

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER**, on January 29, 1993, at 7:30 A.M.

ROLL CALL

Members Present:

Rep. Roger DeBruycker, Chairman (R)
Sen. Cecil Weeding, Vice Chairman (D)
Sen. Gerry Devlin (R)
Sen. Greg Jergeson (D)
Rep. John Johnson (D)
Rep. William Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Terri Perrigo, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Theda Rossberg, Committee Secretary

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

Committee Business Summary:

Hearing: **DEPARTMENT OF NATURAL RESOURCES &
CONSERVATION**
Conservation/Resource Development
Division
Centralized Services
Department of Energy

Executive Action: **DEPARTMENT OF NATURAL RESOURCES &
CONSERVATION**
Conservation/Resource Development
Division
Centralized Services

CHAIRMAN DEBRUYCKER announced he sent the Chairman of the House Appropriations Education Committee a memorandum regarding removing 7.00 FTE from OPI into the Forestry Division. **EXHIBIT 1**

HEARING ON
CONSERVATION/RESOURCE DEVELOPMENT DIVISION - Continued

Mr. Beck said the RC&D Coordinator is 1.00 FTE that could be eliminated. If this FTE is removed, they would ask the committee to approve an additional \$8,250 in Contracted Services; \$33,041 would come out with the Statewide RC&D Coordinator FTE because they are contracting with SCS for that position.

The 5% FTE cut is a high priority position because of the increased workload. That is a 1.00 FTE Project Evaluator, position 50317.

REP. JOHNSON asked what would happen if the subcommittee discontinues the funding for the RC&D Coordinator.

Mr. Beck said he doubts if they could continue the programs without that position. It would reduce efforts statewide. That Coordinator position is very important.

Terri Perrigo, Legislative Fiscal Analyst, said there was some confusion with the RC&D Coordinator position and how it was budgeted. The Executive Budget Office, the agency and she went over this to try and clarify what had happened.

The wrong position had been removed which was budgeted at \$50,000. The position that should have been removed was a \$33,041 per year position. Therefore, they would like this subcommittee to authorize that change. EXHIBIT 2

SEN. DEVLIN asked whether they would still have \$47,830 in their budget if the subcommittee did not allow the \$50,000.

Ms Perrigo said yes, but \$10,000 is in Personal Services.

SEN. WEEDING asked how, if they spent \$48,000 last time in contracted services, they arrived at \$33,041.

Ms. Perrigo said they only spent \$18,750.

Florine Smith, Office of Budget Program and Planning, said the Executive agrees with the LFA that position 56796 should be removed. EXHIBIT 2

Tape 1, B.

Mr. Beck continued with the budget items. EXHIBIT 3

Printing:

Mr. Beck said they need the \$1,991 for printing of law booklets, etc.

SEN. DEVLIN asked what the current level is.

Ms. Perrigo answered that it is \$3,300 and in their other program it is approximately \$5,200. The total would be \$8,500 in current level.

Equipment:

Mr. Beck said the department would accept the LFA budget for Equipment.

Local Assistance:

Mr. Beck said they passed through \$95,000 to assist the RC&D Programs that are funded with RIT funds.

Treasure State Endowment:

Mr. Beck said they need to contract for professional engineering for bridges, airports, solid waste, etc. that are all added into the loan program. They also need expert advise for closing loans. The funds come from the interest on the Coal Trust.

Ms. Perrigo said the Department of Commerce also has a modification in for administration expenses for the Treasure State Endowment Program. That modification would add 3.00 FTE in FY94 and additional 1.00 FTE in FY95 for \$600,000 over the biennium for personnel and operating costs.

Clean Coal:

Mr. Beck said they had a \$250,000 loan last year to put together MHD for the Department of Energy. There is a bill in this session asking for a \$25 million loan request out of the Coal Tax. They have to administer that loan and do not have the expertise to do that. The request will help them to contract with someone who has the expertise.

SEN. WEEDING asked whether this fund is from the Local Impact Act.

Mr. Beck answered that the Clean Coal Act was established last session but there was no money appropriated for that. The \$250,000 appropriated came out of the Local Impact Act.

Two Budget Modifications:

Mr. Beck reviewed the two Budget Modifications with the committee. The first one is for EPA Wetlands Grants for \$5,000 in FY94 and the second is for a River Coordinator for \$25,272 in FY94 and \$12,637 in FY95. EXHIBIT 4

REP. WISEMAN asked what it would take to stop flood irrigation in Montana. Sprinkler systems stop the water table disaster.

Mr. Beck said in some cases flood irrigation helps to recharge the rivers, and stream flows actually increase.

Language and Other Issues:

Mr. Beck said the language issues are self-explanatory. EXHIBIT

3

Funding Issues:

1. RIT Tax Proceeds - the switch is from general fund to RIT funds.

Ann Miller, Department of RC&D, said they currently have in the budget \$27,000 each year of general fund if legislation is passed that general fund would be replaced with RIT funds.

In all of these items they propose to go with RIT funds rather than general fund.

State Special Revenue:

Mr. Beck said he talked about the Conservation District Grants and Grazing District Fees earlier.

3. Rangeland Improvement Loans - there is an administrative fee of one percent that is used to fund the Governor's Grant Resource Committee that provides direction for the Grant Resource Loans. There was about \$6,000 in the budget and they spent about \$1,000 out of that. If the funds are not used, they will stay in the Loan Program.

SEN. WEEDING asked if the one percent administration cost indicates that they have done \$400,000 in loans.

Mr. Beck said no, the one percent is not keeping up with the administrative costs. At present they are at a low, but it is increasing.

REP. WISEMAN asked when the Resource Indemnity Trust was established.

Mr. Beck said it was established in 1975.

REP. WISEMAN said the state had money coming from everywhere and built this empire. It keeps getting more and more complicated. He asked why this money doesn't go to the schools.

SEN. DEVLIN said there was certain guidelines to follow. Whether that was done within the guidelines, he has his doubts.

REP. WISEMAN said the state will probably lose the state equalization court fight. He asked how the state is going to defend itself for not using this money for schools.

SEN. WEEDING said he believes it is constitutional.

Ms. Perrigo said she didn't know if it was constitutional or not but there was a bill to divert some of the money going into the trust. According to legal opinions, it appears to be allowable. The trust was at \$82.5 million at the end of FY92; it is supposed to cap at \$100 million, and then the money can be appropriated. The diversion would lengthen the amount of time it caps.

CHAIRMAN DEBRUYCKER asked where the \$100,000 transferred out of the grants for the Salinity Control Program would go, and how that could be done.

Mr. Beck said it would be the same as the Conservation Coal Tax.

CHAIRMAN DEBRUYCKER asked whether it would take legislation.

Ms. Perrigo said the department currently has \$100,000 for Salinity Control in its budget. If the Montana Salinity Control Association request for an additional \$100,000 per year is approved, it would reduce RIT interest that would be available for the Grant and Loan Program.

Tape 2, A.

EXECUTIVE ACTION

CONSERVATION/RESOURCE DEVELOPMENT DIVISION

Personal Services:

Motion: SEN. WEEDING moved to approve the Executive on the 5% reduction in Personal Services FOR (\$30,553) in each year of the biennium.

Discussion:

REP. WISEMAN said he doesn't know how to vote on any of these issues. If this will not keep the committee at its projected goal, he would appreciate knowing that.

Ms. Perrigo said to go with SEN. WEEDING'S motion to approve the Executive will reduce the budget by \$30,553, moving closer to the target reduction.

Motion/Withdrawn: SEN. WEEDING withdrew his motion.

Ms. Smith said on the 5% reduction, they don't need any action to take it out because it was removed by the SWYSGOOD amendment.

Statewide RC&D Coordinator Position:

Motion/Vote: SEN. WEEDING moved to reinstate position 56530 for \$50,000 per year and eliminate instead position 56796 for \$33,041 per year. EXHIBIT 2

Discussion:

SEN. WEEDING said first the committee has to correct the \$50,000 figure and replace it with the \$33,041 figure.

SEN. JERGESON asked whether, if this switch is made, the committee will be adding \$16,959 back in the budget.

Ms. Perrigo replied that is exactly right.

Mr. Simonich said Ms. Perrigo's explanation is correct and so the motion would be correct.

Vote: Motion CARRIED unanimously.

Contracted Services:

Motion: SEN. WEEDING moved to add \$8,250 each year to the

Executive budget, for a total of \$27,000 in FY94 and \$32,009 in FY94.

Substitute Motion/Vote: REP. WISEMAN made a substitute motion to approve \$8,250 per year for Contracted Services for the RC&D Coordinator. Motion CARRIED 4 to 2 with SEN. WEEDING and SEN. JERGESON voting no.

Motion/Vote: SEN. WEEDING moved to approve the Executive budget for \$18,759 in FY94 and \$23,759 in FY95 for Contracted Services. Motion FAILED 3 to 3.

Local Assistance:

Motion/Vote: SEN. JERGESON moved to approve \$10,000 each year of the biennium for Local Assistance. Motion CARRIED 5 to 1 with SEN. DEVLIN voting no.

Grants:

Mr. Beck said the \$100,000 will come out of the Grants for Salinity Control.

Treasure State Endowment:

Motion: SEN. WEEDING moved to approve \$36,146 in FY94 and \$60,128 in FY95 for the Treasure State Endowment.

Discussion:

SEN. DEVLIN said the committee had better look at the Department of Commerce, because he believes they are asking for about \$600,000 also.

Vote: Motion CARRIED unanimously.

Two New Budget Modification:

Motion/Vote: SEN. JERGESON moved to approve the Two Modifications (Wetland Grants and River Coordinator) that are federal EPA Grants for \$34,098 in FY94 and \$16,463 in FY95. Motion CARRIED 4 to 2 with CHAIRMAN DEBRUYCKER and REP. WISEMAN voting no.

There was discussion concerning the \$100,000 for the Salinity Control Program.

Motion/Vote: SEN. JERGESON moved to add \$100,000 per year of RIT funds to grants with language that says it is for reclamation and development and if this modification is approved, the Montana Salinity Control Association will not receive an RIT grant in the 1995 biennium. Motion CARRIED unanimously.

Ms. Perrigo said she would bring the language proposals back to the committee tomorrow. There are three language proposals now.

Language:

Ms. Perrigo said all but No. 5 has been approved by the previous legislatures.

Motion: SEN. WEEDING moved to approve spending authority up to \$700,000 for rangeland loans during the 1995 biennium.

Substitute Motion/Vote: SEN. DEVLIN made a substitute motion to approve spending authority for Language Items 1, 2, 3, 4 and 5. Motion CARRIED unanimously.

Funding Issues:

Ms. Smith said Item 1, RIT Tax Proceeds, is connected to LC1401 which says general fund will be replaced with RIT funds if legislation passes.

RIT Tax Proceeds:

Motion/Vote: SEN. JERGESON moved to replace general fund with RIT funds if legislation passes. Motion CARRIED 5 to 1 with SEN. DEVLIN voting no.

RIT Interest Special Session Action:

Ms. Perrigo said this is the funding switch that took place during the special session. In the LFA budget the general fund was re-established.

Tape 2, B.

Ms. Miller said going with the Executive budget would be funding the costs with RIT interest. Going with the LFA will be funding that with general fund.

Motion/Vote: SEN. WEEDING moved to approve the Executive for Items 2 and 3: RIT Interest Special Session Action and Different Funding Formulas. Motion CARRIED unanimously.

State Special Revenue:

1. Conservation District Grants - Ms. Perrigo stated that this is the statutory allocation for Coal Tax for Conservation Districts. The amount is not important because the department passes through whatever they get based upon the approval of Language Item 1.

Grazing Fees:

SEN. DEVLIN asked if the department can raise these fees whenever it wants.

Mr. Beck said up to 15 cents.

REP. WISEMAN asked Mr. Beck how many grazing districts he supervises.

Mr. Beck said they supervise 30 districts.

Motion/Vote: SEN. WEEDING moved to approve the Executive for \$5,912 each year of the biennium for Grazing Fees. Motion CARRIED 5 to 1 with SEN. DEVLIN voting no.

CENTRALIZED SERVICES

John Armstrong, Administrator of Centralized Services, gave a brief overview of this division. EXHIBIT 5

Ms. Perrigo reviewed the LFA and Executive budget differences with the committee. EXHIBIT 6

She said the department needs spending authority for Statewide Indirect Costs.

The department charges other state special revenue accounts for Centralized Services support. In the Energy Division, they do Environmental Assessments and Environmental impact Statements for the Major Facility Siting or Montana Environmental Policies Act. Centralized Services gets a percentage of the Energy Division's budget for Major Facility Siting Act. This language was included last time in case there are more Major Facility Siting activity that they can charge against. This language would allow Centralized Services to use Major Facility Siting excess funds instead of general fund.

In Funding Issues, in 1992 according to information she had received, there was \$131,000 of federal indirect funds deposited in the general fund and this division is partially funded with general fund.

The Executive proposes to put the federal indirect funds, about \$190,000 for the biennium, into Centralized Services and reduce their general fund. There is no savings to general fund because any current indirects received go into general fund.

Governor Racicot is proposing using RIT tax proceeds in Centralized Services instead of general fund which is about \$422,000 per year.

Rangeland Improvement Loans:

Ms. Perrigo said the Executive includes a flat fee of \$12,000 for Centralized Services. In the Conservation and Development budget there is \$5,300.

Ms. Smith said under operating costs, the Statewide Cost Allocation Plan, in the Executive it is federally funded under the RIT Funding Switch that is connected to LC1404.

Mr. Armstrong reviewed the budget items with the committee.

5% Personal Services Reduction:

They have not requested reinstatement of the 5% vacancy reduction.

Statewide Cost Allocation Plan:

This ties in with the funding switch mentioned previously. The department needs authority to transfer part of the funds to the

general fund.

Data Network Costs:

This is the \$30 to \$40 monthly charge that the Department of Administration charges for the computer network.

Computer Maintenance:

Maintenance expenses were lower in FY92 because of the business closing and so doesn't show up in current level. Therefore, they will need approximately \$600 more than is budgeted by the Executive because of the cost of the new maintenance contract. The total is \$1,825.

Equipment:

The \$400 difference in the first year is for software for new computers.

Budget Modifications:

This covers the lawsuit with the Corps of Engineers on the Missouri River Basin on the Fort Peck Reservation.

Mr. Armstrong said the state is currently in a lawsuit with the federal government over the Missouri River Basin. They are trying to work with the Army Corps of Engineers to revise the master manual for the dams on the Missouri River. Their legal advisor has asked to stay the lawsuit pending the outcome of the master manual review. Since the department asked for the stay, it has not yet expended the funds. They would like spending authority in case the master manual review does not go through.

Tape 3, A.

Mr. Wetzel said originally there were two lawsuits. Two years ago North and South Dakota and Montana had a lawsuit against the Corps of Engineers, filed in Billings. That was overturned, so they refiled with a firm in San Francisco. That is why they will need these funds.

CHAIRMAN DEBRUYCKER asked whether every department has to fight their own battles and why they can't use the Attorney General.

Mr. Wetzel answered that the Attorney General's office is involved in this lawsuit. These funds do not deal with their costs. It is used mostly for travel, depositions, staff salary, etc.

Language:

Mr. Armstrong said this is currently in the appropriation bill. They will need an estimated \$35,000 during the next biennium for the Facility Siting Program. The rate is based upon what they know is coming in. The language says that anything over the \$35,000 goes into the general fund.

Vacant Positions:

That vacant position has been filled. It was vacant in mid-

November and was advertised towards the end of November. The position was accepted the 21st of December and was hired December 30th. This position is a data entry position related to the Oil and Gas Division. The position is funded by oil and gas money; 90% is for the Oil & Gas Division. There are more reports to be filed by the industry before July 1st. That will require about a 20% to 30% increase in the workload.

Funding Issues:

These are basically contingent upon legislation for the funding switch.

Water Well Contractor Funds - In the past they have never asked the Board of Water Well Contractors for any Centralized Services support. The \$2,520 per year of the biennium will be charged to this division for Centralized Services.

Rangeland Improvement Loan Funds:

Mr. Armstrong said they are not getting much money from them for the amount of work they do for them, so they want to recapture \$12,000 per year from them that is about the amount of work Centralized Services provides to that program. Most of that support is accounting functions.

REP. WISEMAN asked why the Board is requesting more reporting from the Oil & Gas Industry when they are heavily impacted now during a time when there is an economic crunch?

Mr. Armstrong said one of the new rules is to get a better handle on shut-in and idle wells. Another rule requirement is that every unplugged well must be reported monthly on Form 6 until the well is permanently abandoned.

Mr. Wetzel said the Board of Oil and Gas Division is attached to the department for administrative purposes which has created some costs to them, but they don't tell the board what to do. They are paying for that FTE.

Ms. Perrigo said in the Centralized Services budget, Oil and Gas contributed \$70,000 per year. There is a Table on Page C-83 that shows what funds from other accounts support Centralized Services. Whatever they don't collect has to be funded with general fund. EXHIBIT 7

EXECUTIVE ACTION
CENTRALIZED SERVICES

5% Personal Services Reduction:

Motion/Vote: SEN. WEEDING moved to approve the Executive for the 5% Personal Services Reduction. Motion CARRIED unanimously.

Operating Expenses -

D of A Data Network Costs:

Motion/Vote: SEN. DEVLIN moved to approve the Executive for \$3,002 each year of the biennium for D of A Data Network Costs. Motion CARRIED 5 to 1 with REP. WISEMAN voting no.

Computer Maintenance:

Motion/Vote: SEN. JERGESON moved to approve the Executive for \$1,825 each year of the biennium for Computer Maintenance. Motion FAILED 3 to 3.

Budget Modifications:

Motion/Vote: SEN. WEEDING moved to approve \$19,590 spending authority for the Missouri River lawsuit. Motion CARRIED 5 to 1 with CHAIRMAN DEBRUYCKER voting no.

Language:

Motion/Vote: SEN. JERGESON moved to approve the \$35,000 from MEPA fees and anything over that amount reverts to the general fund. Motion CARRIED unanimously.

Vacant Positions:

Motion/Vote: SEN. JERGESON moved to restore position 57025, Data Entry Operator for the Oil and Gas Division. Motion FAILED 3 to 3.

Fee Assessment Changes:

Ms. Perrigo said direction is needed from this subcommittee to adjust the RIT interest account to Centralized Services and to reflect a percentage of state special revenue that is in the budget. It changes as the subcommittee makes decisions about the budgets. Traditionally, the subcommittee has directed the LFA, OBPP and the agency to work together to adjust Centralized Services' funding to reflect the action that has taken place in the subcommittee.

Motion/Vote: SEN. DEVLIN moved to allow LFA, OBPP and the agency to get together to work out the changes made by the subcommittee. Motion CARRIED unanimously.

Federal Indirect Funds & Statewide Cost Allocation Plan:

Motion: SEN. JERGESON moved to approve the funding switch of Federal Indirect Funds and the Statewide Cost Allocation Plan.

Discussion:

SEN. DEVLIN said if the Federal Indirect Funds are approved and no action is taken on the Statewide Cost Allocation Plan, then the committee would not be spending an extra \$7,400 and \$4,500. He asked if that was correct.

Ms. Perrigo said that is correct, but the department would still have to pay the statewide indirect costs.

Mr. Armstrong said in the Statewide Cost Allocation Plan there is \$117,000 of which \$7,400 will go back to the general fund because of the committee action. It is basically a wash.

Ms. Smith said that when an agency receives federal dollars, they are receiving general overall government state of Montana services. In order for the state to collect some of those federal funds, there is in place the Statewide Cost Allocation Plan. In this case, they would be paying this amount of federal funds to the general fund for statewide services. They need the authority to show they are buying those services.

Ms. Perrigo said the department has been paying the Statewide Costs through the federal indirect funds that are deposited in the general fund. They have been paying it, but they need authority to spend it. It would represent a \$7,000 increase to their budget.

Vote: Motion CARRIED unanimously.

RIT Funding Switch:

Motion/Vote: REP. JERGESON moved to approve the RIT Funding Switch. Motion CARRIED 5 to 1 with CHAIRMAN DEBRUYCKER voting no.

Water Well Contractor Funds:

Motion/Vote: SEN. WEEDING moved to approve the Executive on the Water Wells Contract. Motion CARRIED 5 to 1 with CHAIRMAN DEBRUYCKER voting no.

Rangeland Improvement Loan Funds:

Motion: SEN. JERGESON moved to approve spending authority for the Rangeland Improvement Loan Funds.

Discussion:

Mr. Armstrong said in the past when money was allocated to Centralized Services, the amount was based on what was in Conservation District's budget for what they had for administrative costs. It was roughly \$3,000 to \$5,000 per year and they took a percentage of that and used it for Centralized Services. They looked at the amount of loans generated which was \$700,000.

Tape 3, B.

SEN. WEEDING asked whether \$12,000 isn't a lot for the small amount of loans they are making.

Mr. Armstrong said if they do \$700,000 worth of loans, it is roughly three percent. If they don't do that much, it probably is over and above the amount of new loans they generate. They still have old loans they are keeping records on.

SEN. WEEDING asked what rangeland is paying now for administration costs.

Mr. Armstrong said in FY92 they spent \$9,252 out of the rangeland account. They are only raising that about \$3,000.

There was considerable more discussion concerning the motion on the Rangeland Improvement Loan Funds.

Vote: Motion CARRIED 4 to 2 with CHAIRMAN DEBRUYCKER and REP. WISEMAN voting no.

HEARING ON
DEPARTMENT OF ENERGY

Van Jamison, Administrator, Energy Division, gave extensive testimony on this division. EXHIBIT 8

He introduced **Alan Davis, Bureau Chief of the Planning and Analysis Bureau,** who gave testimony on the Natural Gas Procurement Program.

He said this program involves the state purchasing gas on a bid basis and, in the process, saving the state millions of dollars.

In 1990 they intervened in a Montana Power Company rate case that was an important policy issue for the state. The question was: How should the gas utility provide services to the rate-payers in the state? This is called unbundling, because when utilities are purchased, a bundle of services is purchased.

Certain organizations within the state said they didn't need to pay for that whole bundle. That bundle got so expensive they said they were willing to go somewhere else and buy services.

What happened because of that case was that the gas utility of Montana Power Company is now restructured and Montana Power Company became a common carrier of that gas for other people to use. Major gas customers saved from \$20 million to \$30 million over a three-year period. These were industrial customers.

Because of this rate case, Great Falls Gas had a 12.5% rate decrease. Also, the Montana Power Company customers saved a lot of money for two reasons: 1) the utilities were able to shed some large reserves they were holding and 2) these customers are still on the system making a contribution to the rate case.

There is a significant benefit to gas producers because they can access markets that previously could not be accessed. Now they can sell gas to other companies and a market increase is starting to be seen.

There were a lot of parties involved in this negotiated rate case. State government was the third largest customer on MPC's natural gas system. The rate case came out with two options:

1. they could get competitive gas for one-third of their gas in the first year and 2) two-thirds in the 2nd year. In the third year they could go for all their gas. Or, they could continue to pay their utility bills and MPC would rebundle its services and sell it. To rebundle their services back together became very expensive.

The department approached the Department of Administration about the possibility of purchasing gas for the six facilities on the open market. Those six facilities were the University of Montana, Montana State University, Northern Montana College, Montana Development Center, Montana State Hospital and the Montana State Prison.

The Department of Administration was reluctant to do this at first. Montana was aggressively pushing its rebundled services. They went to MPC and got all the data on these other facilities and presented the Department of Administration with the two options they had. Once these agencies decided to pursue this, DNRC became the natural gas experts. They had to look for gas supplies and arrange with MPC to transport the gas. They had to help the Department of Administration prepare bid specs and evaluate their bids for them.

They found a natural gas gathering pipe line out of Great Falls and a supplier that was willing to supply the gas. Then they had to negotiate with MPC to allow them to transport the gas on that pipeline. After the contract was signed, they developed a computerized system so the state could manage its gas supplies.

Since its inception a little over a year ago this has saved the state over \$800,000. It will save the state over \$3.5 million over the next three years.

It took four or five state agencies to help get this approved and they only had 25 days to complete this. EXHIBIT 9

Tom Livers, Bureau Chief of the Conservation and Renewable Energy Bureau, gave testimony on this bureau. EXHIBIT 10

Projected Savings From HB 97, see EXHIBIT 11. Energy Savings to SRS Building, see EXHIBIT 11, Side 2.

Questions:

CHAIRMAN DEBRUYCKER asked if the department worked on the building in Billings?

Mr. Livers said they did send someone down there and determined their problem was primarily a maintenance problem.

SEN. WEEDING asked if they've tried to do a cost analysis on the new DNRC building.

Mr. Livers said they have done some analysis on that building.

HOUSE NATURAL RESOURCES SUBCOMMITTEE

January 29, 1993

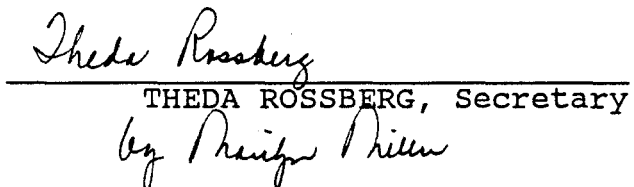
Page 15 of 15

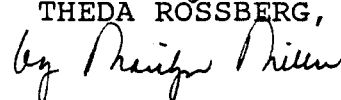
ADJOURNMENT

Adjournment: 12:00 P.M.



ROGER DEBRUYCKER, Chairman



THEDA ROSSBERG, Secretary


RD/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUB-COMMITTEE

ROLL CALL

DATE

1-29-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROGER DEBRUYCKER, CHAIRMAN	✓		
SEN. CECIL WEEDING, VICE CHAIRMAN	✓		
SEN. GERRY DEVLIN	✓		
REP. WILLIAM WISEMAN	✓		
REP. JOHN JOHNSON	✓		
SEN. GREG JERGESON	✓		

MEMORANDUM

January 28, 1993

1-29-93

TO: Representative Royal Johnson, Chairman
House Appropriations Education Subcommittee

FROM: Representative Roger DeBruycker, Chairman *Roger DeBruycker*
House Appropriations Natural Resources and Commerce Subcommittee

RE: Natural Resources and Commerce Subcommittee Action

The forest management program within the Forestry Division of the Department of State Lands manages forest trust land to provide income to the various trust beneficiaries. The primary trust is the Common School Trust. A recent Legislative audit report stated that, depending on the price of timber, for each general fund dollar spent on timber sales the rate of return is between \$1.94 and \$3.05. Currently (and under an executive proposal), 95 percent of the revenue from state timber sales would be deposited in the school equalization aid account (SEA) and 5 percent deposited in the trust. The department estimates that if staffing levels were increased by 7.00 FTE, 7,000 MBF additional timber harvested could be harvested. This would generate between \$840,000 and \$1.225 million if the price per 1000 board feet was between \$120 and \$175, respectively.

The Natural Resources and Commerce subcommittee chairman asks the Education subcommittee chairman to consider the following proposal. If the Education subcommittee eliminates 7.00 FTE from the Office of Public Instruction (OPI) (in addition to any positions already eliminated), the Natural Resources and Commerce subcommittee would add 7.00 forester FTE to the Forestry Division to be used for timber management. This would have two beneficial impacts to general fund: 1) the smaller operating budget for OPI would require less general fund; and 2) revenue deposited into the SEA would be increased, thus reducing any general fund supplemental. It is this committee's intent that if the positions are not used for the stated purpose in the Department of State Lands budget or if the increased revenue fails to meet projections in the 1995 biennium, the FTE would be restored to OPI.

Please respond at your earliest convenience.

EXHIBIT 2
DATE 1-29-93
88

1-29-90

January 28, 1993

Statewide RC & D Coordinator Position -- LFA eliminated the wrong position which was budgeted at 50,000 per year. LFA should have eliminated a different position budgeted at 33,041 per year

SUBCOMMITTEE ACTION - Need action to direct LFA to reinstate \$50,000/yr position (#56530) and eliminate instead the \$33,041/yr position (#56796).

According to agency, position number 56796 was the RC&D Coordinator position, which they are providing through a contract with Soil Conservation Service.

Longevity -- The reinstatement of position 56530 will eliminate the difference between LFA and the executive in longevity.

EXHIBIT 2
DATE 1-29-93
SB

LFA CURRENT LEVEL BUDGET FOR RC & D COORDINATOR FUNCTION:

LFA current level includes \$47,830 general fund for the 1995 biennium for this function: \$18,750 per year in contracted services and \$5,165 per year in personal services.

The 1991 legislature authorized 1.0 FTE, and appropriated \$48,795 general fund and \$48,796 federal funds for the 1993 biennium for the RC & D Coordinator function. Because DNRC ended up contracting with SCS for these services, no federal funds for this function were expended in DNRC in fiscal 1992, and none are required in DNRC's budget in the 1995 biennium as the federal cost is borne by SCS.

In fiscal 1992 the agency spent \$23,915 general fund for the RC&D Coordinator function: 1) \$18,750 in contracted services which is continued in the LFA current level, and 2) \$5,165 in personal services, which represents existing staff time charged to the RC & D appropriation for setting up the SCS contract. All existing staff salaries are continued in the 1995 biennium in the LFA current level.

LFA current level continues what was spent on this function in fiscal 1992 in both years of the 1995 biennium. LFA current level removed the 1.0 FTE authorized for this function, as continuation of both the contracted services and the FTE would be double-budgeting for this function in the 1995 biennium.

Executive Budget for RC & D Coordinator Function:

The Executive Budget: 1) continues fiscal 1992 contracted service and personal services expenditures for the RC & D Coordinator in both years of the 1995 biennium; and 2) includes the 1.0 FTE originally authorized for this function at full funding for both years of the 1995 biennium.

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	21.00	21.00	20.00	20.00	0.00	20.00	20.00	0.00
Personal Services	605,233	663,170	693,017	674,456	18,561	695,262	676,683	18,579
Operating Expenses	249,008	273,386	276,569	255,527	21,042	283,799	257,782	26,017
Equipment	24,256	14,789	24,500	22,428	2,072	24,908	22,492	2,416
Local Assistance	95,000	95,000	105,000	95,000	10,000	105,000	95,000	10,000
Grants	183,501	186,089	183,502	173,173	10,329	183,502	173,228	10,274
Debt Service	2,563	2,364	2,564	2,564	0	2,564	2,564	0
Total Costs	\$1,159,564	\$1,234,798	\$1,285,152	\$1,223,148	\$62,004	\$1,295,035	\$1,227,749	\$67,286
Fund Sources								
General Fund	27,525	36,461	0	109,438	(109,438)	0	111,327	(111,327)
State Revenue Fund	1,089,650	1,125,399	1,208,152	1,036,710	171,442	1,218,035	1,039,422	178,613
Federal Revenue Fund	42,387	72,938	77,000	77,000	0	77,000	77,000	0
Total Funds	\$1,159,564	\$1,234,798	\$1,285,152	\$1,223,148	\$62,004	\$1,295,035	\$1,227,749	\$67,286

Page References

LFA Budget Analysis (Vol II), pp C-87 to C-89
 Stephens Executive Budget, p C-33
 Racicot Executive Budget, p 24

Current Level Differences

5% Personal Services Reduction—The joint House appropriations and Senate Finance and Claims committees removed 1.0 FTE and approximately \$30,000 per year *W. C. Wilson*

Statewide RC & D Coordinator Position—The LFA current level does not reflect elimination of the 1.0 FTE due to the 5 percent reduction. However, LFA reduces by 1.0 FTE and approximately \$50,000 per year for the Statewide RC & D Coordinator position which the agency is now providing through contracted services *Meeting Even Approved*

Longevity—The executive includes more longevity than the LFA current level due to elimination of a position with less longevity than eliminated by the LFA.

Contracted Services—The Executive Budget includes approximately \$43,000 more than the LFA for contracted services. In Conservation Districts program, the LFA did not include funding for a \$12,750 per year new contract with Soil Conservation Service for rangeland management issue services. LFA current level continues fiscal 1992 expenditures in the Resource Development Bureau. *W. C. Wilson*

Printing—The Executive Budget includes an increase to the printing budget to reprint booklets and forms. LFA current level continues fiscal 1992 expenditure levels.

Equipment—The Executive Budget includes more for equipment than LFA current level. LFA current level budgets equipment at this division's average annual equipment expenditure level.

Local Assistance—The Executive Budget includes more for local assistance to conservation districts. These funds come from the RIT reclamation and development interest account. LFA current level maintains fiscal 1992 expenditure levels. *W. C. Wilson*

Grants—The Executive Budget includes more grant funds than LFA current level. Grants to local conservation districts come from a statutory allocation of coal severance tax proceeds (0.19 percent). The LFA calculation of how much will be available is based on estimates adopted by the Revenue Oversight Committee, while the Executive Budget uses a different revenue estimate. *100,000 RIT Int.*

Minor Differences**TOTAL CURRENT LEVEL DIFFERENCES****Budget Modifications**

Exec. Over(Under) LFA
 Fiscal 1994 Fiscal 1995

(30,553) (30,553)

33,041 33,041
 30,000 30,000

1,068 1,068

18,759 23,759
 8,250 8,250
 27,009 27,009

1,991 1,991

2,072 2,416

10,000 10,000

10,329 10,274

(1,662) (1,669)

62,004 67,286

1. Treasure State Endowment - The Executive Budget includes this modification to add \$96,274 for the biennium to provide planning and technical assistance services for the Treasure State Endowment Program. Funding is from interest earned on the \$10 million transferred from the permanent coal trust fund to TSEP on July 1, 1993.

2. Clean Coal - The Executive Budget includes this modification to add \$32,091 for the biennium to continue implementation of the clean coal program. Funding is from the local impact account.

3. Three new budget mods submitted by the executive - The agency will explain.

Language and Other Issues

Vacant Positions - The joint House Appropriations and Senate Finance and Claims committees removed a 0.50 FTE which was vacant as of the 12-29-92 snapshot, resulting in savings of approximately \$11,600 per year.

Language - The department is requesting the following language

1. "The department is appropriated up to \$700,000 from the account established in 76-14-112, MCA, for rangeland loans during the 1995 biennium."

Since funds for rangeland loans are not budgeted in current level, this language allows the department to expend funds for this purpose if necessary.

2. "All funds deposited into the state special revenue account established in 76-15-530 are appropriated to the department for distribution as grants to conservation districts

This allows the department to spend any funds over the amount budgeted that are available through the statutorily allocated coal severance tax funds for grants to conservation districts.

3. All funds held in the state special revenue account per 76-16-106 (2), MCA, are appropriated to the department for administration of grazing district activities.

The department intends to raise grazing district fees and this language would allow it to spend any fee revenue greater than its appropriation.

4. The department is appropriated up to \$1 million over the biennium from the account established in 85-1-604 for purchase of prior lien on property held as loan security as required by 85-1-618.

This language would allow the department to purchase liens on property they hold as loan security.

5. The department is appropriated \$100,000 a year federal funds contingent upon receiving federal funds from the Environmental Protection Agency for water quality related grants.

This language would allow the department to continually apply for and receive federal funds.

Funding Issues

General Fund - The LFA current level includes 221,065 more general fund than the Executive Budget for three main reasons:

1. RIT Tax Proceeds - The Executive uses \$55,052 of diverted RIT tax proceeds instead of general fund in this division. Availability of these funds is contingent upon passage of proposed legislation. LFA current level does not include this proposed change.

2. RIT Interest Special Session Action - The LFA current level reinstates approximately \$76,000 of general fund eliminated in special session action. The Executive Budget continues to use RIT interest account funds instead of general fund in the 1995 biennium.

3. Different Funding Formulas - The LFA current level includes approximately \$14,000 more general fund than the executive due to continuation of funding percentages used to appropriate funds for the 1991 biennium after adjusting for special session action.

State Special Revenue - Most of the difference is related to the general fund difference above, as the executive uses state special revenue in place of the LFA's general fund. However, different funding formulas also account for some additional differences in state special revenue also. Other differences are identified below.

1. Conservation District Grants - As mentioned above, the executive includes approximately \$15,000 more funds for conservation district grants than the LFA current level.

2. Grazing District Fees - The Executive Budget includes approximately \$12,000 more grazing district fee income than the LFA level. Availability of the additional funds is contingent upon a fee increase of up to 10

36,146

60,128

EXHIBIT

12,048

20,043

34,098

16,463

Declin
approved
Funding
Authority
Pursued

(27,526)

(27,526)

(75,636)

(75,636)

(6,276)

(8,165)

7,330

7,275

5,912

5,912

cents per animal unit. LFA current level does not include the increased grazing district funds.

3. Rangeland Improvement Loans—The Executive Budget includes less Rangeland Improvement Loan funds than the LFA current level. LFA current level includes the same formula allocation of rangeland improvement loan funds as used in appropriating funds for the 1993 biennium. The Executive budget reduces the amount of these funds in this program.

(4,166)

(4,258)

EXHIBIT 3
DATE 1-29-93

1-29-93

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

EXHIBIT 3
DATE 1-24-93
SB

Position #		Position Description	Total Personal Services		FTE Removed By		Total FTE Removed	Non-Approp. FTE
			Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
All or Partial General Fund Positions								
		None						
Sub-Total			0	0	0.0	0.0	0.0	0.00
Non-General Fund Positions								
50317	Project Evaluator		30,553	30,553	1.00		1.00	
56480	Administrative Assistant I		11,616	11,627		0.5	0.50	
Sub-Total			42,169	42,180	1.00	0.50	1.50	0.00
TOTAL			42,169	42,180	1.00	0.50	1.50	0.00

EXHIBIT 4
DATE 1-29-93
88

Budget Modifications CARDD

1-29-93

3) EPA Wetlands Grants

FY94
\$5,000

For operating expenses for Wetlands grants. Federal funding.

4) River Coordinator

FY94	FY95
\$25,272	\$12,637

For operating and contracted services for Wetlands NP Source grants. Federal funding.

5706 21 00000

NATURAL RESOURCES/CONSERVATION

Centralized Services

Program Summary

Budget Item	Actual Expenditures Fiscal 1992	Current Level Fiscal 1992	Current Level Fiscal 1993	LFA Fiscal 1994	Executive Fiscal 1994	LFA Fiscal 1995	Executive Fiscal 1995	LFA Change 92 - 94
FTE	39.00	39.00	39.00	39.00	37.00	39.00	37.00	
Personal Services	1,233,814	1,233,813	1,263,979	1,395,001	1,341,585	1,397,965	1,344,491	161,188
Operating Expenses	423,589	420,856	425,436	484,427	495,675	460,665	468,951	63,571
Equipment	7,641	7,642	4,949	7,899	8,312	8,018	6,437	257
Debt Service	10,634	10,634	10,713	10,634	10,634	10,634	10,634	
Total Costs	\$1,675,679	\$1,672,945	\$1,705,077	\$1,897,961	\$1,856,206	\$1,877,282	\$1,830,513	\$225,016
Fund Sources								
General Fund	1,258,875	1,257,246	1,280,785	1,488,023	1,279,005	1,473,441	1,302,511	230,777
State Revenue Fund	411,309	411,308	419,928	405,016	455,279	399,035	450,196	(6,232)
Federal Revenue Fund	5,494	4,391	4,364	4,922	121,922	4,806	77,806	531
Total Funds	\$1,675,679	\$1,672,945	\$1,705,077	\$1,897,961	\$1,856,206	\$1,877,282	\$1,830,513	\$225,016

Program Description

Centralized Services Division provides managerial and administrative support services to the department through three program components: 1) the Director's Office, which includes the director, deputy director, legal, public information, and personnel support functions; 2) Centralized Services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services; and 3) the Board of Natural Resources and Conservation (BNRC), a quasi-judicial board whose seven members are appointed by the Governor, that adopts administrative rules, approves water reservations, and advises the department on other matters as necessary.

The Centralized Services Division also houses the department's Digital Equipment Corporation (DEC) computer system, which is used for: 1) DNRC word processing and applications that do not require the mainframe; and 2) transmittal of all necessary DNRC data to the mainframe. This system was purchased in 1989 on a lease/purchase agreement originally scheduled to end in fiscal 1993. However, due to upgrades necessary to maintain compatibility with other state and department systems, the cost of additional DEC equipment purchased has extended the lease/purchase agreement through fiscal 1995 at the fiscal 1992 payment level.

LFA Current Level

Personal services increase by \$161,188 due to: 1) continuation of the fiscal 1993 pay increase in the 1995 biennium; 2) vacancy savings experienced in fiscal 1992 when 2.5 FTE were left vacant to comply with special session reductions; 3) the upgrade of two positions at a cost of approximately \$4,200 per year; and 4) a \$1,650 increase in the Board of Natural Resource and Conservation (BNRC) per diem, which represents full funding for the seven members to attend five meetings each year.

The \$63,571 increase in operating expenses is the net effect of: 1) increases in contracted services, communications, travel and rent; and 2) a decrease in repair and maintenance. Contracted services increase by \$53,569 due to: 1) budgeting biennial audit costs of \$43,252 in fiscal 1994, which is a \$27,140 increase over fiscal 1992 expenditures; 2) a \$24,110 increase in this division's share of the agency's insurance and bond costs due to a new allocation method; 3) \$1,764 of increases related to increased

DEPT NAT RESOURCE/CONSERVATION
Program Summary

Centralized Services

DATE 1-29-93

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	39.00	39.00	37.00	39.00	(2.00)	37.00	39.00	(2.00)
Personal Services	1,233,814	1,263,979	1,341,585	1,395,001	(53,416)	1,344,491	1,397,965	(53,474)
Operating Expenses	420,857	425,436	495,675	484,427	11,248	468,951	460,665	8,286
Equipment	7,641	4,949	8,312	7,899	413	6,437	8,018	(1,581)
Debt Service	10,634	10,713	10,634	10,634	0	10,634	10,634	0
Total Costs	\$1,672,948	\$1,705,077	\$1,856,206	\$1,897,961	(\$41,755)	\$1,830,513	\$1,877,282	(\$46,769)
Fund Sources								
General Fund	1,257,248	1,280,785	856,531	1,488,023	(631,492)	880,037	1,473,441	(593,404)
State Revenue Fund	411,309	419,928	877,753	405,016	472,737	872,670	399,035	473,635
Federal Revenue Fund	4,389	4,364	121,922	4,922	117,000	77,806	4,806	73,000
Total Funds	\$1,672,948	\$1,705,077	\$1,856,206	\$1,897,961	(\$41,755)	\$1,830,513	\$1,877,282	(\$46,769)

Page References

LFA Budget Analysis (Vol II), pp C-82 to C-84
 Stephens Executive Budget, p C-31
 Racicot Executive Budget, p 24

Current Level Differences

5% Personal Services Reduction—The joint House Appropriations and Senate Finance and Claims committees removed 2.0 FTE and approximately \$53,400 per year. *6-0 reducing the funds*

Operating Expenses

Decision Passed w/ General Budget
 1. Statewide Cost Allocation Plan—The Executive Budget includes approximately \$12,000 more than LFA current level for statewide indirect costs. This change would be necessary only if the executive proposal to use federal indirect funds in this budget is approved. Currently, federal indirect revenue is deposited in the general fund.

Decision Passed
 2. D of A Data Network Costs—The Executive Budget includes \$6,008 more than LFA current level for DoFA Network costs. LFA budgeted the fixed cost amount, while the Executive Budget reflects the agency request.

Decision 1825 in final
 3. Computer Maintenance—LFA current level, which reflects fiscal 1992 expenditure levels, contains less than the Executive Budget for computer maintenance costs. The executive increases funding to reflect an anticipated new term contract and an extended warranty for a new pc. *want 600 more*

Equipment—LFA current level contains more equipment than the executive in fiscal 1994 and less in fiscal 1995.

Minor Differences**CURRENT LEVEL DIFFERENCES****Budget Modifications**

The Executive Budget includes a modification to add a general fund biennial appropriation of \$19,590 to continue the Missouri River lawsuit filed against the Army Corps of Engineers by Montana, North Dakota, and South Dakota. *Meeting approve passed*

Language

The department is requesting the following language: "Included in Centralized Services Division funding is XXXXX of indirect funds from MFSA/MEPA fees. If MFSA/MEPA activities generate more than XXXX of indirect funds over the biennium, the additional indirect funds must be deposited in the general fund."

Other Issues

Exec. Over(Under) LFA
 Fiscal 1994 Fiscal 1995

(53,416) (53,474)

7,425 4,524

3,002 3,002

1,225 1,225

413 (1,581)

(404) (465)

(41,351) (46,304)

Vacant Positions—The joint House Appropriations and Senate Finance and Claims committees removed 1.0 FTE that was vacant as of the 12-29-92 snapshot. *Legislation passed*

Capitol Grounds Maintenance Costs—House Appropriations Committee revised the capitol grounds maintenance fee allocation, which results in a \$15,725 biennial general fund increase to the program budget shown above. (NON-VOTING ITEM—FOR INFORMATION ONLY)

Fee/Assessment Changes—Any change in DNRC budget/funding results in funding changes for Centralized Services Division. In previous biennia, the subcommittee has taken action to allow LFA/OBPP to work together to adjust Centralized Services Division funding to reflect changes made by the subcommittee. *SB*

Funding Issues

Federal Indirect Funds—The Executive Budget includes \$190,000 more federal funds and less general fund than the LFA current level. The executive proposes switching federal indirect funds for general fund in this program. Currently, federal indirect funds are deposited in the general fund, and are not included in this program's LFA current level. *Legislation passed w/ statutory change*

RIT Funding Switch—The Executive Budget includes \$844,948 more Resource Indemnity Trust (RIT) state special revenue and less general fund than the LFA current level. Governor Racicot has proposed a funding switch, contingent upon approval of proposed legislation, diverting 40 percent of RIT tax proceeds from the trust into agency operations. *Legislation passed*

Water Well Contractor Funds—The Executive Budget includes \$2,520 per year more state special revenue and less general fund than the LFA current level due to a proposal to begin charging the Board of Water Well contractors for support services provided by this program. *Legislation passed*

Rangeland Improvement Loan Funds—The Executive Budget includes \$23,352 more rangeland improvement loan state special revenue and less general fund than the LFA. In previous biennia, the rangeland improvement loan account has been assessed a 6 percent assessment fee for Centralized Services Division support which amounted to a few hundred dollars per year, as continued in LFA current level. The executive is proposing to charge this account a flat fee of \$12,000 per year for Centralized Services support. *Legislation approved. Passed*

19,063 19,084

7,820 7,905

EXHIBIT 6

DATE 1-29-93

117,000 73,000

422,474 422,474

2,520 2,520

11,679 11,673

Positions Removed by Joint Committee Action
House Appropriations & Senate Finance and Claims
January 6, 1993

EXHIBIT 6
DATE 1-29-93

		Total Personal Services		FTE Removed By		Total FTE Removed	Non—Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
<i>All or Partial General Fund Positions</i>							
10030	Administrative Aide II	20,401	20,423	1.00		1.00	
20305	Info Systems Specialist III	33,041	33,079	1.00		1.00	
Sub—Total		53,442	53,502	2.0	0.0	2.0	0.00
<i>Non—General Fund Positions</i>							
57025	Data Entry Operator III	19,063	19,084		1.00	1.00	
Sub—Total		19,063	19,084	0.00	1.00	1.00	0.00
TOTAL		72,505	72,586	2.00	1.00	3.00	0.00

LEXUS legal research costs, plant maintenance costs, and photocopy costs; and 4) deflationary adjustments. The communications increase is the result of an \$867 increase in fixed costs (messenger services) and a \$782 increase in telephone and long distance costs due to annualization of expenditures associated with a new Corps of Engineers employee hired in March 1992. Rent increases by \$14,374. Offsetting these increases is a \$4,791 decrease in capitol grounds maintenance costs due to a new cost allocation method implemented by the Department of Administration.

Equipment represents the division request, which is below its three year average equipment expenditure of \$12,038 per year, and consists of office equipment, computer equipment, and software. Debt service is the Centralized Service Division share of the department's Digital Equipment Corporation (DEC) computer system.

Funding

Centralized Services Division is funded with general fund, state special revenue funds, and federal Army Corps of Engineers funds. State special revenue funds are derived from: 1) assessments ranging from 6.0 to 11.0 percent levied on selected state special revenue accounts funding agency activities; and 2) negotiated fees from other state special revenue accounts within the agency. The balance remaining after these assessments, fees, and federal funds is funded with general fund.

In fiscal 1992, major facility siting activities generated \$171 more indirect revenue than included in the Centralized Services Division budget. In accordance with language in House Bill 2, those funds were used to offset general fund in Centralized Services Division. The Centralized Services Division reverted approximately \$6,500 of general fund in fiscal 1992.

All federal indirect cost revenue collected on oil overcharge funded programs is deposited in the general fund. In fiscal 1992, oil overcharge indirect revenue accounted for \$130,098 of general fund deposits.

Table 1 shows Centralized Services funding for the 1995 biennium.

General fund increases over the fiscal 1992 expenditure level because: 1) negotiated federal funds remain fairly constant; and 2) use of state special revenue funds assessed for centralized services support decreases in agency programs. Therefore, increased program costs in the 1995 biennium are funded with general fund.

The decreased use of state special revenue is mainly associated with Resource Indemnity Trust (RIT) interest accounts supporting operations in the Conservation and Resource Development and Water Resources Divisions. RIT support of these divisions decreases due to: 1)

Table 1
Centralized Services Division Funding

Fund Source	Assessment Percentage		Assessment/Fee Amount	
	FY 94	FY 95	FY 94	FY 95
Rangeland Improvement Loans	6%	6%	\$321	\$327
Major Facility Siting	*	*	20,000	15,000
Water Rights	6%	6%	9,900	9,900
Grazing Fees	*	*	720	720
Conservation District Grants	6%	6%	5,010	5,010
Oil and Gas	*	*	70,000	70,000
Water Development	11%	11%	142,898	142,203
Renewable Resources	6%	6%	13,450	13,404
Alternative Energy	10%	10%	14,267	14,267
Reclamation and Development	8%	8%	128,450	128,204
Total Assessments/Fees			\$405,016	\$399,035
General Fund: Central Svcs			\$1,468,387	\$1,453,629
General Fund: BNRC			19,636	19,812
Federal Funds: Corps of Engineers			4,922	4,806
Total Centralized Services Division Funding			\$1,897,961	\$1,877,282

*Negotiated Fee

8

1-29-53

All Units			MPC	Cost of	Total	Average	Estimated
month	number of days	year	gas&other charges	purchased gas	Cost	cost per mmBTU delivered	Savings
November	30	91	\$146,346	\$42,807	\$189,153	\$3.133	\$26,808
December	31	91	\$194,327	\$17,621	\$211,948	\$3.372	\$24,539
January	31	92	\$180,764	\$19,666	\$200,429	\$3.185	\$31,232
February	29	92	\$156,533	\$14,124	\$170,657	\$3.085	\$2,491
March	31	92	\$132,669	\$13,752	\$146,421	\$2.710	\$30,139
April	30	92	\$114,922	\$10,496	\$125,417	\$3.212	\$21,305
May	31	92	\$109,511	\$6,942	\$116,453	\$4.198	\$6,895
June	30	92	\$86,862	\$2,472	\$89,334	\$4.584	\$14,576
Subtotal	243	FY92	\$1,121,934	\$127,880	\$1,249,813	\$3.273	\$157,985
July	31	92	\$72,563	\$1,959	\$74,522	\$4.225	\$25,629
August	31	92	\$77,292	\$2,749	\$80,041	\$4.020	\$30,317
September	30	92	\$110,403	\$97,214	\$207,617	\$4.327	\$32,722
October	31	92	\$153,928	\$51,476	\$205,403	\$3.229	\$98,760
November	30	92	\$187,977	\$79,091	\$267,068	\$2.933	\$149,272
December	31	92	\$222,838	\$101,470	\$324,309	\$2.745	\$174,810
January	24	93	\$191,735	\$84,003	\$275,738	\$2.728	\$163,341
Subtotal	208	FY93	\$1,016,737	\$417,962	\$1,434,699	\$3.123	\$674,852
All Units Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$832,838

EXHIBIT 8
DATE 1-29-93
SB

55

Montana State University			MPC gas&other charges	Cost of purchased gas	Total Cost	Average cost per mmBTU delivered	Estimated Savings
month	number of days	year					
November	30	91	na	na	na	na	na
December	31	91	na	na	na	na	na
January	31	92	na	na	na	na	na
February	29	92	na	na	na	na	na
March	31	92	na	na	na	na	na
April	30	92	na	na	na	na	na
May	31	92	na	na	na	na	na
June	30	92	na	na	na	na	na
Subtotal	243	FY92	na	na	na	na	na
July	31	92	\$0	\$0	\$0	\$0.000	\$0
August	31	92	\$0	\$0	\$0	\$0.000	\$0
September	30	92	\$43,956	\$42,215	\$86,171	\$4.748	\$6,803
October	31	92	\$60,933	\$20,281	\$81,214	\$3.470	\$34,052
November	30	92	\$78,253	\$26,405	\$104,658	\$2.905	\$61,879
December	31	92	\$83,555	\$40,055	\$123,610	\$2.835	\$64,920
January	24	93	\$79,778	\$30,367	\$110,144	\$2.794	\$63,438
Subtotal	208	FY93	\$346,475	\$159,323	\$505,798	\$3.149	\$231,092
MSU Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$231,092

EXHIBIT 8
DATE 1-29-93
SS

University of Montana			MPC	Cost of	Total	Average	Estimated
month	number of days	year	gas&other charges	purchased gas	Cost	cost per mmBTU delivered	Savings
November	30	91	\$65,265	\$18,084	\$83,349	\$3.330	\$9,590
December	31	91	\$89,991	\$4,385	\$94,376	\$3.491	\$10,258
January	31	92	\$78,964	\$10,605	\$89,568	\$3.186	\$16,034
February	29	92	\$68,045	\$1,337	\$69,382	\$3.215	\$2,513
March	31	92	\$57,878	\$515	\$58,393	\$3.169	\$8,492
April	30	92	\$48,230	\$3,440	\$51,670	\$3.192	\$11,434
May	31	92	\$47,354	\$6,386	\$53,740	\$4.352	\$1,353
June	30	92	\$39,059	\$0	\$39,059	\$4.315	\$8,153
Subtotal	243	FY92	\$494,786	\$44,751	\$539,538	\$3.420	\$67,827
July	31	92	\$35,854	\$0	\$35,854	\$3.950	\$11,913
August	31	92	\$29,380	\$2,749	\$32,129	\$3.414	\$18,599
September	30	92	\$30,843	\$29,103	\$59,947	\$4.413	\$7,118
October	31	92	\$42,170	\$12,833	\$55,003	\$3.224	\$27,134
November	30	92	\$49,831	\$23,824	\$73,655	\$3.041	\$38,241
December	31	92	\$66,593	\$27,796	\$94,389	\$2.648	\$54,994
January	24	93	\$50,374	\$25,204	\$75,578	\$2.674	\$47,353
Subtotal	208	FY93	\$305,045	\$121,510	\$426,555	\$3.108	\$205,350
U of M Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$273,177

EXHIBIT 8
DATE 1-29-83
SB

55

Montana Develop. Center			MPC gas&other charges	Cost of purchased gas	Total Cost	Average cost per mmBTU delivered	Estimated Savings
month	number of days	year					
November	30	91	\$19,558	\$5,363	\$24,921	\$3.164	\$3,671
December	31	91	\$24,419	\$1,977	\$26,396	\$3.614	\$2,182
January	31	92	\$23,029	\$1,844	\$24,873	\$3.232	\$4,267
February	29	92	\$20,048	\$1,869	\$21,918	\$3.200	\$190
March	31	92	\$16,446	\$1,977	\$18,422	\$2.554	\$5,448
April	30	92	\$15,503	\$2,925	\$18,428	\$3.231	\$2,342
May	31	92	\$15,391	\$288	\$15,680	\$4.075	\$905
June	30	92	\$12,775	\$0	\$12,775	\$4.055	\$2,285
Subtotal	243	FY92	\$147,169	\$16,243	\$163,413	\$3.292	\$21,290
July	31	92	\$10,737	\$928	\$11,665	\$4.267	\$2,363
August	31	92	\$13,137	\$0	\$13,137	\$4.407	\$2,235
September	30	92	\$9,893	\$5,860	\$15,752	\$3.976	\$3,654
October	31	92	\$12,230	\$4,430	\$16,660	\$3.035	\$8,961
November	30	92	\$14,609	\$7,155	\$21,765	\$3.172	\$9,959
December	31	92	\$17,603	\$7,323	\$24,926	\$2.905	\$11,987
January	24	93	\$14,228	\$5,020	\$19,248	\$2.717	\$12,302
Subtotal	208	FY93	\$92,437	\$30,716	\$123,152	\$3.267	\$51,460
MDC Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$72,750

EXHIBIT 8
DATE 1-29-93
33

Montana State Hospital			MPC gas&other charges	Cost of purchased gas	Total Cost	Average cost per mmBTU delivered	Estimated Savings
month	number of days	year					
November	30	91	\$21,875	\$7,031	\$28,906	\$2.987	\$4,394
December	31	91	\$27,779	\$2,951	\$30,729	\$3.092	\$5,361
January	31	92	\$29,130	\$2,225	\$31,354	\$3.297	\$2,811
February	29	92	\$24,196	\$2,771	\$26,967	\$2.882	\$805
March	31	92	\$19,996	\$2,951	\$22,947	\$2.321	\$7,081
April	30	92	\$17,851	\$1,174	\$19,026	\$3.112	\$3,806
May	31	92	\$18,472	\$124	\$18,596	\$4.037	\$1,616
June	30	92	\$17,289	\$1,030	\$18,319	\$4.711	\$668
Subtotal	243	FY92	\$176,588	\$20,256	\$196,844	\$3.126	\$26,541
July	31	92	\$11,952	\$0	\$11,952	\$3.901	\$5,182
August	31	92	\$16,161	\$0	\$16,161	\$4.306	\$3,465
September	30	92	\$10,956	\$9,914	\$20,870	\$3.866	\$4,545
October	31	92	\$15,971	\$4,819	\$20,790	\$3.172	\$9,320
November	30	92	\$15,943	\$6,904	\$22,847	\$2.703	\$14,713
December	31	92	\$18,651	\$8,417	\$27,068	\$2.613	\$15,383
January	24	93	\$16,851	\$7,579	\$24,430	\$2.869	\$12,157
Subtotal	208	FY93	\$106,485	\$37,633	\$144,118	\$3.126	\$64,765
MSH Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$91,306

Natural Gas Procurement Program Savings to the State

EXHIBIT 8
DATE 1-29-63
SB

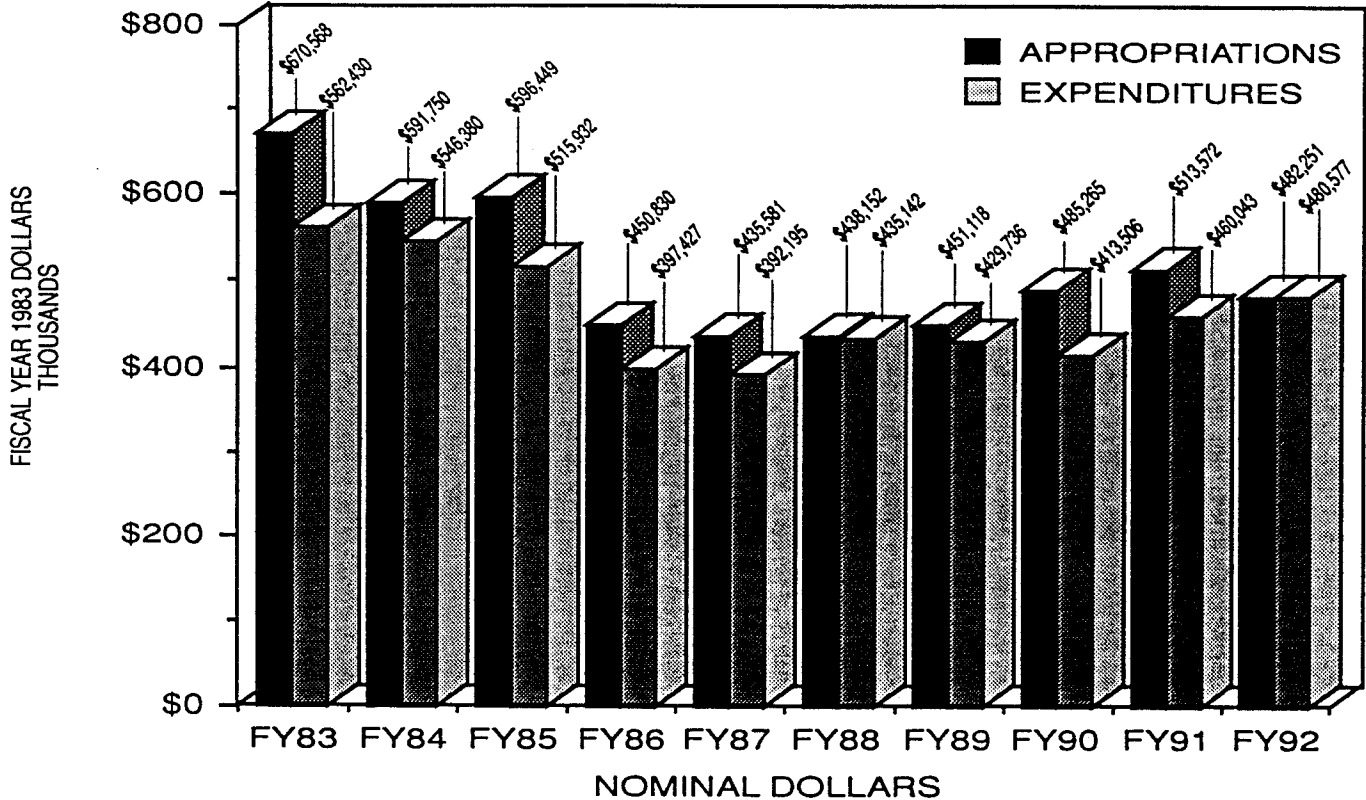
Northern Montana College			MPC gas&other charges	Cost of purchased gas	Total Cost	Average cost per mmBTU delivered	Estimated Savings
month	number of days	year					
November	30	91	\$20,671	\$6,408	\$27,079	\$3.262	\$4,404
December	31	91	\$25,322	\$4,838	\$30,159	\$3.593	\$3,455
January	31	92	\$27,381	\$817	\$28,198	\$3.748	\$2,111
February	29	92	\$25,087	\$4,676	\$29,763	\$3.745	(\$3,415)
March	31	92	\$23,183	\$4,838	\$28,021	\$3.325	\$521
April	30	92	\$18,486	\$0	\$18,486	\$3.937	\$1,384
May	31	92	\$14,713	\$0	\$14,713	\$4.829	\$1,384
June	30	92	\$8,043	\$0	\$8,043	\$14.286	\$1,384
Subtotal	243	FY92	\$162,885	\$21,576	\$184,462	\$3.772	\$11,228
July	31	92	\$6,500	\$0	\$6,500	\$12.645	\$2,816
August	31	92	\$7,632	\$0	\$7,632	\$9.033	\$2,816
September	30	92	\$6,656	\$272	\$6,928	\$2.612	\$9,779
October	31	92	\$10,420	\$5,019	\$15,439	\$3.160	\$9,723
November	30	92	\$15,627	\$6,877	\$22,504	\$3.015	\$13,154
December	31	92	\$18,962	\$10,350	\$29,312	\$2.803	\$16,016
January	24	93	\$17,728	\$9,902	\$27,629	\$3.056	\$12,611
Subtotal	208	FY93	\$83,524	\$32,420	\$115,944	\$3.233	\$66,915
NMC Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$78,143

EXHIBIT 8
DATE 1-29-93
BY SP

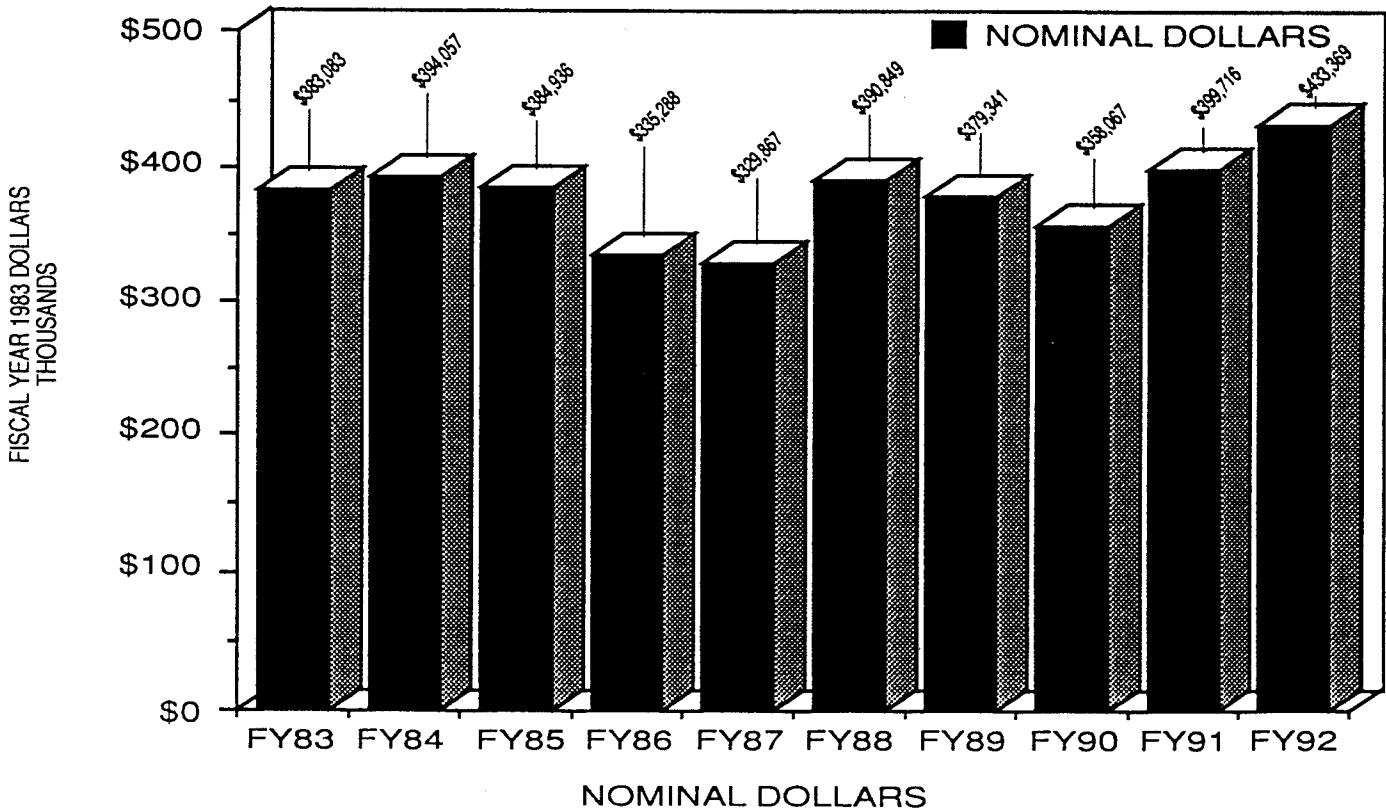
Montana State Prison			MPC gas&other charges	Cost of purchased gas	Total Cost	Average cost per mmBTU delivered	Estimated Savings
month	number of days	year					
November	30	91	\$18,977	\$5,921	\$24,898	\$2.623	\$4,749
December	31	91	\$26,816	\$3,471	\$30,287	\$2.972	\$3,284
January	31	92	\$22,260	\$4,176	\$26,436	\$2.623	\$6,010
February	29	92	\$19,157	\$3,471	\$22,628	\$2.360	\$2,398
March	31	92	\$15,167	\$3,471	\$18,638	\$1.849	\$8,597
April	30	92	\$14,851	\$2,956	\$17,807	\$2.805	\$2,339
May	31	92	\$13,581	\$144	\$13,726	\$3.524	\$1,637
June	30	92	\$9,695	\$1,442	\$11,137	\$3.927	\$2,087
Subtotal	243	FY92	\$140,504	\$25,053	\$165,557	\$2.649	\$31,101
July	31	92	\$7,520	\$1,031	\$8,551	\$3.804	\$3,356
August	31	92	\$10,981	\$0	\$10,981	\$3.761	\$3,203
September	30	92	\$8,099	\$9,850	\$17,949	\$4.244	\$823
October	31	92	\$12,204	\$4,094	\$16,298	\$2.619	\$9,570
November	30	92	\$13,715	\$7,926	\$21,640	\$2.695	\$11,326
December	31	92	\$17,475	\$7,529	\$25,004	\$2.633	\$11,511
January	24	93	\$12,777	\$5,931	\$18,709	\$2.134	\$15,481
Subtotal	208	FY93	\$82,771	\$36,361	\$119,132	\$2.842	\$55,270
MSP Savings Through Jan. 24 ,1993 from Gas Procurement Program							\$86,370

ENERGY DIVISION GENERAL FUND

EXHIBIT 9
DATE 1-29-93



ENERGY DIVISION PERSONAL SERVICES GENERAL FUND EXPENDITURES



DNRC TESTIMONY DESCRIBING
STATE BUILDINGS ENERGY CONSERVATION PROGRAM

My name is Tom Livers, I'm here to describe and to answer questions on the State Buildings Energy Conservation Program.

The Montana Legislature unanimously established this program in 1989. The program operates as a profit center for state government. It actually makes money for the state through investment in cost-effective energy efficiency improvements in state facilities.

Through this program, the state sells general obligation bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service. In this manner, the state realizes some incremental savings in the short term while the bonds are being repaid, and substantial savings after 10 years, when the bonds are retired.

I'd like to call your attention to the chart I've handed out. Under this program, DNRC presents a proposed energy retrofit package to the Legislature each session. This chart was prepared for House Bill 97, which contains this biennium's proposed package.

The top line shows current utility costs for the facilities in this package, projected over twenty years. This is the projected cost to the state if we do none of this work.

The lower line shows the projected annual cost if the bonds are sold and the energy conservation work is done. It includes both the reduced utility costs and the bond repayment. In this example, the bonds are retired in ten years, which accounts for the sharp drop halfway through on the lower line.

The area between the two lines represents the estimated savings to the state. As you can see, the state realizes a small net savings, even while the bonds are being repaid, and considerably greater savings once the bonds are retired.

I think this chart clearly points out that there is a significant cost to the state associated with not doing this work. In other words, the cost of doing nothing is greater than the cost of doing the work under this program.

The second chart I've passed out shows the reduced energy use in the SRS building resulting from one of our projects. We've analyzed utility meter readings and determined that the building is using 60% less energy than the base line year (1989), resulting in annual utility cost savings of \$30,000.

Other benefits resulting from this project include the replacement of worn equipment that was causing significant maintenance costs to the state. Also, the impetus for the project was the failure of one of the rooftop heating units. The remaining units had reached the end of their predicted useful life, and were expected to need to be replaced within the next two years, at a cost to the state of \$200,000 with no efficiency improvement or savings. Greater comfort to the building occupants has also resulted due to better controls and more efficient equipment. The state General Services Division says that before the retrofit, they received several complaints each day about the SRS building temperature. After the retrofit, they're down to a few complaints per month.

SUMMARY

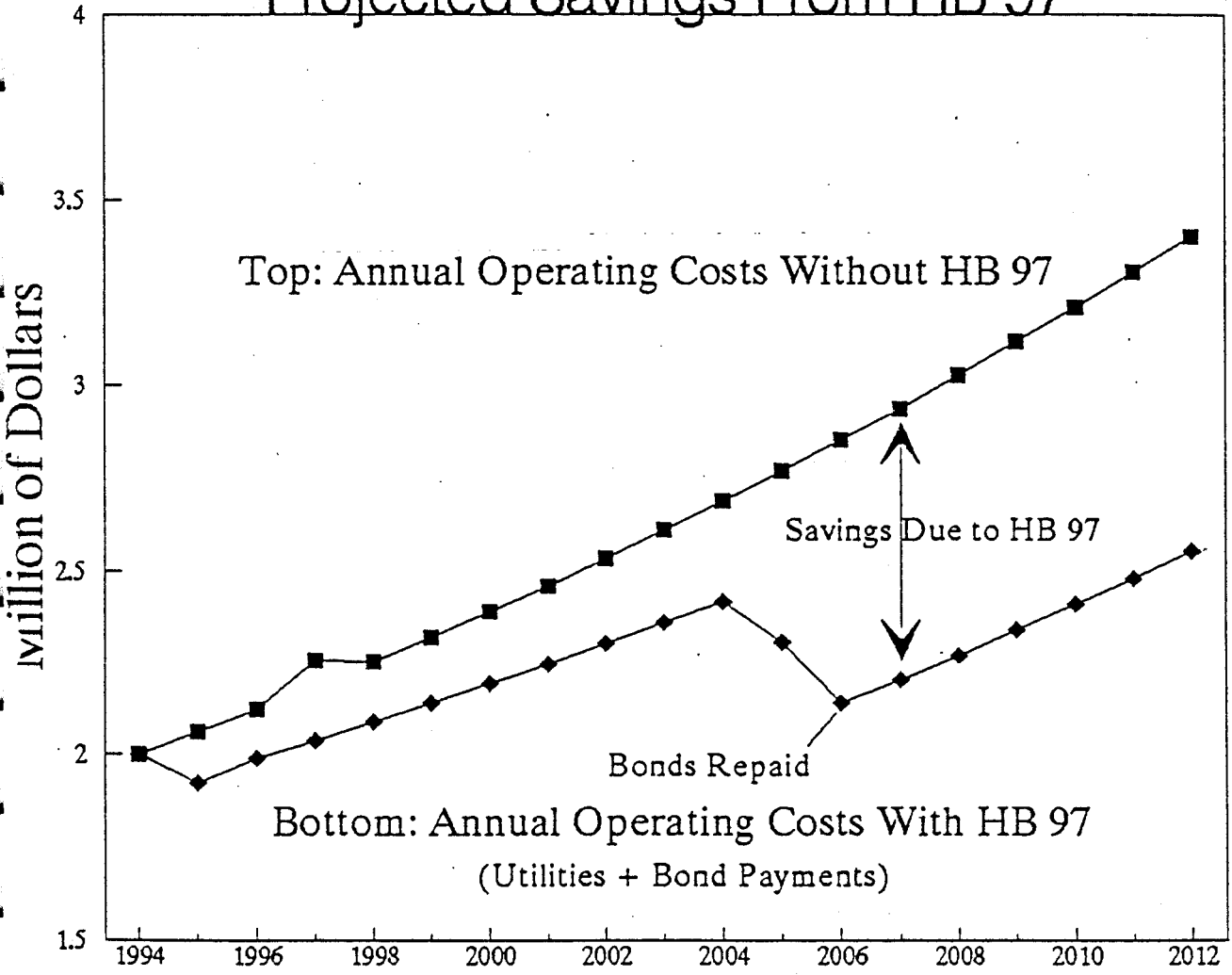
The Energy Division's State Buildings Energy Conservation Program increases the efficiency and reduces the cost of state government. It saves both energy and money.

It provides needed improvements at state-owned facilities across Montana.

It saves general fund dollars, especially in the long term.

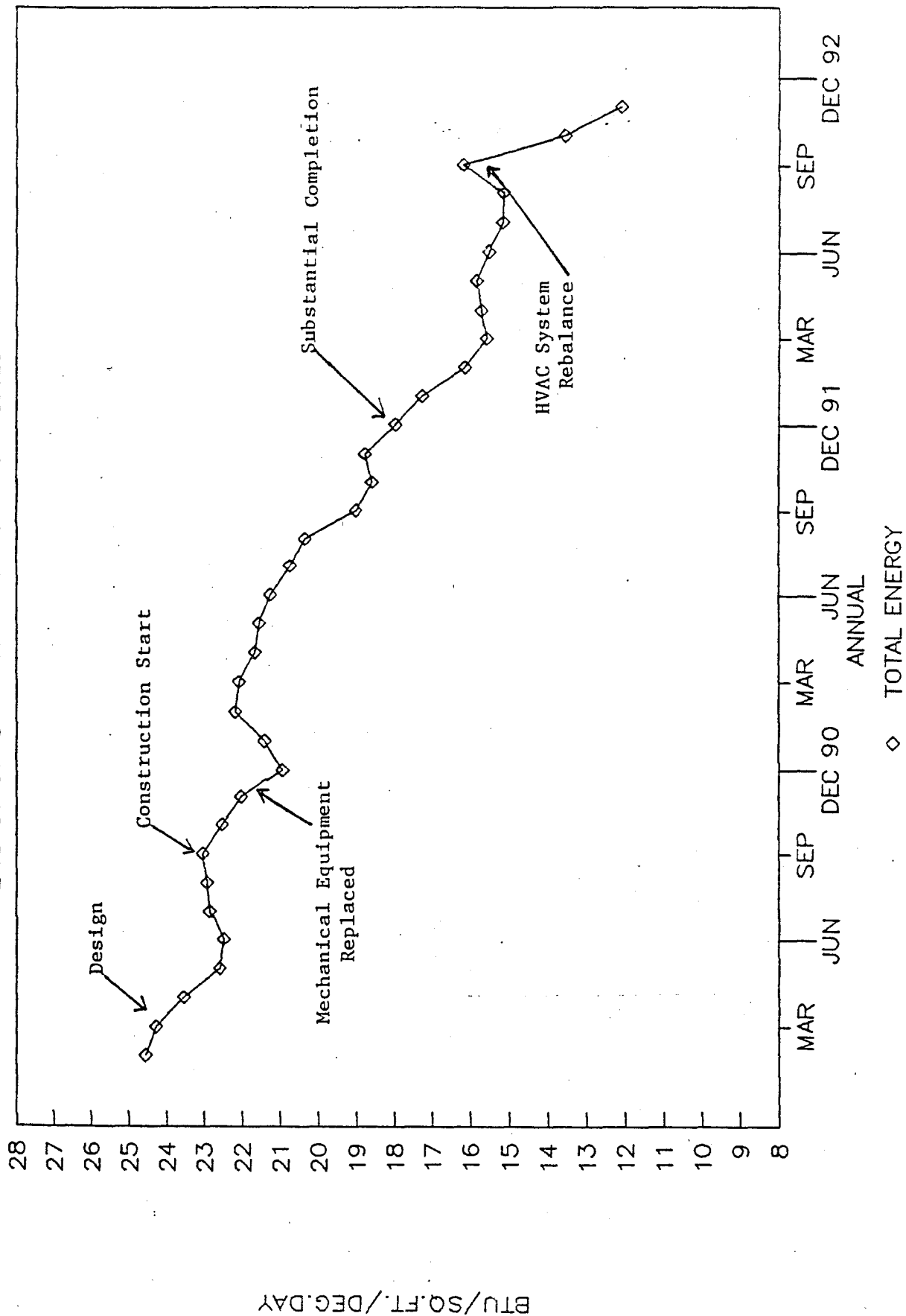
The retrofit projects provide work in the private sector, utilizing local engineers, architects, craftsmen and suppliers.

Projected Savings From HB 97



SRS BUILDING

ENERGY CONSUMPTION—WEATHER CORRECTED



HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

NATURAL RESOURCES SUB COMMITTEE BILL NO. _____
DATE 1-29-93 SPONSOR(S) _____

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PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Mike Simonich	DNRC	X	
Alayne Wetzel	DNRC	X	
Harvey Miller	DNRC	X	
Kenn Beck	DNRC	X	
Joe Baker	DNRC	X	
Steve Schmitz	DNRC	X	
John Tobbs	DNRC	X	
John Hunsinger	DNRC		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.