 P.M.



REP. BERV KIMBERLEY, Chair



THEDA ROSSBERG, Secretary

BK/tr

HOUSE OF REPRESENTATIVES
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL

DATE 1-28-91

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	✓		

HOUSE OF REPRESENTATIVES
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-28-91 AGENCY Forest NUMBER 1

MOTION: ^{Bengt} To accept E.B. on Mnd 1
Shaw / County Prop. Fee. 65,000 + 493
Moved By Bengtson

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	6	

Unanimous

HOUSE OF REPRESENTATIVES
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-28-91 AGENCY _____ NUMBER 2

MOTION: In Rep. Grady to approve the B.B.
to accept mod 3 1/2"

Block 54 Philipburg Linc. Protection district

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	5	1

5-1

Besington No

HOUSE OF REPRESENTATIVES
NATURAL RESOURCES SUBCOMMITTEE

ROLL CALL VOTE

DATE 1-28-91 AGENCY _____ NUMBER 3

MOTION: *By Rep. Grady*
25 Mod. Country Landscapes Easements

Approve G.B. Vehicles

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

Totaled 4-2

Bengtson - No

Nisbet - No

Weeding - No

Kimberly - No.

DATE 1-28-91
HE FOR DES. DIV.

Exhibit 1.
1-28-91

DSL - RECLAMATION DIVISION
RECLAMATION AND DEVELOPMENT
ACCOUNT
(Jan. 25, 1991)

SUBCOMMITTEE APPROVAL

CURRENT LEVEL

		LFA		SUBCOMMITTEE ACTION	
	92		93	92	93
ADMIN	\$37,336		\$37,326	\$62,334	\$62,437
OPEN CUT	\$70,132		\$69,949	\$70,859	\$71,088
COAL & U	\$214,603		\$214,700	\$226,265	\$226,083
ML	\$0		\$0	\$0	\$0
HARD ROCK	\$263,004		\$262,877	\$283,334	\$284,822
ENVIR. A.	\$0		\$0	\$0	\$0
	<u>\$585,075</u>		<u>\$584,852</u>	<u>\$642,792</u>	<u>\$644,430</u>

MODIFICATIONS

ABANDONED MINE RENT	\$0	\$0
COAL AND URANIUM RENT	\$5,335	\$5,335
	<u>\$5,335</u>	<u>\$5,335</u>

TOTAL SUBCOMMITTEE APPROVAL	<u>\$648,127</u>	<u>\$649,765</u>
-----------------------------	------------------	------------------

SUBCOMMITTEE ACTION PENDING

EXECUTIVE 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

HARD ROCK INCREASE	\$100,000	\$100,000
--------------------	-----------	-----------

TOTAL PENDING	<u>\$391,937</u>	<u>\$366,707</u>
---------------	------------------	------------------

1-25-91
EXHIBIT 1.

1-28-91
Mr. Red. Suu.

CURRENT LEVEL ISSUES:

UNDING - The executive budget uses trust and legacy income in place of general fund.
The Executive Budget proposes \$717,097 of additional fire protection taxes.

REORGANIZATION OF THE FIRE SERVICES TRAINING SCHOOL - The Executive Budget includes 4.0 FTE *Post Renal*
and the following expenditures:

- A. Personal Services
- B. Operating Expenses
- C. Equipment

\$148,087
\$56,565
\$3,000
\$8,059

EQUIPMENT - The LFA budgets this division at a 3-year historical average *Denlin-Ex - 4-1 - Meadit 40!*

FIRE PROGRAM

- A. The LFA eliminated 4.0 FTE vacant-all of fiscal 1990 *servo Eliminate*
- B. Transfers for federal fire reimbursement *Lany. Denlin-Ex + Lany - 2 man*
- C. Budget Base Differences *for 1990 funds - Meadit Ex - 1 man.*

\$26,717
\$100,000
\$3,165

FORESTRY PROGRAM BUDGET BASE DIFFERENCES (general fund)

- A. Funding - The LFA uses \$35,038 more private forest resource funds in fiscal 1992 and \$34,957 *Study. Ex Base 10 off.*

\$17,006

BRUSH PROGRAM BUDGET BASE DIFFERENCES (general fund)

- A. Overtime

\$53,212
\$2,332

TIMBER STANDS IMPROVEMENT PROGRAM BUDGET BASE DIFFERENCES

- A. Overtime

\$71,669
\$1,680

NURSERY PROGRAM BUDGET BASE DIFFERENCES (general fund)

(\$2,173)

SLASH PROGRAM BUDGET BASE DIFFERENCES

- A. Funding - The Executive Budget reserves fund balance for a 1992 budget amendment. *Denlin-Ex - 1000. Mod.*

(\$8,034)

OTHER SERVICES PROGRAM

- A. Base Adjustment

\$21,328

- B. Budget Base Differences (general fund) *Study - Ex - 1 man.*

\$5,915

TOTAL CURRENT LEVEL

\$515,997

EXECUTIVE BUDGET MODIFICATION:

Post 1991 to 1992

STATE/COUNTY COOPERATIVE FIRE *Benington - E.B. Post Oak Vale - 1 man.*

FORESTRY ROAD MAINTENANCE *With drawn*

BLOCK 5 AND PHILIPSBURG FIRE PROTECTION DISTRICT *Study - Ex - 1 man.*

BEST MANAGEMENT PRACTICES WORK *Benington*

FORESTRY CAPITAL EQUIPMENT *GRADY EX - 1 man.*

SLASH FUNDING - 1-2-2, 32,000 + 1,75 FTE

TOTAL MODIFICATIONS *Benington - 1,75 FTE*

NEBIT - KIMBERLEY

Benington - 5.43

Benington - 5.43

Benington - 5.43

Benington - 5.43

Benington - 5.43

Benington - 5.43

Benington - 5.43

FTE

1992

1993

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Lany

Not needed

1-25-91

Exhibit 2
1-28-91

TESTIMONY
DEPARTMENT OF STATE LANDS

EXHIBIT 2
DATE 1-28-91
Bar. De. Sub.

WESTERN MONTANA COUNTY COOPERATIVE MODIFICATION

Introduction: Lake, Lincoln, and Sanders Counties are proposing to enter into the State-County Cooperative Fire Protection Program within the DSL, effective July 1, 1991.

Background: A county enters the State-County Cooperative Fire Protection Program upon acceptance of its entry proposal by the Legislature. The program is designed to provide the basic level of wildland fire protection to all State and privately owned lands in the county that are not covered by a higher level of protection.

The State-County Cooperative Program currently includes forty-nine counties (see map) and covers 44,383,541 acres of State and private lands. The program began in 1967 with the entrance of Meagher County and was brought to its present state when the 1989 Legislature approved Deerlodge, Flathead, and Ravalli counties.

The county provides the basic level of fire protection through a system of volunteers, county personnel, rural and volunteer fire departments. The county is supported by the State in matters of organization, planning, equipment, training, and fire suppression support. Landowners in cooperating counties meet the basic requirements for adequate protection as specified in State Statutes (MCA 7-33-2201 and 76-13-106). The county agreement also provides for mutual aid to DSL and federal fire protection agencies, especially in residential/wildland interface areas, where large, destructive fires may occur. The number of structures destroyed by wildfire escalates annually. The county is supported by the State in matters of organization, planning, prevention, equipment, training, and fire suppression support. Landowners in cooperative counties meet the basic requirements for adequate protection as specified in 76-13-201 (MCA).

Proposal: This modification requests \$65,024 in FY 92, and \$65,056 per year in FY 93 and beyond, of funding including 0.83 and 1.08 FTE in FY 92 and FY 93, respectively. The full time employee would be involved in developing, organizing, and training ranchers and firefighters, and providing direct assistance to county firewardens on potentially dangerous fires. Capital equipment expenditures include the purchase of fire pumps, tanks, hose reels, communications and command equipment to equip fire engines and related support equipment.

Other operational costs include:

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

Cost:

FY92	\$ 43,351 Gen. Fund	FY93	\$ 43,372 Gen. Fund
	<u>\$ 21,673 Assessments</u>		<u>\$ 21,684 Assessments</u>
	\$ 65,024 (0.50 FTE)		\$ 65,056 (1.08 FTE)

*Exhibited
1-23-91*

DEPARTMENT OF STATE LANDS
RECLAMATION PROGRAM (Without Reorganization)

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal (1992)	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	42.00	42.00	39.00	3.00	42.00	39.00	3.00
Personal Services	979,296	1,264,902	1,187,215	77,687	1,263,936	1,186,375	77,561
Operating Expenses	3,330,865	4,938,424	3,203,685	1,734,739	4,941,180	3,204,084	1,737,096
Equipment	146,796	81,357	76,457	4,900	81,357	76,457	4,900
Capital Outlay	5,418,821	5,000,000	5,000,000	0	5,000,000	5,000,000	0
Total Expend.	9,875,778	11,284,683	9,467,357	1,817,326	11,286,473	9,466,916	1,819,557
Fund Sources							
General Fund	270,557	315,327	293,273	22,054	315,573	292,982	22,591
State Revenue	1,020,350	2,378,344	1,116,763	1,261,581	2,380,015	1,116,810	1,263,205
Federal Revenue	8,584,871	8,591,012	8,057,321	533,691	8,590,885	8,057,124	533,761
Total Funds	9,875,778	11,284,683	9,467,357	1,817,326	11,286,473	9,466,916	1,819,557

CURRENT LEVEL ISSUES:

Needs for Union

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

1. ADMINISTRATION PROGRAM

A. The LFA eliminated 1.0 FTE vacant all of fiscal 1990 *See June*

1. Salary *needed Ex - Union*

2. Operating expenses

3. Equipment

B. Budget Base Differences (general fund) *1600 aircraft travel*

Feb.
\$25,853
\$6,500
\$300
\$5,395

2. OPEN CUT PROGRAM

A. Biennial Appropriation - LFA reflects \$0 expenditures in fiscal 1990. *Bond. for building*

B. Budget Base Differences (general fund) *fixed base is \$200,000 in 90 date processing*

\$50,000
\$9,235

3. COAL AND URANIUM PROGRAM

A. The LFA eliminated 1.0 FTE vacant since August 1989

B. Budget Base Differences

10,000 - wages per + some money

\$28,257
\$15,700

ABANDONED MINES PROGRAM

A. The LFA eliminated 1.0 FTE vacant all of fiscal 1990

B. The LFA reflects actual fiscal 1990 consulting and professional services expenditures *reg. auth.*

C. The LFA reflects actual fiscal 1990 laboratory testing expenditures *reg. auth.*

D. Equipment - computer *LFA did not budget*

\$28,102
\$431,858
\$19,573
\$4,600

HARD ROCK PROGRAM

A. The LFA includes a position upgrade to reflect current status

B. Reclamation Bond Forfeiture - The LFA reflects \$46,095 spent of the \$100,000 biennial appropriation.

C. Hard Rock Reclamation - The LFA reflects \$380 spent of the \$100,000 biennial appropriation

D. Budget Base Differences (30 percent general fund) *21,000 kept*

(\$4,525)
\$53,905
\$99,620
\$30,914

DATE 1-28-91
TO Mr. Des. Ave

\$25,796
\$6,500
\$300
\$5,395

\$50,000
\$9,235

\$28,272
\$15,702

\$28,047
\$411,858
\$39,450
\$4,600

(\$4,498)
\$53,905
\$99,620
\$30,914

ENVIRONMENTAL ANALYSIS PROGRAM

A. Environmental Impact Statement contracting - LFA reflects fiscal 1990 actual expenditures

TOTAL CURRENT LEVEL

Woodbury LFA - 3-Million Bann - Chron

\$1,014,787
\$1,819,326
=====

\$1,014,461
\$1,819,557
=====

Pay 2-15
EXECUTIVE BUDGET MODIFICATION: *Drank's Federal 70% Gov*
State 30%

COAL BUREAU WORKLOAD
HARD ROCK BUREAU WORKLOAD
ENVIRONMENTAL COMPLIANCE

FTE	1992	1993
	3.58	5.00
	3.04	4.00
	3.00	3.00
	9.62	12.00

\$143,134
\$127,118
\$121,721
\$391,973
=====

\$155,365
\$121,239
\$98,637
\$375,241
=====

TOTAL MODIFICATIONS

ADDITIONS TO THE EXECUTIVE BUDGET

ABANDONED MINE RECLAMATION RENT - Contingent upon failure of the proposed reorganization of the the department, the department requests an increase of 2,160 square feet office rental space.

COAL AND URANIUM RENT - Contingent upon failure of the proposed reorganization of the the department, the department requests an increase of 2,160 square feet office rental space.

HARD ROCK INCREASE - The executive requests an additional \$100,000 of reclamation and development funds for consulting services.

TOTAL ADDITIONS

Post One
Rent 143% Fed
Approved
70% Federal

\$17,784
\$17,784
\$100,000
\$135,568
=====

CHANGES IN EXECUTIVE BUDGET FUNDING

The executive wishes to change funding in the Environmental Compliance modification from the environment impact statement account to the reclamation and development account.

see 83 of Egm Model

ANNUAL APPROPRIATION REQUESTS - The executive requests biennial appropriations for the following executive budget recommendations:

Consulting Services

Woodbury E & B - Chron
\$100,000 of bond for future consulting services expenditures in the Open Cut program - \$50,000 was appropriated in the 1991 biennium.
\$200,000 of bond for future consulting services expenditures in the Hard Rock program - \$100,000 was appropriated in the 1991 biennium.
\$200,000 of reclamation consulting services expenditures in the Hard Rock program - \$100,000 was appropriated in the 1991 biennium.

EXHIBIT

3

DATE 1-28-91

1-28-91 Exhibit #3

TESTIMONY
DEPARTMENT OF STATE LANDS

Mr. R. S. Sw.

PHILIPSBURG FIRE PROTECTION DISTRICT PROPOSAL

Introduction: The Department of State Lands proposes to reduce the cost per acre of protection, increase efficiency, simplify administration, and provide the highest level of fire protection to all classified forest lands contained within the Philipsburg Fire Protection District. The district is located to the south of Drummond in the Rock Creek and Flint Creek drainages in Granite and Deer Lodge counties.

Background: As provided by Section 76-13-204 MCA, "Creation of Forest Fire Protection Districts," the Board of Land Commissioners may create Forest Fire Protection Districts provided public notice is given, public hearing is held, and formation of the District is approved in writing by a vote of not less than 51% of the landowners representing at least 51% of the acreage contained within the proposed forest fire protection district.

Informational letters, maps, and petitions were sent to all owners of classified forest land within the proposed district. Legal notices appeared in four newspapers published in the affected counties or having general circulation therein. Three public hearings were held: March 26th, 1990 at Anaconda; March 27th, 1990 at Georgetown Lake, and; March 28th, 1990 at Philipsburg. At all three public meetings, the response was generally favorable in the formation of a district. The Department subsequently received by May 7, 1990 enough petitions in favor of the district to meet the requirements of Section 76-13-204 MCA.

The State Lands Commissioner recommended approval by the State Land Board for the creation of the Philipsburg Fire Protection District and that the Department of State Lands be assigned as the recognized protection agency for the district. Approval was received and the Philipsburg Forest Fire Protection District was created from approximately 162,000 acres of classified forest land of which 120,000 acres are privately or State owned. All classified forest land within the area will be protected by the Department of State Lands, and private landowners will pay a maximum of one-third of the cost of protection via fire assessments, per M.C.A. 76-13-207. Formation of the District increases the State's protection responsibilities.

The classified forest lands that are now in the district were formally within the boundaries of the Anaconda Affidavit Protection Unit. Under the Forest Affidavit Protection Program, fire protection services provided by the State are optional. This creates a scattered protection pattern with some owners signed up for protection and others not signed up. Scattered protection patterns create increased response times and costs for the protection agency because a determination of protection responsibilities must be made for each incident. Within the boundaries of a district all classified forest landowners receive protection.

The State of Montana and individual landowners will jointly benefit from the district. The district was created based primarily on the following factors:

1. Reduce the cost per acre of protection.
2. Increase efficiency
3. Simplify administration
4. Provide the highest level of forest fire protection to the area

Proposal: The Department of State Lands proposes to the legislature that funding be provided to support the protection of the Philipsburg Fire Protection District. Funding request for FY 92 is \$67,857 and \$67,678 in FY 93.

Included in this modification to increase State fire protection are 2.1 FTE's in FY 92 and 2.6 FTE's in FY 93 which constitute one permanent Fire Technician/Dispatcher, one seasonal crew foreman, two seasonal firefighter squad bosses, two seasonal firefighters, and one seasonal radio operator. Included in operating expenses are:

<u>Expense</u>	<u>Item</u>
Supplies & Materials	Minor pump tools, gasoline, and maps and charts
Travel	Training of permanent and seasonal fire-fighting and dispatch personnel
Repairs & Maintenance	Vehicles

Capital equipment expenditures would include the purchase of one replacement engine and a mobile radio to improve and expand wildland fire protection within the district.

Executive Action 2-25-91

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
<u>Fund Sources</u>							
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

Quilin Moved offa. Unnow

CURRENT LEVEL ISSUES:

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

- TRUST AND LEGACY INCOME FUNDING - The Executive Budget replaces general fund with *Trust and Legacy Ex. B*
trust and legacy funds.
- LAND ADMINISTRATION PROGRAM
A. FTE - The LFA eliminated .12 FTE which was vacant all of fiscal 1990 (general fund) *Ex. 1 B*
B. Budget Base Differences (General Fund) *LFA 90 off Ex 1 Study - 2 B Ex Unnow.*
- RESOURCE DEVELOPMENT PROGRAM
A. The LFA personal services reflects current position control grades and steps *Benjamin Ex 5-1 Personal Ex 2,370*
B. CAPITAL OUTLAY - The LFA reflects actual fiscal 1990 expenditures *Study - Ex 5-1 Quilin NO*

	\$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
	=====	=====

EXECUTIVE BUDGET MODIFICATIONS: *Forest Land Admin - Unnow*

- TRUST LAND MANAGEMENT *Ex 1*
- FEDERAL FARM PROGRAM ADMINISTRATION *Quilin - H. I. - H. I.*

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

EXHIBIT 3
DATE 1-28-91
HB *Per. Fed. Dev.*

1-28-91
EXHIBIT
4
DATE 1-28-91
BY [signature]
[signature]

TESTIMONY
DEPARTMENT OF STATE LANDS

BLOCK V FIRE PROTECTION PROPOSAL

Introduction: The Department of State Lands proposes to reduce the amount of contracted wildfire protection acreage by assuming wildfire protection for 58,000 acres of forested land from the contractor (USDA Forest Service) beginning July 1, 1992.

Background: In the early 1900's Montana Landowners were faced with a series of devastating fires which caused them to recognize the need for organized forest fire protection. The legislative branch of government also recognized that protection of the wildland resources from fire was a benefit to the people of the State and nation as a whole. These events resulted in a cooperative effort between private landowners and the State to form forest fire districts and affidavit units to provide fire protection to the forest lands of Montana. (MCA 76-11-102 and MCA 76-13-201.) The State was given the responsibility of providing fire protection for the State and private forest lands. (MCA 76-11-101.) Federal involvement has included both the direct protection of federal lands as well as contracting with the State for protection of some State and private lands.

As protection costs have continued to rise, the U.S. Forest Service has become increasingly insistent that the State pickup a greater share of the protection load and move towards fulfilling the State's responsibility in total. The alternative to their request would be to pay the Forest Service their full fire protection costs; a cost which normally exceeds the State's cost to provide equal services. As a result, significant changes in assessment would occur.

In 1982, USFS Region 1, notified the State that as of July, 1983, they intended to charge the State their actual costs of protection for all acres of State and private land they were currently protecting, unless progress was made towards eliminating imbalance. Presently, this would be a charge of approximately \$41,241 ($57,311 \text{ acres} \times \$0.71929 = \$41,241$ less \$4,200 assessment subsidy = balance of \$41,241) on the remaining imbalance.

The Forest Service has agreed to forestall action on recovering their full protection costs provided that the State adheres to a definite timetable to zero out the protection acreage imbalance. DSL has been accomplishing the transfer of protection responsibility in a series of block acquisitions. The Fisher River/Wolf Creek area (Block #1) was approved and went into effect July 1, 1984. The Lincoln/BLM area (Block #2) was approved and went into effect July 1, 1986. The Swan/Missoula area (Block #3) was approved and went into effect July 1, 1988. The Dillon area (Block #4) was approved and went into effect July 1, 1990. This 2.1 million acre change in protection responsibility partially offset a 2.2 million acre imbalance in acres of State and private land protected by the U.S. Forest Service compared with acres of Federal lands protected by the State. In order to correct the imbalance, the State needs to protect more State, private or Federal lands.

Block #5 will be the final block and recommends that the State eliminate the amount of acreage of fire protection currently contracted with the U.S. Forest Service and establish fire protection for approximately 58,000 acres of land using Department of State Lands forces. The majority of the exchange involves federal lands in the Dillon area. The selection has been reviewed and approved by local DSL and Forest Service Supervisors and has been approved by the USFS Regional Forester and the Commissioner, Department of State Lands. The decision was based primarily on the following factors:

1. The block is composed largely of U.S. Forest Service land that is mainly a peninsula of protection adjacent to existing Department of State Lands protection.
2. The State can provide a comparable level of wildfire protection, at less cost than contracting with the Forest Service under the new rates.
3. Private landowners within the block unit can choose a higher level of protection through the State affidavit program.

Proposal: By assuming Block V the net savings to the State during Fiscal Years 1992 and 1993 would be approximately \$2,038. Beginning in Fiscal Year 1994 and continuing thereafter, the annual savings to the State would be \$2,-408.

Block V will complete the offset of protection of State and private lands between the U.S. Forest Service and the Department of State Lands. Funding request for FY 92 is \$35,422 and \$37,833 in FY 93.

Included in this modification to increase State fire protection are .55 FTE's in FY 92 and .75 FTE's in FY 93 which constitute one seasonal support dispatcher and one seasonal firefighter squad boss. Included in operating expenses are:

<u>Expense</u>	<u>Item</u>
Contracted Services	Aircraft Insurance, Shared air tanker contract
Supplies & Materials	Office and data processing supplies
Communications	Additional telephone and data line service
Travel	Training of seasonal firefighting and dispatch personnel
Rent	Fire Cache building rent
Repairs & Maintenance	Building and grounds and vehicles

Capital equipment expenditures would include the purchase of radio repeater equipment to extend the existing two-way radio communications into the proposed protection area.



United States
Department of
Agriculture

Forest
Service

Region 1

Federal Building
P.O. Box 7669
Missoula, MT 59807

Reply to: 3170

gwb
Date: DEC 3 1990

Gary G. Brown, State Forester
Division of Forestry
Department of State Lands
2705 Spurgin Road
Missoula, Montana 59801

4
1-28-91
47000 Res. Sub.

Dear Gary:

In recent discussions with Tim Murphy, we discussed the Forest Service's reaction should the State withdraw from the joint program to eliminate the fire protection imbalance.

In this situation, or in event that the mutually developed schedule is not followed, the Forest Service would begin charging the State full protection costs rather than the current rate of 16 cents/acre for private lands and 19 cents/acre for State land. The charge would be a State-wide Regional average. It would be based on the combination of the Forest's FFP expenditures for the previous year and an amount for FF costs determined by using expenditures for the last 7 years, dropping the high and low years, and averaging the remaining five. It would include Forest Service costs for administration, IH crews, smokejumper crews, and warehousing and aircraft costs. Charges for land management planning, fuels, management and reimbursements would not be assessed. This calculation process has been in place for several years, and although guarantees are impossible, it is not expected to change.

The fire protection rate for Montana, as last determined, is .7929 cents/acre. This is a close approximation of the cost the State would pay for full protection. The Forest Service is gradually withdrawing from its protection of private lands throughout the nation, and the Northern Region will continue this process in Montana. I hope we can do this under the terms of our present arrangement.

Our organizations have made significant reduction in the imbalance over the past several years and with acceptance of the last block reduction, we will zero out in 1992.

I appreciate the State's cooperation and involvement to this point, and we need only look at the situations at Libby and on the Helena and Flathead Forests to see what we have done is mutually beneficial and a viable approach for providing wildland fire protection. I hope our progress can be continued and encourage both your support and your efforts to build an understanding with the State.

Sincerely,

Christopher R. Mumma

JOHN W. MUMMA
Regional Forester



FOREST SERVICE FULL COST OF PROTECTION

USFS PROTECTION OF STATE AND PRIVATE LANDS BY FOREST			*	DSL PROTECTION OF FEDERAL LANDS			*	BALANCE	USFS RATE/ACRE	USFS TOTAL COST	
=====											
Beaverhead	69,315	*	Beaverhead	195,154	*	(125,839)					
Beaverhead (BLM)	0	*	Beaverhead (BLM)	427,300	*	(427,300)					
Bitterroot	127,309	*	Bitterroot	0	*	127,309					
Custer	6,648	*	Custer	0	*	6,648					
Deer Lodge	61,297	*	Deer Lodge	109,073	*	(47,776)					
Deer Lodge (BLM)	0	*	Deer Lodge (BLM)	46,507	*	(46,507)					
Flathead	99,791	*	Flathead	168,852	*	(69,061)					
Gallatin	330,822	*	Gallatin	0	*	330,822					
Helena	96,418	*	Helena	23,125	*	73,293					
Helena (BLM)	0	*	Helena (BLM)	106,619	*	(106,619)					
Kootenai	366,668	*	Kootenai	90,690	*	175,978					
Lewis & Clark	59,893	*	Lewis & Clark	0	*	59,893					
Lolo	398,413	*	Lolo	211,653	*	186,760					
Lolo (BLM)	0	*	Lolo (BLM)	80,290	*	(80,290)					
=====											
TOTALS	1,616,574	acres		1,559,263	ac.	57,311	ac.	x 0.7929 =	\$45,441		
										LESS ASSESSMENT SUBSIDY	- \$ 4,200
										NET AMOUNT DUE FOREST SERVICE	\$41,241

BLOCK 5 ALTERNATIVES

DO NOT TAKE BLOCK 5 AND PAY FOREST SERVICE THE FULL COST. PAY FOREST SERVICE FULL COST OF PROTECTION BEGINNING IN FY 92. AT CURRENT RATES THE STATE WOULD OWE \$41,241 NET PER YEAR.

2. TAKE BLOCK #5 AND END BLOCK REDUCTION PROGRAM

FY 92:	<u>CONTRACT</u>	<u>OFF-SET</u>	<u>BALANCE</u>	<u>SUBSIDY</u>	<u>NET OWED</u>
Acres:	1,616,574	(1,559,263)	57,311		
Rate:			0.1900		

Total:			\$10,889	(\$4,200)	\$6,689
 FY 93:	<u>CONTRACT</u>	<u>OFF-SET</u>	<u>BALANCE</u>	<u>SUBSIDY</u>	<u>NET OWED</u>
Acres:	1,616,574	(1,616,574)	0		
Rate:			0.1900		

Total:			0	0	0

EXHIBIT 4
DATE 1-28-91
-E Nak Pers. Sub.

WE CAN NOW COMPARE THE COST BETWEEN THE TWO ALTERNATIVES AS FOLLOWS:

COST COMPARISON (FY 92 - 94)

EXHIBIT 4
DATE 1-28-91
BY *Mark Rev. Sub.*

FY 92	ALTERNATIVE	ADDITIONAL FS PAYMENT	ADDITIONAL GEN. FUND	TOTAL SUPPLEMENTAL ANNUAL COST
	1	\$41,241	\$0	\$0 \$41,241
	2	\$6,689	\$35,422	\$0 \$42,111
FY 93	ALTERNATIVE	ADDITIONAL FS PAYMENT	ADDITIONAL GEN. FUND	TOTAL SUPPLEMENTAL ANNUAL COST
	1	\$41,241	\$0	\$0 \$41,241
	2	\$0	\$37,833	\$500 \$38,333
FY 94	ALTERNATIVE	ADDITIONAL FS PAYMENT	ADDITIONAL GEN. FUND	TOTAL SUPPLEMENTAL ANNUAL COST
	1	\$41,241	\$0	\$0 \$41,241
	2	\$0	\$37,833	\$1,000 \$38,833

Alternative 1....Do not take additional blocks of protection.

Total Cost for 3-year period:

FY 92	\$ 41,241
FY 93	\$ 41,241
FY 94	\$ 41,241
Total	<u>\$123,723</u>

Alternative 2....Take Block #5 and end block reduction program.

Total Cost for 3-year period:

FY 92	\$ 42,111
FY 93	\$ 38,333
FY 94	\$ 38,833
Total	<u>\$119,277</u>

TOTAL COST SAVINGS - FISCAL YEARS 1992 - 1994:

\$4,446

ANNUAL COST SAVINGS - BEGINNING IN FISCAL YEAR 1994:

\$2,408

1 - 28: 41
Exhibit 5

EXHIBIT 5
DATE 1-28-91
HE Mar Rep. Sub.

**TESTIMONY
DEPARTMENT OF STATE LANDS**

BEST MANAGEMENT PRACTICES WORK

Artley
INTRODUCTION:

The Governor's budget requests a budget increase for DSL to service an accelerating caseload in the forest practices program. This program helps loggers and forest landowners avoid impacts on water quality by using Best Management Practices (BMPs).

BACKGROUND:

The forest practices program implements HB 678 (1989), enacted to carry out certain recommendations in the Environmental Quality Council's final report on HJR 49--Forest Practices and Watershed Effects, December, 1988. Under this program, any person who plans to log or do related work on private land is required to notify DSL prior to starting the operation. In response, Department foresters review harvest plans, provide information about BMPs, do pre-harvest field consultations on priority areas, and, after harvest, visit a limited percentage of sites to survey the use of BMPs. In addition, Forestry Division staff participates in BMP education projects in cooperation with the forest products industry and government agencies.

The 1991 biennium budget was based on 900 logging "starts" per year on non-industrial private forest (NIPF) land. However, the shrinking timber supply from the national forests is causing intense demand for private timber, and, as a result, 1,053 NIPF logging operations started during FY90. By FY93, the NIPF caseload for BMP services may be as high as 1,300 new operations per year.

PROPOSAL:

The Governor's budget requests an increase of 1.00 FTE to allow DSL to service its caseload and thereby provide mandated BMP services in conformity with Department standards. The biennium cost of this increase, including operating funds for supplies and communications, is \$48,800, based on \$24,400 in each FY92 and FY93. The Governor's budget recommends that the increase be funded 25% with General Fund and 75% with federal special revenue.

1-28-91
Exhibit # 6

TESTIMONY
DEPARTMENT OF STATE LANDS
VEHICLE REPLACEMENT SCHEDULE

Carley
INTRODUCTION:

Our current level, base budget for capital equipment for the forestry program is \$492,813. This amount is insufficient to annually replace equipment which is obsolete or beyond economical repair. In recognition of this problem, our 1989 Appropriations Subcommittee asked us to prepare a vehicle replacement schedule for submission during the 1991 session. Over the past year we have surveyed other State agencies as well as the forestry agencies in other states. Based on that information plus an analysis of our current vehicle fleet, we identified seven classes of vehicles and developed a replacement schedule for each based on either age or mileage. To fully implement that schedule we would need an increase of \$360,913 per year in our base budget for equipment.

BACKGROUND:

Over the past several biennia forestry program responsibilities have increased significantly. During this same period, our capital equipment replacement budget has decreased. Therefore, we face a situation where our equipment is aging beyond its reliable life faster than we are able to replace it. This is particularly critical with our vehicle fleet. By the beginning of the FY92-93 biennium the average forestry program vehicle will be over 9 years old and have been driven over 70,000 miles, most of which were off-highway.

An aging vehicle fleet is costly, unsafe and inefficient. The majority of our vehicles are not highway vehicles. Only 18 of our 282 vehicles (6%) are used primarily for highway transportation. The others are pickup trucks and utility vehicles (57%), cargo and other support trucks (9%), and wildland fire engines (28%). Pickups, utility vehicles and fire engines are all used primarily on unpaved rural and mountain roads. They are work vehicles and, although their mileage may not seem excessive, have had hard use.

This vehicle replacement schedule will allow us to plan for systematic, regular replacement of our vehicles. It will take us 7 to 10 years to establish a balanced distribution of age classes. However, it is critical that we begin to make progress toward reducing the average age of our fleet. For example, 65% of our pickup trucks and 43% of our wildland fire engines now exceed our recommended replacement age.

PROPOSAL:

Due to revenue shortfall, the executive budget only recommends an increase of \$180,500 per year during the 1992-93 biennium. Although this is only one half of what we need to establish an adequate replacement schedule, it will allow us to replace our most critical vehicles. Hopefully, in the following biennium the full increase will be possible.

We propose that the funding for this increase be split among general fund (\$95,063), fire assessments (\$42,117) and trust revenue (\$43,320). This split is proportional to the actual funding sources for the programs in which the vehicles are primarily used.

ATTACHMENT TO VEHICLE REPLACEMENT TESTIMONY

Recommended Replacement Schedule

- | | |
|--|---------------------------|
| 1. Highway vehicles (sedans/station wagons): | 7 years or 90,000 miles |
| 2. Pickup trucks (½T 4x4): | 7 years or 90,000 miles |
| 3. Utility vehicles (Broncos, vans, etc): | 7 years or 90,000 miles |
| 4. Cargo and support trucks (1-5 ton): | 10 years or 100,000 miles |
| 5. Light fire engines (200 gallon): | 10 years or 40,000 miles |
| 6. Medium fire engines (500-750 gallons): | 15 years or 50,000 miles |
| 7. Heavy fire engines (1,000-2,500 gallons): | 20 years or 75,000 miles |

To gradually establish an even distribution of ages over our recommended life cycle for each vehicle class, we will have to replace 35 of our 282 vehicles each year. This will cost \$582,250 each year (based on 1989 dollars). The following table shows the total number of vehicles we own in each class, the number we will need to replace each year in order to stay on the schedule, the current average cost per vehicle in each class, and the total cost.

<u>CLASS</u>	<u>TOTAL VEHICLES</u>	<u>NUMBER/YEAR</u>	<u>COST/UNIT</u>	<u>TOTAL COST</u>
Highway	18	2.5 ¹	\$ 9,500	\$ 23,750
Pickups	117	17	13,000	221,500
Utility	43	6	15,000	90,000
Cargo Trucks	25	2.5 ²	23,500	58,750
Light Engines	62	6	22,000	132,000
Medium Engines	6	0.5 ³	55,000	27,500
Heavy Engines	<u>11</u>	<u>0.5</u>	57,500	<u>28,750</u>
Total	282	35		\$582,250

In addition to the above, we need \$274,660 per year to replace other non-vehicle capital equipment, such as radios, pumps, tanks, tool boxes, chainsaws, fire equipment, and office equipment (including microcomputers). We schedule this equipment for replacement on a case-by-case basis, based on the cost of repair and availability of parts. This amount is equal to our average budget appropriation for non-vehicle equipment for the last four fiscal years (FY88-91). Adding the amounts for vehicle and non-vehicle equipment replacement results in a realistic, total equipment replacement budget of \$856,910 for the forestry program.

¹ We will purchase 5 vehicles each biennium, alternating between 2 and 3 vehicles per year.

² We will purchase 5 trucks each biennium, alternating between 2 and 3 trucks per year. We will also alternate between 1½ ton trucks and 5 ton trucks using a ratio of 5:1.

³ We will purchase two engines per biennium, alternating between medium engines and heavy engines every other year.

6
DATE 1-28-91
#4 WK. P. D. D.

AGE DISTRIBUTION BY VEHICLE CLASS
(Projected to July, 1991)

Highway Vehicles (Sedans & Station Wagons):

	Age (years)								Total
	1	2	3	4	5	6	7	8+	
No. of Vehicles	*	1	0	1	0	0	5	11	18

Average age: 9 years.

Average mileage: 80,000+

89% will meet replacement criteria by July 1, 1991.

Pickup Trucks:

	Age (years)								Total
	1	2	3	4	5	6	7	8+	
No. of Vehicles	*	15	5	0	15	6	10	66	117

Average age: 8 years.

Average mileage: 80,000+

65% will meet replacement criteria by July 1, 1991.

Utility Vehicles (Broncos, Suburban & Vans):

	Age (years)								Total
	1	2	3	4	5	6	7	8+	
No. of Vehicles	*	2	2	1	6	5	5	22	43

Average age: 9 years.

Average mileage: 75,000+

63% will meet criteria for replacement by July 1, 1991.

Trucks (Cargo/support trucks: 1-5 Ton capacity):

	Age (years)											Total
	1	2	3	4	5	6	7	8	9	10	11+	
No. Veh.	*	2	0	0	0	2	0	3	1	0	17	25

Average age: 13 years.

Average mileage: 95,000+

68% will meet replacement criteria by July 1, 1991.

Wildland Fire Engines (Light, Medium & Heavy):

	Age (years)											Total
	1	2	3	4	5	6	7	8	9	10	11+	
No. Veh.	*	4	6	0	7	4	7	9	8	0	34	79

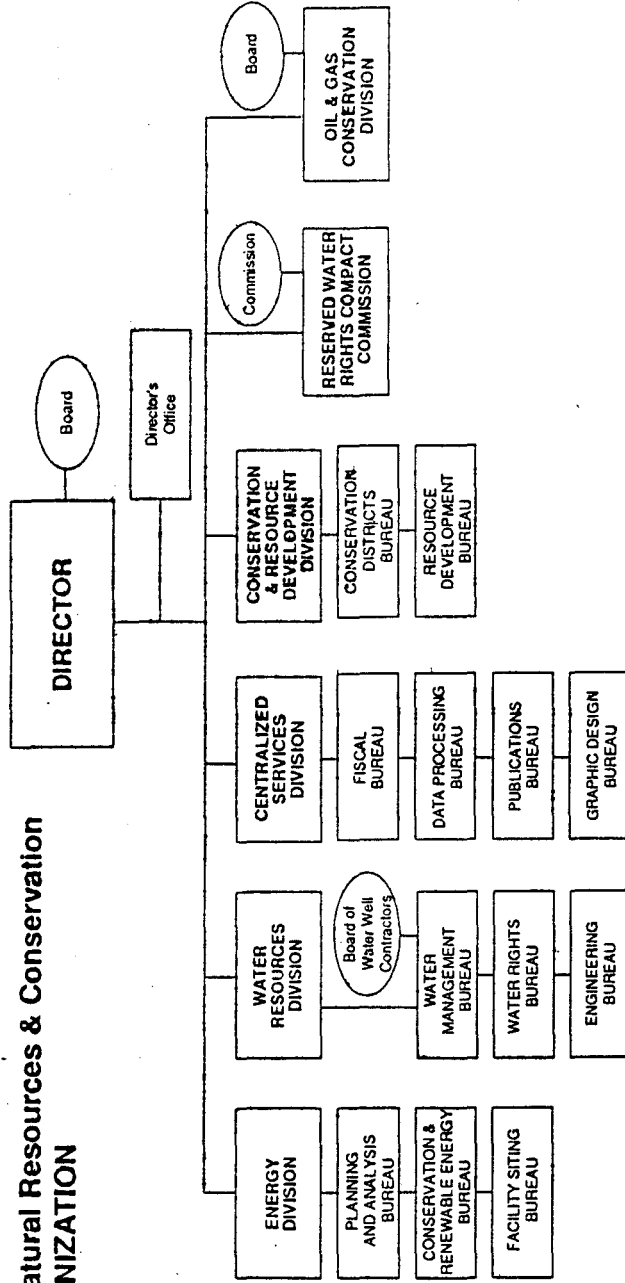
Average age: 9 years.

Average mileage: 55,000+

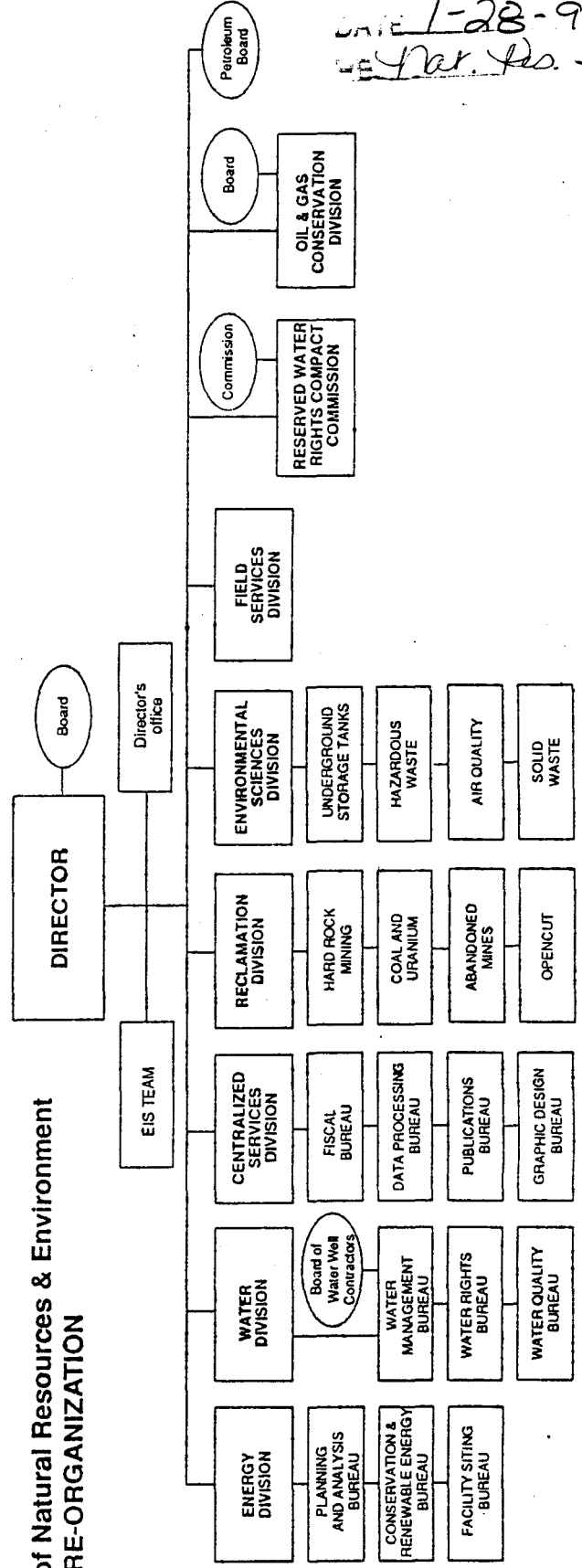
43% will meet replacement criteria by July 1, 1991.

* Because of tight budgets, we are uncertain how many vehicles we will be able to replace in FY90 and FY91.

Department of Natural Resources & Conservation EXISTING ORGANIZATION



Department of Natural Resources & Environment PROPOSED RE-ORGANIZATION



department directs a wide variety of programs in meeting these and related goals and objectives. The department is provided for in Section 2-15-3301, MCA.

Agency Organization:

The programs and functions of the Department of Natural Resources and Environment are carried out through the following major organizational units:

The Director's Office consists of the director, deputy director, legal staff, personnel/EEO officer, and information officer. The director has responsibility for all major decisions and recommendations within the jurisdiction of the department and for its overall management. In addition to policy and management direction, the Director's Office also provides the legal, public information, and personnel support functions of the department.

The Board of Natural Resources and Environment (BNRE) is a quasi-judiciary board consisting of seven members appointed by the Governor. The BNRE adopts administrative rules and has statutorily assigned quasi-judicial functions. It has specific responsibilities under various statutes administered by the department. The BNRE also acts in an advisory capacity to the department.

The Centralized Services Division's areas of responsibility include management of financial activities, management and coordination of information systems, production and coordination of publications and graphic materials, and general administrative support services.

The Energy Division administers the Montana Major Facility Siting Act (MFSA), the Alternative Energy Grant and Loan Program, the State Buildings Energy Program, the Energy Emergency Powers Act, and federally sponsored energy conservation programs. These responsibilities are carried out by the Facility Siting Bureau, the Planning and Analysis Bureau, the Conservation and Renewable Energy Bureau, and the immediate staff of the division administrator.

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division administers these programs through two individual bureaus, in addition to a dam safety staff and the immediate staff of the division administrator. The division also develops and recommends water policy to the director, Governor, and the legislature.

The two bureaus of the division are the Water Rights Bureau, and the Water Management Bureau. The Water Rights Bureau administers a permit system for new water use and for changes of existing water use. It is responsible for maintaining all existing water rights records. It also provides technical and administrative support for the water courts. The Water Management Bureau administers Montana's water planning responsibilities, which include ensuring that Montana's interests are represented in national water policy and federal water resources programs and projects conducted in Montana. The division also assists the Board of Water Well Contractors in the licensing of well drillers and the development and enforcement of well construction standards.

Under the proposed reorganization, the Water Quality Bureau would become part of the Water Resources Division. The Water Quality Bureau is responsible for the protection of public health and environmental quality of Montana's water resources. The bureau's programs are responsible for the proper implementation of various statutes and administrative rules regarding the state's water quality.

The Oil and Gas Conservation Division administers Montana oil and gas laws to promote conservation and prevent wasteful practices in the recovery of these resources. The division also regulates Class II (oil and gas) injection wells, subject to approval by the U.S. Environmental Protection Agency, and seismic exploration. The division is headed by the Board of Oil and Gas Conservation, a seven member quasi-judicial board. The board and division is attached to DNRE for administrative purposes only.

The Reserved Water Rights Compact Commission negotiates

with federal agencies and Indian tribes concerning reserved water rights. The commission is attached to the Governor's Office, and by executive action the staff for the commission is located as a separate unit in DNRE for administrative purposes.

The Reclamation Division is responsible for the administration and enforcement of all of Montana's mine land reclamation statutes and administrative rules. The division administers these responsibilities with the administrator's staff and through four bureaus: the Opencut Mining Bureau, Coal and Uranium Bureau, Abandoned Mine Reclamation Bureau, and the Hard Rock Bureau.

The reclamation administration is responsible for the overall management, policy development, coordination and evaluation of all programs within the division. The Opencut Mining Bureau requires and evaluates reclamation on opencut mines. Based upon these evaluations, the bureau must determine whether to issue or deny permit applications. The Coal and Uranium Bureau is responsible for administering various statutes with respect to coal and uranium mine regulations. This involves issuing or denying mining permits, completing compliance evaluations, and analyzing plans for mining operations and reclamation of mines and prospecting sites. The Abandoned Mine Reclamation Bureau's function is to reclaim lands and water resources which have been adversely affected by past mining practices where there is no continuing reclamation responsibility. The Hard Rock Bureau is responsible for administering the Metal Mine Reclamation Act and supplemental statutes. This involves technical, scientific and legal analysis of mining, operations, and reclamation plans on mines and prospecting sites for compliance with the Act.

The Environmental Sciences Division oversees the programs in the Air Quality, Underground Storage Tanks, Hazardous Waste, and Solid Waste Bureaus. The Air Quality Bureau is responsible for maintaining safe outdoor air quality levels through permit review, inspections, monitoring and information dissemination. The Underground Storage Tanks Bureau administers statutes that establish the framework for reporting, monitoring, responding to leaking underground storage tanks, and implementing tank design and installation standards.

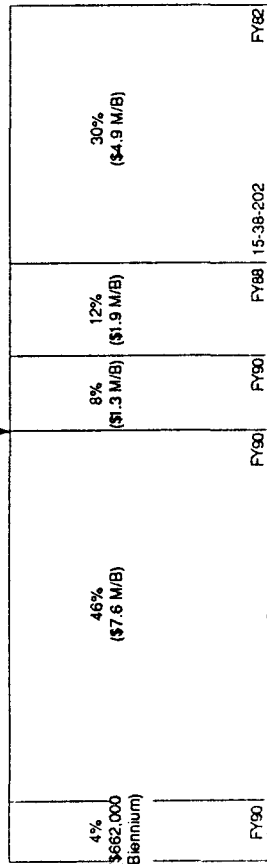
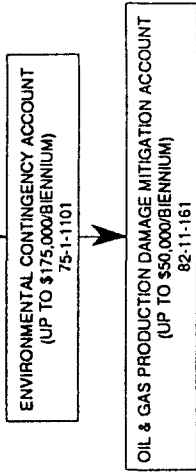
The Hazardous Waste Bureau administers a regulatory program that controls the generation, transportation, treatment, storage and disposal of hazardous wastes. It participates in the administration of the federal Superfund program and administers the state Superfund Act. The Solid Waste Bureau has various regulating responsibilities for local governmental and private solid waste management systems. It also provides technical assistance regarding recycling and special waste management. It also administers the control of junk vehicle disposal and the shielding of disposal sites.

The department's main offices are located in Helena. The Water Resources Division has field offices in Billings, Bozeman, Glasgow, Havre, Helena, Kalispell, Lewistown, Miles City, and Missoula. The Board of Oil and Gas's main office is in Billings with an administrative office in Helena. There are also field inspector offices in Glendive, Plentywood, Roundup, and Shelby. The Reclamation Division has three employees located in Billings. The Environmental Sciences Division has two employees in Billings.

EXHIBIT 7
DATE 1-28-91
BY Gar. Pas. Duv

**RESOURCE INDEMNITY
TRUST INTEREST INCOME**

(\$16.5 MILLION / BIENNIUM FY 92-93 ESTIMATE)



ENVIRONMENTAL QUALITY
PROTECTION FUND
75-10-704

RECLAMATION
AND DEVELOPMENT
GRANTS PROGRAM
(RDG)
90-2-1104

RENEWABLE
RESOURCE
DEVELOPMENT
PROGRAM
(RRD)
Title 90, Chapter 2

DHES - HAZARDOUS WASTE/
CERCLA ACCOUNT
75-10-621

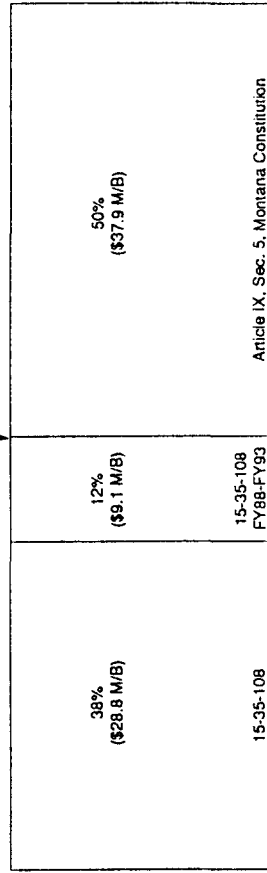
WATER
DEVELOPMENT PROGRAM
(WDP)
SPECIAL REVENUE
ACCOUNT
85-1-604

LOAN REPAYMENTS

Belated are

COAL SEVERANCE TAX

(\$75.7 MILLION / BIENNIUM FY 92-93 ESTIMATE)



Article IX, Sec. 5, Montana Constitution

1.25%
(\$359,597/B)

VARIOUS PROGRAMS
FY 90
(\$359,597/B)

1.25%
(\$359,597/B)

EFFECTIVE JULY 1, 1990:
17.5% - LOCAL IMPACT AND EQUALIZATION AID TO PUBLIC SCHOOLS
30% - STATE EQUALIZATION AID TO PUBLIC SCHOOLS
5% - NONEXPENDABLE TRUST FUND FOR PARKS, WORKS OF ART IN STATE CAPITOL, AND OTHER CULTURAL AND AESTHETIC PROJECTS
2% - MONTANA GROWTH THROUGH AGRICULTURE ACCOUNT
1% - COUNTY LAND PLANNING ACCOUNT
1% - BASIC LIBRARY SERVICES THROUGH LIBRARY FEDERATIONS AND NETWORKING
1/2 of 1% - CONSERVATION DISTRICTS
REMAINDER TO GENERAL FUND

HIGHWAY
RECONSTRUCTION
TRUST FUND ACCOUNT

COAL SEVERANCE
TAX TRUST
FUND
See Figure 2

RENEWABLE
RESOURCE
DEVELOPMENT
BOND FUND

SPECIAL
REVENUE
ACCOUNT

LOAN REPAYMENTS

1-28-91
Par Rep Fund

FIGURE 2

COAL SEVERANCE TAX TRUST FUND FLOW OF FUNDS SUMMARY

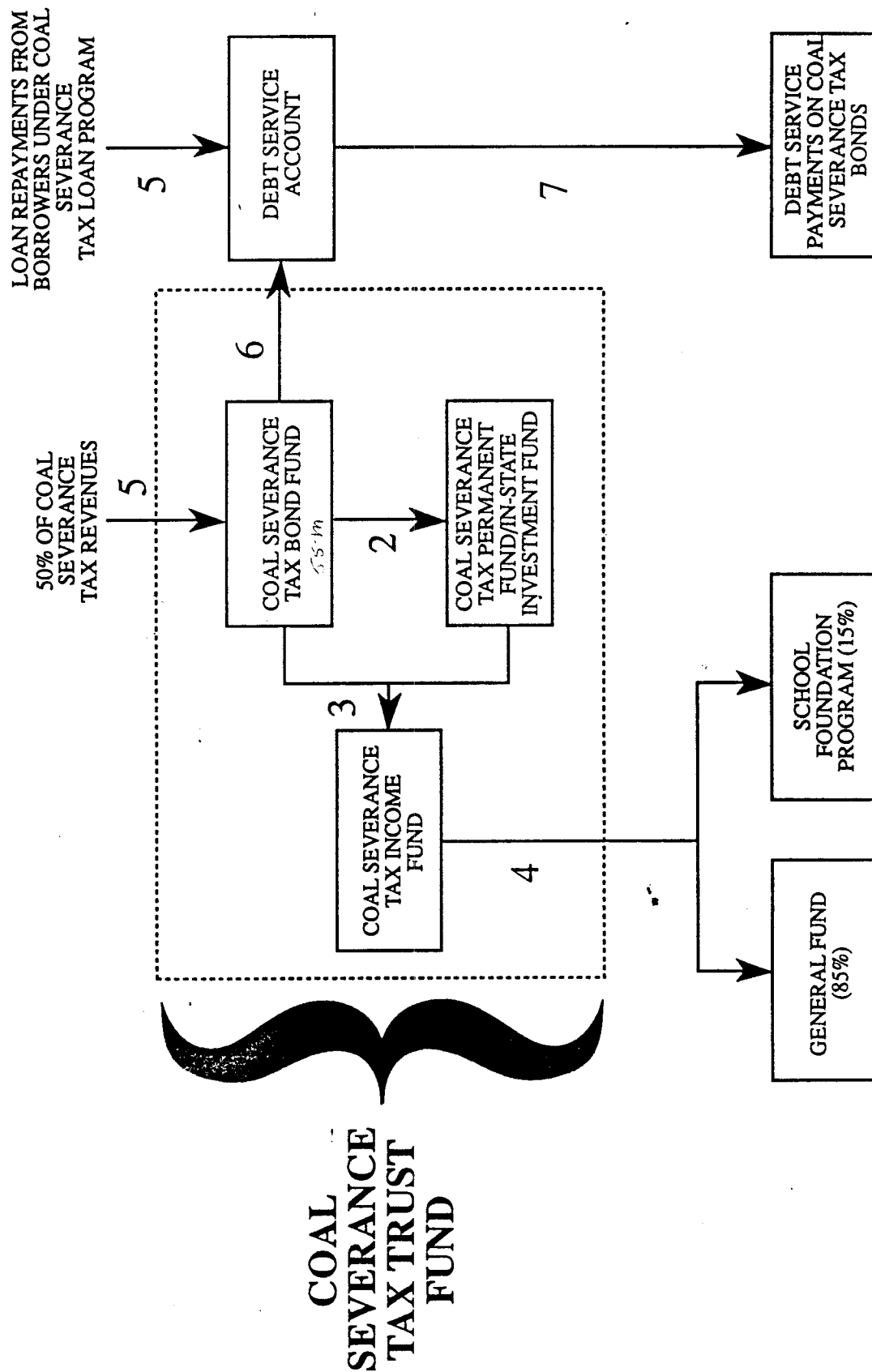


Exhibit 9

Executive Budget Proposal

Resource Indemnity Trust Interest Accounts

DATE 1-28-91
HEYDAR. P. S. S. S.

1993 Biennium

	Water Development 30%	Renewable Resources 8%	Reclamation & Development 46%	Hazardous Waste/ CERCLA 12%	Environmental Quality Protection 4%	Cross Total 100%
Beginning Balance	810,949	(14,279)	604,812	1,074,860	1,194,036	3,670,378
Projected Revenues						
RIT Interest	4,967,303	1,324,614	7,616,531	1,986,921	662,307	16,557,677
Coal Tax	359,597	359,597	0	0	0	719,194
Loan Repayments	950,670	129,869	0	0	0	1,080,539
Other Sources	453,400	0	0	172,730	441,882	1,068,012
Total Funds Available	7,541,919	1,799,801	8,221,343	3,234,511	2,298,225	23,095,800
Appropriation						
Debt Service	1,229,964	380,231	0	0	0	1,610,195
DNRC	3,910,830	441,997	2,706,154	0	0	7,058,981
Reserved Water Rights	0	0	584,261	0	0	584,261
State Lands	0	0	1,584,661	0	0	1,584,661
DHES	0	0	0	1,504,068	698,470	2,202,538
Water Courts	948,125	0	0	0	0	948,125
EQC	0	0	26,451	0	0	26,451
Total Disbursements	6,088,919	822,228	4,901,527	1,504,068	698,470	14,015,212
Available Grant Funds	1,089,750	733,180	3,319,816			5,142,746
Water Storage	363,250	244,393				607,643
Fund Balance	0	0	0	1,730,443	1,599,755	3,330,198
Environmental Contingency Account (ERA)					2,000,000	2,000,000

8-28-91
Exhibit 10

Impact to Grant Programs from Known Requests

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DATE 1-28-91
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January 28, 1991

	Water Development	Renewable Resources	Reclamation & Development	Total
HB 199				
Amount available for water storage	316,174	231,840		548,014
Reduction in water storage funding	47,076	12,553		59,629
Amount available for grants	948,523	695,519	3,031,085	4,675,127
Reduction in grant funding	141,227	37,661	288,731	467,619
HB 215				
Amount available for water storage	348,199	240,380		588,579
Reduction in water storage funding	15,051	4,013		19,064
Amount available for grants	1,044,598	721,139	3,227,505	4,993,242
Reduction in grant funding	45,152	12,041	92,311	149,504
DSL Increases \$550,000				
Amount available for water storage	363,250	244,393		607,643
Reduction in water storage funding	0	0		0
Amount available for grants	1,089,750	733,180	2,769,816	4,592,746
Reduction in grant funding	0	0	550,000	550,000

Ex. 11

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Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	226.30	233.57	231.85	231.85	-1.72
Personal Services	5,486,125	6,066,663	6,222,529	6,220,887	7.71%
Operating Expenses	2,512,550	2,883,884	2,426,426	2,419,197	-10.21%
Equipment	619,698	492,813	484,754	484,754	-12.86%
Total Program	\$8,618,373	\$9,443,360	\$9,133,709	\$9,124,838	1.09%
Fund Sources					
General Fund	5,592,033	5,819,529	5,875,021	5,888,297	3.08%
State Revenue Fund	2,498,611	3,002,526	2,807,225	2,785,149	1.66%
Federal Revenue Fund	527,729	621,305	451,463	451,392	-21.43%
Total Funds	\$8,618,373	\$9,443,360	\$9,133,709	\$9,124,838	1.09%

Program Description

The Forestry program manages state-owned forest lands held in trust for the support of education, protects the state's forest and non-forest watershed lands from wildfire, and provides technical forestry assistance to private landowners, businesses, and communities. The program is administered by the Forestry Division in Missoula which provides six main services: Fire Management provides wildfire protection to 60 million acres of state and privately-owned forest and watershed lands through prevention, pre-suppression, suppression, and county assistance programs. Forest Management manages state forest land to: 1) provide income to the various school trusts through the sale of forest products and the licensing of various special uses; 2) enhance long-term productivity; and 3) provide for other resource values such as soil, water, and wildlife. Brush Disposal provides fire hazard reduction and associated site preparation on state forest land following Forest Management program activities. Timber Stand Improvement conducts activities such as planting, seeding, thinning, tree improvement, seed collection, and seedling production that improve the composition, condition, or growth of trees on state forest lands. Tree Nursery grows, sells, and distributes tree seedlings and shrubs for conservation plantings on state and

private lands for shelterbelts, windbreaks, wildlife habitat improvement, reclamation, and reforestation. Administration of the Fire Hazard Reduction and Management (Slash) Law assures that the fire hazard created by logging and other forest management operations on private forest land is adequately reduced, or that additional protection is provided until the fire hazard is reduced to an acceptable level.

Current Level Budget

The slight increase in the program's current level is due to increased personnel services, which result from vacancy savings in fiscal 1990 and the fiscal pay plan increase which continues in the 1993 biennium. The 1.72 FTE decrease represents the transfer of 0.72 FTE to the Central Management Division, and the elimination of 1.0 FTE, which has been vacant much of the 1991 biennium. Current level personal services also decrease by \$161,964 from non-budgeted fire suppression expenditures and \$32,565 from federal fire reimbursement expenses. Operating expenses decrease below fiscal 1990 actual expenditures due to elimination of the following one-time only expenditures: 1) \$9,849 non-budgeted fire suppression costs; 2) \$400 for audit of best management practices for timber sales; 3) \$11,848 of computer

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processing supplies; 4) \$15,000 for development of a fire protection assessment computer system; and 5) \$67,044 of federal fire reimbursement expenses. In addition, insurance, bonding, and messenger costs have decreased. Inflationary adjustments of \$64,593 for the biennium have been included in the current level budget. The agency's equipment request, which includes 39 vehicles, is also included in current level.

This program is funded with general fund, state special revenue, and federal funds. State special revenues, generated from the sale of timber on state land, are used to entirely finance the timber stand improvement and brush removal programs. The price at which the state sells timber includes \$11 per thousand board feet for each of these programs. Based on initial revenue estimates, the timber stands improvement program is adequately funded. With later estimates, which show that funding is \$169,750 less, funding is insufficient and a reduction in the program may be necessary. State special revenues also include taxes provided by private forest landowners for forest fire protection. This landowner assessment is currently \$.17 per acre, with a minimum of \$14 per landowner. The department is required by statute to collect up to one-third of the fire protection costs from private landowners. Other state special revenues include the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fund balance in the slash disposal account was used to offset general fund.

Issues

The 1989 legislature authorized a habitat/timber sales planning program expansion to fund a wildlife biologist to implement habitat guidelines for timber sales on state forest land and to continue training DSL employees in timber sale planning which is compatible with wildlife values and concerns. This position is jointly funded with the Department of Fish, Wildlife, and Parks (DFWP) which was authorized \$32,827 for

the 1991 biennium from their general license account to fund operation expenses. The Department of State Lands was appropriated the 1.0 FTE and \$60,638 (half of which was general fund) for the biennium to fund personal services. House Bill 100 stipulates that the Department of Fish, Wildlife, and Parks' portion of this program was not to be included in their 1993 budget base. DFWP is requesting a budget modification for \$32,500 for the biennium from the general license account to continue funding the wildlife biologist position.

Executive Budget Modifications

State/County Cooperative Fire

The Executive Budget includes \$130,080 for the biennium, 0.5 FTE for fiscal 1992, and 1.08 FTE for fiscal 1993 funded from the general fund and fire protection taxes to expand the State/County Cooperative Fire program to include Lake, Lincoln, and Sanders counties in cooperative fire control agreements with the state. From 1967 to date, the department has entered into cooperative fire protection agreements with 49 counties. The state/county agreements specify the general duties and responsibilities of each entity in fire protection and cooperation. The state provides wildland fire training and equipment to the counties for unprotected areas. The county, state, and federal agencies provide mutual aid on an as-needed basis for suppression. The FTE difference in the two fiscal years is due to anticipated late hiring in fiscal 1992.

Forestry Road Maintenance

The Executive Budget includes \$90,000 for the biennium from a proposed new fee on timber cut from state trust lands. Establishment of this account would require a statutory change to allow the Board of Land Commissioners to charge road maintenance fees as part of timber sales. As a result of timber sale activity over the years, the department has constructed approximately 2,000 miles of roads on state forest land.

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Many of these roads, which function as a permanent transportation system, require periodic maintenance in order to protect their investment value and prevent adverse environmental impacts. Currently, there is no funding source or budget for maintenance of these roads.

Block 5 and Philipsburg Fire

The Executive Budget includes \$208,790 for the biennium, 2.65 FTE for fiscal 1992, and 3.35 FTE for fiscal 1993 funded one-third from the forestry fire protection taxes account and two-thirds general fund, to assume full fire protection responsibilities for additional state and private lands in two main categories: 1) state and private forests acreage currently contracted with the U.S. Forest Service for fire protection; and 2) the new Philipsburg Forest Fire Protection District. The difference in FTE for the two fiscal years is due to anticipated late hiring in fiscal 1992.

The department currently contracts with the U.S. Forest Service for fire protection on blocks of state and private land. In exchange, the department provides protection on some federal land. There are currently 58,000 more state and private acres protected by the U.S. Forest Service than federal acres protected by the department. This budget modification allows the department to assume this final block of wildfire protection acreage which will end this acreage imbalance. Since 1984, the legislature has approved the transfer of four blocks of fire protection responsibility by the department. The majority of the land in this final transfer involves federal land in the Dillon area.

This modification also would fund the creation of the Philipsburg Forest Fire Protection District, consisting of 120,000 acres of private and state land now in the Anaconda Protection Unit. The department states that this would reduce the per acre cost of protection, increase efficiency, simplify adminis-

tration, and provide the highest level of fire protection to the area. Private landowners would pay a maximum of one-third the cost of protection through fire assessments, with the general fund providing the rest. Increased landowner assessment fees are being considered to replace general fund, but are not reflected in this modification request.

Best Management Practices

The Executive Budget includes \$48,800 and 1.0 FTE for the biennium funded one-fourth from the general fund and three-fourths from the private forestry assistance account to handle an accelerating caseload in the forest practices program. This program implements House Bill 678 (1989) which helps loggers and forest landowners avoid impacts on water quality by using best management practices (BMP). DSL foresters review harvest plans, provide BMP information, do pre-harvest field consultations on priority areas, and re-visit a limited number of sites after harvest to rate BMP application and effectiveness. The additional FTE would provide mandated BMP services in conformity with department standards.

Forestry Capital Equipment

The Executive Budget includes \$361,000 for the biennium from general fund, trust land administration revenue, and fire protection taxes for new equipment. In recognition of historically insufficient funding for replacement of equipment, the appropriations subcommittee in 1989 asked the department to prepare a vehicle replacement schedule for submission to the 1991 legislature. Replacement schedules for seven classes of vehicles were developed based on either age or mileage. This modification requests one-half of the total amount for the first biennium to phase in the full biennial replacement schedule of \$721,826. Such a vehicle replacement schedule would allow the department to plan for systematic replacement of vehicles to reduce the average age of its 282 vehicle fleet.

COMPARISON OF EXECUTIVE AND LFA CURRENT LEVELS

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Budget Item	Executive Current Level		LFA Current Level		Executive Over(Under) LFA
	Fiscal 1992	Fiscal 1993	Fiscal 1992	Fiscal 1993	
FTE	393.23	393.23	250.20	250.20	143.03
Personal Services	11,806,401	11,792,847	7,468,984	7,458,895	8,671,369
Operating Expenses	17,371,638	17,365,310	3,439,710	3,424,557	27,872,681
Equipment	304,545	303,936	138,300	102,064	368,117
Capital Outlay	5,000,000	5,000,000	0	0	10,000,000
Local Assistance	0	0	91,300	91,300	182,600-
Grants	1,693,098	1,693,098	441,089	441,089	2,504,018
Debt Service	58,133	58,133	33,390	33,458	49,418
Total Agency	\$36,233,815	\$36,213,324	\$11,612,773	\$11,551,363	\$49,283,003
<u>Fund Sources</u>					
General Fund	5,715,059	5,641,217	4,340,048	4,345,573	2,670,655
State Revenue Fund	10,484,996	10,561,434	6,179,571	6,112,828	8,754,031
Federal Revenue Fund	20,033,760	20,010,673	1,093,154	1,092,962	37,858,317
Total Funds	\$36,233,815	\$36,213,324	\$11,612,773	\$11,551,363	\$49,283,003

Executive Budget Comparisons

The LFA current level for the 1993 biennium is \$49.3 million less than the Executive Budget primarily due to the proposed reorganization of the Departments of Natural Resources and Conservation, Health and Environmental Sciences, and State Lands.

Reorganization

Table A shows the net impact to the Department of Natural Resources and Conservation from the proposed reorganization.

Table A
Department of Natural Resources and Conservation
Proposed Reorganization

Function Transferred	Transfers In		Transfers Out		Net	
	FTE	Expenses	FTE	Expenses	FTE	Expenses
Centralized Services*	6.0	\$ 265,726			6.0	\$ 265,726
Environmental Division	125.03	29,023,691			125.03	29,023,691
Reclamation Division	42.0	22,351,957			42.0	22,351,957
Conservation & Resource			20.0	\$2,855,234	-20.0	(2,855,234)
Water Projects			17.0	3,361,985	-17.0	(3,361,985)
Total	173.03	\$51,641,374	37.0	\$6,217,219	136.03	\$45,424,155

*1.0 FTE and \$37,527 transferred from DSL Centralized Services to DNRE Reclamation (Mining) Division.

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If the workload increases of the Forestry Division state special revenue funded programs (brush, timber stand improvement, slash, and nursery) requires additional resources beyond the amounts appropriated, the workload increases are an emergency for budget amendment purposes under 17-7-401 through 17-7-405.

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