

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER**, on January 16, 1995, at 8:00 a.m. in Room 402 of the State Capitol.

ROLL CALL

Members Present:

Rep. Roger Debruycker, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Judy H. Jacobson (D)
Sen. Loren Jenkins (R)
Rep. John Johnson (D)
Rep. William R. Wiseman (R)

Members Excused: none

Members Absent: none

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Debbie Rostocki, Committee Secretary

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

Committee Business Summary:

Hearing: Department of State Lands
-Land Administration Division
-Forestry Division
Executive Action: none

HEARING ON Department of State Lands Land Administration Division

Mr. Roger Lloyd, Legislative Fiscal Analyst (LFA), gave an overview of the budget for the Land Administration Division.

Mr. Jeff Hagener, Administrator of the Land Administration division, then spoke. An organizational chart for the division was passed out. **EXHIBIT 1** This division administers about 4.6 million acres of surface lands, including the school trust lands, and about 6.2 million acres of sub-surface lands. In Fiscal Year (FY) 1994 the division collected \$22.7 million in revenue with an expenditure of \$1.2 million to get it, a return of \$19 for each dollar spent.

He showed the committee a map of the land the division administers. Some of the larger blocks of trust lands are due to "in lieu selections." When Montana became a state the federal government granted every section 16 and 36 to the state. The state was granted in lieu selections in the cases where these sections were already claimed. In addition, block land grants were given to the state for the University System, the School for the Deaf and Blind, etc. and in lieu selection was done in this area as well. The Department of State Lands (DSL) still has about 1,000 acres to get from the Bureau of Land Management (BLM) from in lieu selections. About one million acres of state land has been sold over the years, but about a half million acres of this land has been gained back due to foreclosures. Oil and gas leases are the biggest revenue source under minerals activity.

Under the Surface Management program DSL has about 550,000 acres leased for agricultural purposes, with about 150,000 of those acres currently under the Conservation Reserve program. Agricultural lease payments are normally made via a crop-share agreement, which includes a share of the federal farm program payments.

The division has about 8,500 grazing leases on about 4.1 million acres. The division is also responsible for handling easements across state land. Funds from leases all go to the distributable funds and revenue from easements and sales as well as mineral royalties go to the permanent funds. The division also oversees land exchanges, resource development on state lands and recreational use of state lands. The division's funding percentages show 75% general fund and 25% special funding. These figures are different from the LFA's because DSL's figures do not include spending authority for Environmental Impact Statements (EIS's) and cabin sites.

In response to SEN. JENKINS, Mr. Hagener said that recreational use is a secondary use which came about as a result of legislation passed in 1991 which allows for this use of state lands with the purchase of a permit. Three dollars out of every \$5 received from this program go into the distributable fund (school equalization account); \$.50 goes to the license agent and the remaining \$1.50 goes into the recreational use account. This account pays for weed control related to recreational use, damage compensation to lessees' improvements and the administration costs for the program. Administrative costs include a \$.22 per license allocation to the Department of Fish, Wildlife and Parks (FWP). Also under the program special recreational use licenses are sold to outfitters. In the last year 140 such licenses were issued and generated \$76,000 in revenue.

The division is requesting \$150,000 in spending authority to conduct EIS's and Environmental Analyses (EA's). They look at a land exchange and evaluate whether or not it is in the best interests of the state. Since 1989 the division has lost four to five FTE and has been hard pressed to do exchanges. In many

cases the parties wanting to do land exchanges are willing to foot the bill and DSL contracts for the EA. The adjustment would provide for a continuation of this practice. Although no funds were expended in 1994 they expect to use \$150,000 in 1995, mostly related to the land exchange being negotiated with **Mr. Ted Turner** near Bozeman.

The State Land Board Advisory Council was the result of 1993's **SB 424** which gave the authority on setting rental rates to the Land Board. In the past DSL was able to administratively adjust the level of fire assessment fees but now the Land Board does this as well. Before the Land Board changes rates they are instructed to seek advice from the State Land Board Advisory Council. Since the statutory provision for the council expires in 1996 there is no longer a need for the funding.

Regarding Present Law (PL) Adjustment No. 7, he said that there hadn't been any cabin site sales in the past several years because the Land Board wasn't certain of what criteria it wanted to use. This has been resolved and the current proposals are now being processed.

PL No. 8: DSL has been fairly successful in negotiating cooperative agreements with lessees, and has tried to maintain the fund at about \$15,000 per year. The cost of weed control continues to go up, however, and it looks like they will be expected to put more money into this effort. The money in the fund is intended for use on vacant state lands.

Regarding consulting and professional fees, he explained that **Mr. Bob Kuchenbrod** and himself had shared a position to help out with processing farm program payments. This involves getting about 2,500 separate checks from the various federal farm programs per year and distributing them to the proper school accounts. For about three or four months each year they had hired a person to do this but this position has been lost. They would like to do this on a contract basis.

Regarding PL No. 9, in the past they have used equipment funds to keep people on staff and now all nine vehicles they propose to replace will soon have over 100,000 miles on them. At present the division has three three-wheel all-terrain vehicles (ATV's) and they propose to replace these unsafe models with four-wheel ATV's. Also, the computers they hope to replace are eight to ten years old and outdated.

Their Minerals Management bureau chief is a petroleum engineer and they felt this could help offset the proposed elimination of a petroleum engineer (New Proposal No. 1, p. C-66).

Questions: **SEN. THOMAS KEATING** wanted to know how the Office of Budget and Program Planning (OBPP) arrived at its equipment funding levels. **Ms. Florine Smith**, OBPP, replied that the justification for the current proposal was given by the agency

and the OBPP approved it, which is a departure from the past several budget cycles.

In response to **SEN. KEATING**, **Mr. Hagener** explained that DSL could sell any of its land but there hasn't been much sales activity for 25-30 years. In most cases of sales and land exchanges only an EA is required, vs. the more detailed EIS. Land exchanges have involved both agricultural, grazing and forested lands. EA's consider wildlife habitat, antiquities and a multitude of other things. In addition, DSL considers comparative values, what the new owner plans to do with the land and whether or not it is in the state's best interests to reposition its land holdings. **Mr. Lloyd** pointed out that the actual dollars which pay for EIS's and EA's come from the applicants. DSL contracts out for the work and passes the money through.

REP. JOHN JOHNSON wanted to know if DSL considered \$1,000 to be a high enough ceiling to cover the administration of cabin site sales. **Mr. Hagener** said they had begun the process on five or six sites but none had reached the \$1,000 mark yet.

Tape No. 1:B:000

In response to **SEN. JENKINS**, **Mr. Hagener** said two land exchanges had been completed in the last year and three are expected in the coming year as well as a much larger exchange involving the Crow Indian Tribe and the Bureau of Land Management pertaining to the "107th meridian settlement." He expected the full \$150,000 to be expended by the end of FY 95 because of the **Ted Turner** land exchange. **SEN. JENKINS** wanted to know if the respective amounts of animal habitat were considered in land exchanges. **Mr. Hagener** said that if it was a big enough public concern this was considered. Along with the increased interest in recreational use on state lands has come a more complex process for negotiating land exchanges.

SEN. JENKINS questioned why more money was not spent on weed control on state lands. **Mr. Hagener** replied that DSL has taken weed control action on the tracts it becomes aware of as having weed problems. Due to the cooperative effort between DSL, Montana State University and Weed Control districts, the net cost to DSL has been reduced.

REP. WILLIAM WISEMAN said the Land Board Advisory Council was created because it was felt that the five State Land commissioners would not have sufficient land management expertise. He wanted to know how useful the Advisory Council had been to the Board of Land commissioners. **Mr. Bud Clinch**, State Land Commissioner, replied that the Council had been created as a one-time allocation to get DSL through the work of establishing new fees for surface uses. After eighteen months' of meetings, recommendations were given to the Land Board by the Advisory Council. The Land Board was skeptical and authorized DSL to go out for public comment on the fees and directed DSL to modify the recommended fee for recreational use down from \$25 to \$10. There

is a real problem regarding achieving full market value of all resources due to politics and other factors.

REP. WISEMAN wanted to know what the trend was regarding oil and gas leasing. **Mr. Hagener** said the peak of activity in the state was in the late 1970's and early 1980's. Just in the past year, however, they have had a fairly sharp increase in activity. Two or three years ago they had sales with up to 50 tracts on the land, and in the past year they have had two or three sales with 100-300 tracts and in March there will be a sale with 800 tracts on it. It is unclear why interest has revived.

In response to **REP. WISEMAN**, **Mr. Hagener** said that "Ulm-Pishkun" was part of the Turner land exchange. He explained that **Ted Turner** owns Ulm-Pishkun, the Flying D ranch and the Snowcrest ranch in the upper Ruby valley. **Mr. Turner** is currently proposing that the 14 or 15 sections of state land on the Flying D Ranch be exchanged for the Ulm-Pishkun property and the Snowcrest ranch. The State Historic Preservation office has been reluctant to become involved in the archaeological aspects of the Ulm-Pishkun property. Giving the state the rest of the Ulm-Pishkun area outside of the FWP park would help mitigate the issue of archaeological interests. The draft part of the EA for this exchange is in its final completion stages. The public comment phase will be next and the final proposal should come before the Land Board by May 1995. **Mr. Clinch** added that the inclusion of the Ulm-Pishkun property into the exchange was a decision **Mr. Turner** made in order to remove any opposition the State Historic Preservation organization had about the Flying D lands and also to generate support from Great Falls interests and thus gather support for the exchange. From the state lands management standpoint, the exchange is evaluated, recognizing that once these lands are acquired there will be expectations that the land be used for a public park purpose. This makes it difficult to devise a management scheme which will generate more money for the trust. He said this illustrates how complex exchanges can get. Even the simple ones take two to three years. The two most recently finalized exchanges have been in process for almost five years. He submitted that because the process is so cumbersome and complicated it makes it extremely difficult to resolve a lot of the land conflicts "out on the ground."

SEN. JENKINS wanted to know more about the process for buying state land. **Mr. Clinch** said at present it would require the approval of the Land Board and the existing land board would probably vote against any land sales. The Board's overriding philosophy is that the state should not be reducing its land ownership. There is some interest in "land banking," where revenue from state land sales would be pooled into an account which would be used to buy more land. Under the present law any revenue from the sale of state land is deposited into the appropriate permanent trust. One opinion is that the interest from the sale of some tracts would generate more revenue than the lands would otherwise be able to generate.

SEN. KEATING wanted to know if the existing revenue from the Flying D state land acreage had been considered compared to what would be generated from its sale. **Mr. Clinch** said as part of the analysis process the land appraisal and lease revenue were considered. **SEN. KEATING** wanted to know if the income which would be generated by putting the sales revenue into the trust was being calculated. **Mr. Clinch** said that to his knowledge this step hadn't been reached. In the initial round of appraisals in the Turner exchange it had been determined that it would not be a lucrative exchange for the state. The terms of the exchange have since been modified. **Mr. Hagener** pointed out that under current statutes the amount of land being considered for exchange in the Turner proposal could not have been sold outright because a maximum of only one section can be sold to a single entity. Regarding archaeological sites on the Flying D property he said there were a variety of sites which included tipi rings, quarry sites and pictographs.

REP. WISEMAN wanted to know more about the 4.34 acres of state land near Great Falls that had not been approved for sale. **Mr. Hagener** said DSL had been denied authorization to sell the land from the State Land Board, partly because a decision about land banking had not been reached yet. **REP. WISEMAN** questioned the Board of Land Commissioners' making an investment decision to sell land and buy other land when only a 1.5% return would be earned vs. the 7-8% return which the Board of Investments is making on land. **SEN. JENKINS** wanted to know if the 4.7 acres could be leased. **Mr. Clinch** said this could be done and a residence could be built on the land and rented. However, these kinds of leases can get very complicated.

SEN. KEATING said he knew of a case where the occupant of a house on state land could no longer afford to live there because of the increased taxes due to higher appraised value of the house. He submitted that at some point the county would own the house and the state would own the land and the homeowner would be out of luck. **SEN. JUDY JACOBSON** wanted to know how many houses there were on state land. **Mr. Clinch** replied that many of their "cabin homesites" were a lot more valuable than "cabins." Also, many farmsteads are on state lands and include many structures. About 50% of the homesites on state land are full-time residences.

In response to **REP. WISEMAN**, **Mr. Hagener** said that revenue from land being condemned went into the permanent fund.

SEN. KEATING requested from **Mr. Hagener** a detailed breakdown of the revenue and FTE ratios within the Minerals Management and Surface Management bureaus. **Mr. Hagener** said that currently out of the total of \$22.7 million, \$14,400,000 is from the Surface Management bureau and \$8,241,000 is from the Minerals Management bureau. He pointed out that although the Surface Management side had more FTE, some of them were utilized in the other bureau as well.

Tape No. 2:A:000

CHAIRMAN ROGER DEBRUYCKER wanted to know why DSL did not use a cash lease approach with agricultural land, as it did with grazing and forest lands. **Mr. Hagener** said this had been considered and legislation had been proposed but this has not come about. He pointed out that there were advantages to the state in doing cash leases because it eliminated the problems involved with making sure crop-shares were being honestly calculated and with determining who would be the most productive farmer on the crop-share. **CHAIRMAN DEBRUYCKER** stated that at the risk of "being shot at sunrise," he felt a cash lease was the fairest way of doing business. The hearing was then closed on the Land Administration division.

HEARING ON Department of State Lands
Forestry Division

Mr. Lloyd gave an overview of the division. The budget is divided up into seven control variables: Fire, Forest Management, Forest Improvement, Nursery, Private Slash Removal, Other Services and Service Forestry.

Regarding Present Law (PL) Adjustment No. 4 on p. C-69, he said that the \$31,371 figure should be changed to zero. Although the executive is requesting no funding for 1996-7, there were no expenditures associated with this position in 1994 because it had been vacant.

Regarding PL No. 5, **Mr. Lloyd** explained that from the 1993 Legislature's point of view this would not be an increase, because it was approved then, but since it increased FTE and authority from Fiscal Year (FY) 1994 to 1995 it does not show up in the base.

The anticipated increase in fee revenue from the changes enacted by **HB 393** is 2.4 times what was collected in 1994. This anticipated increase is being used to fund the increases contained in PL No. 6.

Ms. Smith spoke up regarding New Proposal No. 2. The proposed legislation referred to in the LFA narrative has been introduced as **HB 50**. In addition she gave the committee members some new funding figures for Table 6 on p. C-68. The changes result in an increase in general fund and a decrease in state special funding as well as changes in federal special funding levels. However, the overall program totals remain the same. **EXHIBIT 2**

Mr. Don Artley, State Forester and administrator for the Forestry Division, then spoke. He stated that 238.63 FTE (2/3 of the FTE employed at DSL) are located in this division. **EXHIBIT 3** He reported that there were forestry programs operating in each of the division's six regional offices around the state. Of the 238.63 FTE employed in this division, 163 are permanent employees and about 75 are seasonal. The seasonal staff, although

categorized as 75 FTE, are 160-170 actual people. The division's budget is about 57% general fund, 33% state special and about 10% federal funds.

Mr. Artley distributed information on the Fire program. **EXHIBIT 4** He explained that DSL cooperates with the federal protection agencies to offset acreages which the state and federal governments protect. The result is that the state protects some federal lands and the federal government protects some state and private lands. DSL does not protect more federal lands than the federal government protects state and private lands. Money is not exchanged for protecting each other's lands.

Tape No. 2:B:000

The resources used in fire protection include 59 front-line fire engines, five reserve engines, five water tenders, one dozer, two fireline plows, four helicopters, three fixed wing aircraft and four mobile logistical support caches. They employ 140 seasonal firefighters and there are 13 lookout sites. All four helicopters and two of the fixed wing aircraft are federal excess property and in essence on permanent loan to the department. 90% of the time flown in these aircraft is restricted for fire-related activities as part of the loan agreement.

The remainder of the state's fire protection of about 45 million acres is provided through the County Co-op program, which has been in effect since 1968. Only Missoula County, Mineral County and Granite County are not part of this program, and in these counties there are less than 250,000 acres of unprotected lands left (the Missoula valley, the Potomac valley and the Clark Fork corridor as it moves toward Idaho). He expected that in the future these three counties would also join the Co-op program. In exchange for the counties' help with fire suppression, DSL provides the program with training, equipment, organizational help and a promise that if a wildfire exceeds the local force's capabilities, DSL will assist the county and/or take over the management of large fires, at no cost to the county.

Mr. Artley said that DSL visits three military facilities on a monthly basis to procure surplus property. These vehicles are refurbished by six mechanics in DSL's shop in Missoula. The vehicles are then used by the counties. Many of these vehicles are located in volunteer fire departments and on ranches.

SEN. KEATING wanted to know if fire assessment fees were the program's only source of state special revenue. **Mr. Artley** replied that all other revenues collected were deposited into the general fund. This includes monies collected from negligent parties.

In response to **SEN. JENKINS**, **Mr. Artley** said fire assessment fees were only levied in DSL's forest fire districts in western Montana. The county program does not have assessment fees. In forested areas DSL has the ability to set up fire protection districts if 51% of the landowners owning 51% of the land agree

to this and the assessment fee is mandatory within these districts. There are some cases in which the fee is voluntarily paid in return for protection, on an individual basis.

Mr. Artley stressed that the \$5 million budget was geared towards being prepared to fight wildfires and actual firefighting costs were handled entirely through the supplemental budgeting process. He said the summer of 1993 was the slowest fire season on record. Less than \$500,000 was spent fighting fires. In contrast, 1994 was probably the worst fire season since 1910.

In response to **SEN. KEATING**, **Mr. Artley** explained that DSL fought fires under management of the federal government upon request of the federal government. When a fire escapes initial attack, DSL relies on other agencies and the federal government has a similar agreement. When services are provided in these situations, they are paid for by the managing entity. He stated that the cost of a fire held to under ten acres ran about \$1,000. There were 703 actual fires (not including 80 false alarms) on state protection in the summer of 1994. The average number is about 400. Only 35 of the 703 got larger than ten acres. If a fire exceeds 5,000 acres, as three did in 1994 (Chamberlain Creek and Henry Peak fire on state fire protection and the Lolo fire outside Kalispell on 2/3 federal protection and 1/3 state protection), suppression costs can run as high as \$8 million. An additional 368 incidents were responded to by DSL in 1994, in locations as far away as Arizona. The counties in central and eastern Montana were assisted on 49 fires in 1994. He submitted that those persons who own homes in the forests are responsible for generating a lot of the fire suppression costs.

Tape No. 3:A:000

In response to **SEN. JENKINS**, **Mr. Artley** said that about \$23 million was spent on fires in 1994. Part of this amount will be reimbursed and will lower the net cost.

Mr. Artley then reviewed the Forest Management program. **EXHIBIT 5** He explained that while the Land Administration Division manages almost all of the surface lands, this program manages the surface of the classified forest lands. He added that primary use forest lands generally are actively managed by DSL's foresters and not leased. Licensing and leasing for "special uses" is allowed if it does not reduce state revenues. The division sells forest products as its main source of revenue. Revenues are also generated from leases or licenses on 626 specific cabin sites, communication sites on mountaintops, outfitter licenses and other special uses. Easements are also sold.

Regarding forest management, **Mr. Artley** said DSL takes the "long-term approach"; i.e., maximum, short-term revenue from activities such as clearcutting may be deferred if in the financial analysis it shows that the state will be better off in the long run to do so.

The Forest Management program employs six more people than the budget shows, but these positions will sunset if **HB 50** does not pass.

Mr. Artley pointed out that the \$5,708,000 in 1994 revenue from timber sales was the net amount which was going to the beneficiaries of the trust and was arrived at after all withdrawals for department activities (such as forest improvement fees) had been made. In response to **SEN. KEATING**, **Mr. Artley** explained that the monies that funded school grades K-12 went into the school equalization account and virtually all timber revenues went into that account. An estimate of how much revenue will be generated is used when education budgets are being calculated. He pointed out that a description of how funds were distributed in 1994 was contained on p. 33 of the DSL Annual Report.

30.8 million board feet of timber was prepared and approved by the Land Board for sale in 1994 and if **HB 50** passes about 35 million feet will be prepared for sale in the coming biennium.

Every other year an independent team of foresters and specialists audits timber sales on federal, private, industrial and state lands to determine how well the (voluntary) Best Management Practices (BMP's) which the Legislature enacted in 1989 are being followed. This is done to monitor whether Montana needs a forest practices act or not. The decision in 1989 was to go with a voluntary law and check to see if it was being abided by. The results have been that BMP compliance is better than 90%.

A legislative audit in 1992 showed that DSL was returning \$3.22 for every dollar invested in the general fund. The figure is \$1.98 returned if the money withheld from timber sales for reinvestment in future stands is included. DSL now calculates its return on investments to be \$2.74.

Mr. Artley then reviewed the budget for the Forest Improvement program. **EXHIBIT 6** The fees charged to timber sale purchasers cover the costs of treating logging slash, site preparation for a new crop of trees, seedling or seed costs and thinning. Nineteen FTE, about half of them permanent, are employed in this program as well as private contractors for tree planting. Forest improvement fees, because they support this program 100%, are not deposited into the trust account as other revenues are. A fairly large increase in this program's budget is being requested because DSL expects increased revenue in the coming biennium, based upon existing contracts and the anticipated completion dates of the operations plus the amount of forest improvement fees in the contracts. There is a backlog of work they need to do because there have been insufficient funds in the past. They need to maintain some of their core roads and purchase permanent easements, in order to protect their access in the future. He stressed that the decisions regarding forest improvement activities were based on financial return possibilities.

Before improvement activities are undertaken it has to be demonstrated that the payback is there. In response to **SEN. JENKINS, Mr. Artley** reaffirmed that forest improvement fees are only collected from the sale of timber on state lands.

The Service Forestry budget was then reviewed. **EXHIBIT 7 Mr. Artley** said the activities which this program pays for are required by state law and/or are related to federally funded programs.

Regarding BMP's, he emphasized that the program was voluntary. The mandatory provisions in the law require landowners who plan to harvest timber to notify DSL. An agreement is drawn up outlining how logging slash will be treated and DSL provides the landowner with information (BMP's) on how to best log their property without harming the water quality. Landowners are also informed of the mandatory provisions of the Streamside Management Zone (SMZ) Protection Act which was passed in 1991 and restricts activities within 50 feet of streams. This law applies to private as well as federal land and DSL is charged with enforcing it. DSL has been struggling with how to best meet this obligation on the 20-plus million acres of federal forest in the state and has been working on this in cooperation with the U.S. Forest Service.

Forest landowner education and resource-management advice is provided mainly via federal grant monies. Because the general fund support for this program has been reduced over the past several legislative sessions, this program has had to be restricted to primarily the areas around Missoula and Kalispell. The one-day advisory visit is only offered to landowners who plan to harvest timber. DSL always recommends that the landowner get a written contract with their logger. Only 1.75 FTE is involved in this program.

DSL also has a federal grant of over \$200,000 for forest stewardship. This federal program is part of the "America the Beautiful Program" which was established under the Bush administration. The grant money pays for .75 FTE and the rest passes through to the County Extension Service which puts on a program of forest property planning workshops for landowners which has been extraordinarily successful. He pointed out that many states have simply hired foresters to write plans for landowners but DSL has aimed its efforts towards helping the landowners write their own plans.

SEN. JACOBSON wanted to know more about the working relationship between DSL and the Extension Service. **Mr. Artley** replied that while the Extension Service was geared more towards educational activities, DSL was more focused on one-on-one technical advice. There are only two extension foresters and they are both located in Missoula so this limits what the Extension Service can do on an individual basis. **SEN. KEATING** wanted to know what the benefit to the state as a whole was in providing these services,

which were almost half general funded. **Mr. Artley** explained that the portion of the Service Forestry program which was supported with general fund dealt with the statutory enforcement responsibilities. The benefit Montanans are getting is the protection of water quality.

In response to **SEN. JENKINS**, **Mr. Artley** reiterated that the BMP's themselves are voluntary but the notification requirement is mandatory under the law. He added that in 10% of situations (based on funding for the program) DSL can request an on-site consultation. DSL is also charged with enforcement of the SMZ Protection Act, which includes requiring remedial work when violations occur.

The Community Forestry program is geared towards providing advice and assistance to communities and is also 100% federally funded under the America the Beautiful program. **Tape No. 3:B:000**

When the program started the state was required to hire a statewide coordinator and to establish a citizen advisory council. This was done and the council recommended that the best way to carry out the program would be to hire specialists and make them available to the cities and towns. The Legislature had given DSL the spending authority but not the authorization to hire FTE. DSL got administrative approval to transfer funds from operating to personal services and hired three regional specialists, serving the entire state and stationed in Miles City, Lewistown and Missoula. These community foresters provided 105 different towns in the state with help in 1994. He stressed that there was no "new money" involved in the request for the FTE. In response to **SEN. JENKINS**, **Mr. Artley** said that a total of 4.75 FTE (including the three FTE) are employed in this program. One FTE is allocated for the State Coordinator and the funding for the other .75 FTE is used for infrastructure funding. **SEN. JENKINS** wanted to know if the state coordinator position could be combined with one of the regional specialist positions. **Mr. Artley** replied that the present state coordinator did help in this capacity somewhat but the coordinator position was a full-time job in itself.

The Technical services for the management and control of forest pests program employs a forest pest management specialist and is funded with a \$34,000 federal grant and "a little" general fund. Services are provided on state timber sales as well as on private forested lands. This position is the only entomologist which DSL employs, and in 1994 48 insect and disease evaluations were completed.

In 1994 there were 2,128 individual timber sales on nonindustrial private forest lands, which was twice the level as in FY 92. This is a direct reflection of the increase in timber prices over the past few years. The increase in sales has primarily been in eastern and central Montana, where trees used to sell for \$20 per thousand board feet and are now selling for \$200-300 per thousand

board feet. The workload in this program has literally doubled, as well as in the Slash Program, which responds to the same requests.

Mr. Artley explained that in 25 cases DSL had approved alternative SMZ practices, which means that if a rule prohibits doing something and the landowner can find a way of doing it anyway without any problem with respect to water quality, then DSL grants authorization to deviate from the rules.

Of the 64 SMZ rule violation enforcement actions, 60 were warnings. Four resulted in orders to do some kind of rehabilitation work. DSL's main focus, however, is to provide information and assist in compliance rather than to pursue enforcement actions.

Mr. Artley then reviewed the Timber Slash program. **EXHIBIT 8** He explained that wildfires in areas where there is slash from logging operations cannot be fought until the materials are all burned due to the intensity of the fire. For many years DSL has been statutorily responsible for the control of slash hazards. The state special revenue for this program is derived from fees charged to landowners and/or loggers. Hazard Reduction agreements cost \$25 to apply for. When the logs go to the mill, the mill withholds \$6 per thousand board feet in the form of a returnable bond, which DSL puts in a holding account. DSL refunds the entire amount once it has been determined the logger has complied with the Hazard Reduction agreement. Master agreements are entered into with large timber companies to eliminate the need to come in whenever new units are logged. The full cost for inspections is billed under these master agreements. In addition, \$.60 per thousand board feet (up to a maximum of 500,000 board feet per agreement per year) is withheld and deposited into a special revenue account which helps fund the program. Also, \$.15 helps fund an extension forester and is passed through to the County Extension Service.

The law requires that each sale be inspected before the hazard reduction bond is returned. This program is very labor intensive, and the workload has doubled in the past two years. Therefore, for the present the program has shifted to the use of affidavits in lieu of actual inspections. They are proposing in the coming biennium to contract with private individuals to do these inspections. The 1.33 seasonal FTE in this program (as well as private contractors) are utilized to do hazard reduction work which loggers refuse to do or are unable to do. This action was necessary in 65 cases in 1994. Forfeited bond money is used to pay for the work. He pointed out that the law has very weak enforcement provisions and even though it provides that landowners can be charged cost plus 20%, generally DSL's legal staff does not recommend pursuing this option.

Mr. Artley explained the Nursery Program. **EXHIBIT 9** The program is supported solely from the sales of nursery stock. In the past

the program had general fund support but since this is no longer the case they have cut staff and raised prices. They are attempting to determine whether they can operate the program without general fund support but this is just the second year they are attempting this. Seedlings are sold at cost and are all the same price. **Mr. Artley** pointed out that this was another case in which DSL spent the same money twice. Land Administration division funds are expended to buy stock from the nursery for reforestation of state lands. These expenditures are then counted as revenue in the nursery budget.

Mr. Artley reviewed what was included in the control variable entitled "other services." **EXHIBIT 10** In the past the Swan Forest Youth Camp had been funded from this budget but has since been eliminated. This program funds fixed costs which DSL has not been able to allocate to other funding sources and includes insurance for the department's 809 vehicles as well as janitorial services and other expenses related to DSL's buildings. FTE funded in this area include **Mr. Artley's** position and the Field Operations Division administrator's position.


Questions regarding the Forestry Division budget were postponed until the following morning.

ADJOURNMENT

Adjournment: 12:05 p.m.



ROGER DEBRUYCKER, Chairman

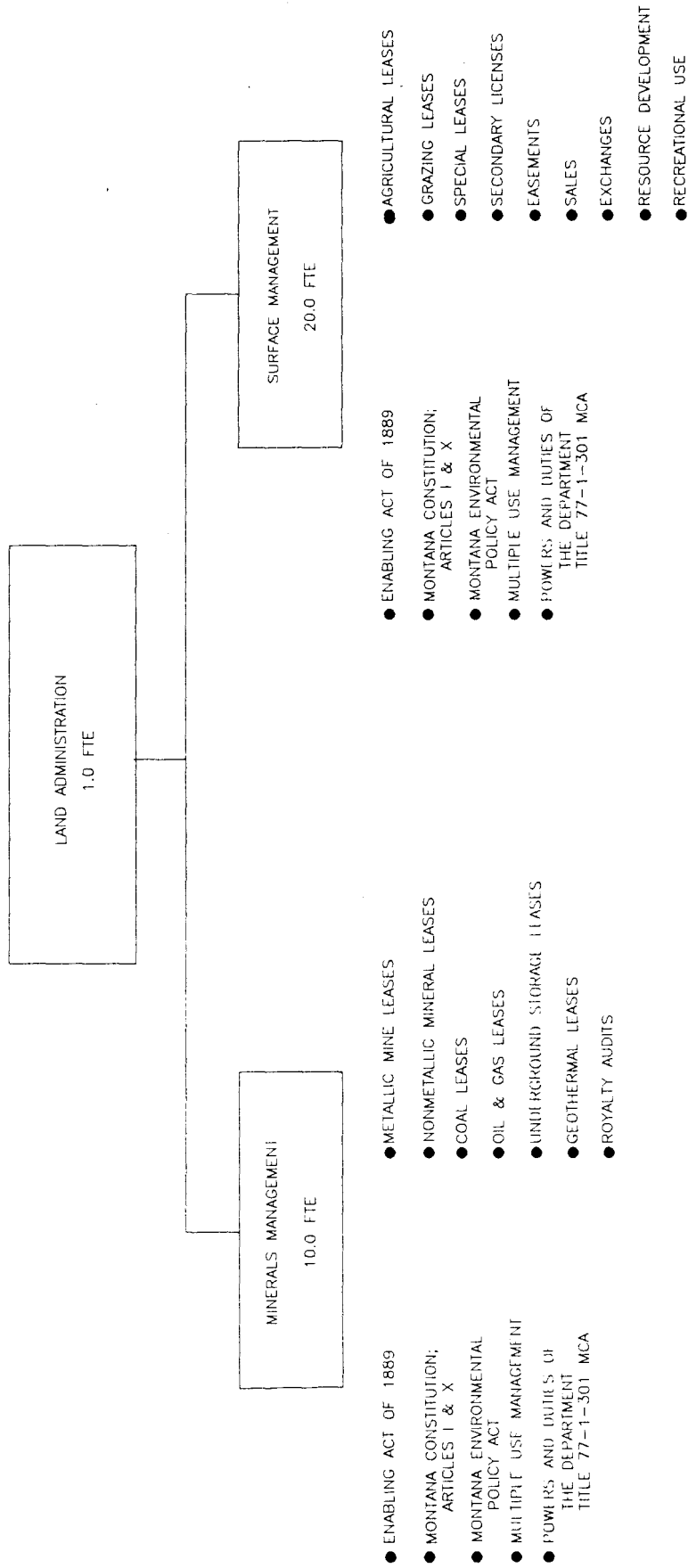


DEBBIE ROSTOCKI, Secretary

RD/dr

This meeting was recorded on three 90-minute audiocassette tapes.

LAND ADMINISTRATION (PROGRAM 04) 31.0 FTE



● FUNDING: 75% GENERAL FUND
25% STATE SPECIAL

Department of State Lands

Forestry Division

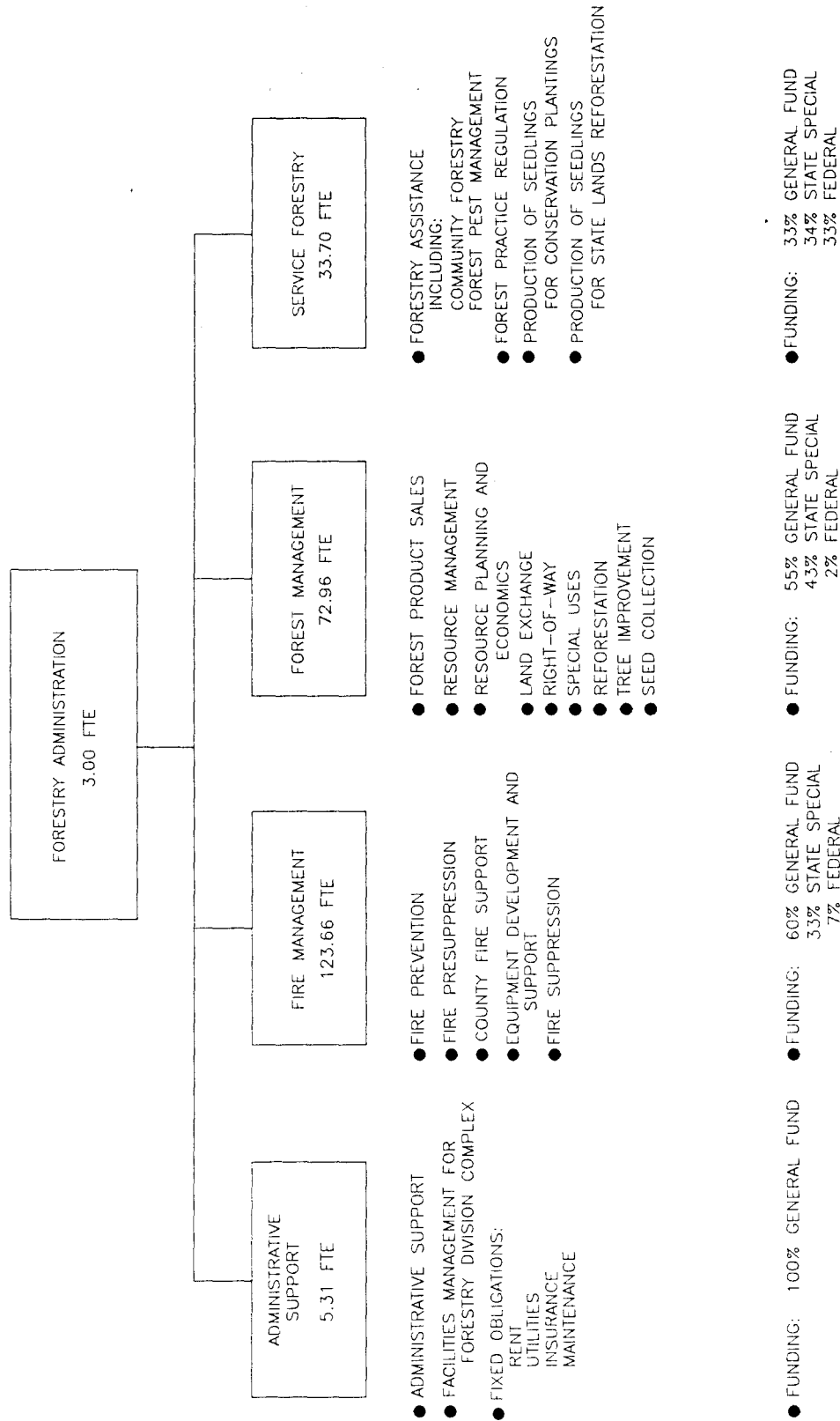
Table 6
Forestry Division
Executive Funding

Fiscal Year/Program	General Fund	State Special	Landowner Assessment	Federal	Total Funds
<u>Fiscal 1996</u>					
Fire	\$3,128,326		\$1,713,592	\$424,202	\$5,266,120
Forest Management	2,104,904			11,214	2,116,118
Forest Improvement		\$1,650,504		28,256	1,678,760
Nursery		230,078			230,078
Private Slash Removal	166,911	300,000			466,911
Other Services	848,342			100,000	948,342
Service Forestry	424,591	265,149		440,141	864,732
New Proposals	(224,024)	313,094	(41,289)	137,375	185,156
	(153,027)		(45,610)	118,644	
Total Fiscal 1996	\$6,361,675 6,520,047	\$2,493,676 2,445,731	\$1,672,303 1,667,982	\$1,228,563 1,122,457	\$11,756,217
<u>Fiscal 1997</u>					
Fire	\$3,076,794		\$1,686,821	\$329,202	\$5,092,817
Forest Management	2,114,482			11,214	2,125,696
Forest Improvement		\$1,654,104		28,256	1,682,360
Nursery		230,841			230,841
Private Slash Removal	168,993	300,000			468,993
Other Services	854,244			100,000	954,244
Service Forestry	425,977	233,612		374,864	820,841
New Proposals	(287,567)	313,572	(73,099)	137,652	90,558
	(217,018)		(46,589)	120,613	
Total Fiscal 1997	\$6,265,271 6,423,412	\$2,498,517 2,418,557	\$1,618,722 1,640,232	\$1,088,840 984,149	\$11,466,350

Landowner assessments are taxes paid by private forest landowners for wildfire protection. The department is required by statute to collect up to one-third of the state's fire protection appropriation from private landowners (section 76-13-207, MCA). At the level of expenditures requested to be funded from this source in the present law, Executive Budget, landowner assessments would increase over the level set to fund the fiscal 1995 appropriation (see the "Other LFA Issues with Present Law" section).

Other state special revenues include the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fees of \$25 for each slash hazard reduction agreement and \$0.60 per thousand board feet sold are collected for use by the department. The fund balance from this account was used to reduce general fund in the 1995 biennium and is not available to continue the reduction in the 1997 biennium.

FORESTRY (PROGRAM 25) 238.63 FTE



FIRE MANAGEMENT**PURPOSE:**

Protect the natural resources of the state from destruction by wildfire.

REASON:

State law assigns the Department the responsibility for protecting state and private forest lands from wildfire.

State Direct Protection: 5,046,805 Acres

State/County Cooperative Protection: 45,092,459 Acres

(53 Counties--State & Private Lands)

Total Responsibility: 50,287,988 Acres

Remaining Unprotected Acres
(Missoula, Mineral, and
Granite Counties): 254,416 Acres

BUDGET, FUNDING & FTE

FY96 Budget: \$5,266,120

Funding Source(s):

59% GF
33% State Special (Fire Assessment Fees)
8% Federal

Fire Assessment Fee:

Current Rates: Minimum--\$20 per owner per protection district plus \$0.17 per acre for every acre over 20.

Total # of Owners: 46,404

Total # of Acres: 5,177,922

Total Assessments
Collected in FY94: \$1,581,677

FTE:

65.00 Permanent
58.66 Seasonal (140 positions)
123.66 Total

OBJECTIVES:

Prevention (HJR36--1991 Legislature)

- Reduce the number and severity of wildfires.
- Increase Montanans' awareness of the risks associated with building residences in wildlands where fire is a danger (residential/wildland interface).
- Fire Protection Guidelines for Wildland Residential Development.
- Complete 90% Fire Risk Rating of DSL's direct protection.
- Subdivision Plat Review.

Prescribed Fire

- Coordinate the fall prescribed burning program on all federal, State and large private forest industry lands, through the Montana/Idaho Cooperative Smoke Management Program.

1994 PROGRAM	
<u>Planned</u>	
# of Acres	137,519
# of Burns	3,393

- Review and provide input to federal agencies regarding management fires (Let Burn) and corresponding plans.)

County Fire Protection

- Assist the 53 counties participating in our State/County Cooperative Fire Protection Program by providing training, prevention, organizational assistance, fire equipment and suppression support. For example, in 1994 we:
 - Completed 41 trips to federal facilities and acquired \$1,359,499 worth of Federal Excess Property (63 vehicles acquired).
 - Developed 23 fire vehicles for use in the Direct and County Co-op. Programs.
 - Performed 855 fire readiness inspections on fire apparatus.
 - Distributed \$62,400 of Rural Community Fire Protection grant money to local fire departments (> \$1,100,000 since 1975).

AVERAGE COST OF FIRES BY SIZE CLASS			
SIZE CLASS	ACREAGE RANGE	AVERAGE COST BY SIZE CLASS	COST INCREASE OVER A & B CLASS
A & B	0 to 9.5	\$1,170	
C	9.6 to 99.5	\$27,718	23.7 times
D	99.6 to 299.5	\$83,556	71.4 times
E	299.6 to 999.5	\$71,694	61.3 times
F	999.6 to 4999.5	\$474,685	405.7 times
G	4999.6 and larger	\$1,778,539	1,520.1 times

Note: Table based on 13 years of fire data (1981 - 1993).

Training

- Conduct wildland fire training courses for local government firefighters. (FY93: 34 courses/750 firefighters. FY94: 29 courses/600 firefighters.)
- Conduct courses for seasonal/permanent firefighters. (FY93: 37 courses/261 trainees. FY94: 53 courses/334 trainees.)

Suppression

- Goal--Control 95% of all direct protection fires at 10 acres or less. (1993 - 99%. 1994 - 95%. 10-Year Average - 95%. Audit verified.)

DIRECT PROTECTION WILDFIRE SUMMARY							
Number of Fires				Year	Acreage		
False Alarms	Person	Natural	Total		Person	Natural	Total
68	213	184	465	Average *	10,372	4,820	15,192
63	107	86	256	1993	156	22	178
80	319	384	783	1994	694	15,865	16,559
*Based on a 7 year average (1988-1994), removing the high year (1994) and low year (1993).							

- Landowner Survey (20% sample). 76% of the landowners responding rated DSL effectiveness at an 8 or higher on a 10-point scale (10 = Most Effective).
- Support other State and federal agencies. (1994 supported on 368 incidents.)
- Assisted Co-op. Counties on 3 fires in 1993 and 49 in 1994.

FIRE COST TABLE

(What happens to supplemental when fires exceed 10 acres.)

FOREST MANAGEMENTPurpose

Manage forest lands to provide income to the School Trusts:

- Forest Products Sales
- Leasing and Licensing

Reason

State Law authorizes DSL to manage forested Trust lands to maximize long-term financial return.

Budget, Funding & FTE

FY96 Budget: \$2,116,118 (100% General Fund)

FTE: 53.62 (+ 6.00) Permanent

FY94 ResultsForest Product Sales

Income Earned	\$5,708,000
Timber Volume ^{Prepared} Sold (Board Feet)	30.8 Million
Number of Sales	1724
Acres Inventoried	14,900 acres

Leasing and Licensing

Administration	1,026 Leases/Licenses
Income Earned	\$502,541
Access Issued	42
Renewal Inspections	70

Other

1994 audit of forest practices showed DSL continues as a top performer.

Legislative Audit (1992).

Current return on investment: \$2.74 return for each \$1.00 spent.

FOREST IMPROVEMENT**Purpose**

Improve forest growth and productivity, treat logging slash, improve manageability.

Activities include slash disposal, preparing sites for reforestation, tree planting, thinning, genetic tree improvement, road maintenance and access acquisition.

Reason

State law authorizes Land Board to set fees (charged to timber sale purchasers) to provide funding for FI activities.

Funds intended to meet legal requirements related to timber harvest, and to increase long-term financial returns.

Budget, Funding & FTE

FY96 Budget: \$1,678,760 (100% State Special)

FTE: 9.64 Permanent
9.70 Seasonal
19.34 TOTAL

FY94 Results

Slash Disposal/Site Preparation: 1,437 Acres

Tree Planting: 348,000 Trees
(1,056 Acres)

Precommercial Thinning: 465 Acres

Tree Improvement Areas Managed: 39 Acres

Other

Proposed increases in budget and activities to address a backlog of treatment needs.

Expect greater FI revenues in FY96-97 to support requested budget and proposed activities.

\$28,000 of federal funds for tree improvement are available in FY96-97.

SERVICE FORESTRY**Purpose:**

This budget pays the costs of providing:

- Logger information about forestry Best Management Practices (BMPs). Mandatory notification.
- Regulation of timber harvests in Streamside Management Zones (SMZs).
- Forest landowner education and resource-management advice.
- Community (urban) forestry assistance.
- Technical services for the management and control of forest pests (damaging insects and diseases).

Reason:

Various state laws give the Department the job of helping Montana citizens protect and manage the forest resources under their control. In addition, federal funds are available for certain of these purposes.

Budget, Funding and FTE:

FY96 Budget: \$864,732

Funding Source(s):

49% GF
0% State Special
51% Federal

FTE: 14.03 (+3.00) Permanent

FY94 Results:

BMP information responses	2,128
BMP on-site consultations	145
SMZ Alternative Practices approved	25
SMZ enforcement actions	64
Forest Stewardship landowner workshops	9
Private timber-harvest consultations	164
Towns receiving urban-forestry assistance	105
Insect and disease evaluations	48

TIMBER SLASH**Purpose:**

This budget pays the cost of administering, inspecting and enforcing contracts called hazard reduction agreements (HRAs), which are made with the party in charge of each timber cutting on private land. Presently there are over 4,000 active HRAs.

Reason:

State law requires that the Department use HRAs to control slash hazards on private land, so that large and costly forest fires might be prevented.

Budget, Funding and FTE:

FY96 Budget: \$466,911

Funding Source(s):

36% GF

64% State Special

FTE:

10.98 Permanent

1.33 Seasonal

12.31 TOTAL

FY94 Results:

New HRAS:	2,128
HRAs certified and closed:	1,112
MHRA units certified:	1,280 (Calendar 1993)
Slash project takeovers	65

The present annual caseload of 2,128 new HRAs is more than twice the level assumed by the previous legislature. Extremely high demand for, and subsequent harvesting of, private timber is the factor creating this caseload increase.

NURSERY

Purpose:

This budget pays the cost of operating the State Forest Tree Nursery, which produces and sells high-quality tree and shrub seedlings for conservation purposes.

Reason:

Trees and shrubs purchased from the Nursery are used in projects that conserve agricultural lands, such as field windbreaks, and for reforestation of state and private forests.

Budget, Funding and FTE:

FY96 Budget: \$230,078

Funding Source(s):

-0-% GF
100% State Special (from sales)

FTE:

2.00 Permanent
5.34 Seasonal
7.34 TOTAL

FY94 Sales:

Conservation hardwoods	499,900
Conservation conifers	142,275
<u>State lands conifers</u>	<u>350,546</u>
TOTAL trees and shrubs sold	992,721

Other:

- All trees and shrubs are from known seed sources.
- Prices are the same for all species to encourage landowners to select the species best suited for their conservation project.
- We do not sell any seedlings for ornamental or landscape purposes.

OTHER SERVICES**Purpose:**

- Provide liability insurance for 809 forestry- and fire-related vehicles including trucks, buses, trailers, and passenger vehicles for the Forestry Division, Field Operations Division, and County Co-op fire program.
- Provide janitorial services and security protection for field offices and the Forestry Division complex.
- Provide office supplies, operating materials, utilities, buildings and grounds maintenance, and supplies for 169 buildings owned and leased.
- Provide lease payments for 16 office, storage and shop facilities at DSL locations around Montana.
- Provide telephone service and postage for field offices and Forestry Division.
- Provide for rental and maintenance of office equipment, to include computer systems networks and photocopiers.

Budget, Funding & FTE:

FY96 Budget: \$948,342

Funding Source(s):

\$848,342 GF

100,000 Federal (Fire Reimbursement)

\$948,342 TOTAL

FTE: 8.31

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Nat. Resources Sub COMMITTEE

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