

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
55th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

**Call to Order:** By CHAIRMAN ROGER DEBRUYCKER, on January 16, 1997, at 8:00 A.M., in Room 201

ROLL CALL

**Members Present:**

Rep. Roger DeBruycker, Chairman (R)  
Sen. Thomas F. Keating, Vice-Chairman (R)  
Sen. Larry L. Baer (R)  
Rep. John Johnson (D)  
Sen. Linda J. Nelson (D)  
Rep. William R. Wiseman (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Roger Lloyd, Legislative Fiscal Division  
Theda Rossberg, Committee Secretary

**Committee Business Summary:**

Hearings: DEPARTMENT OF NAT. RES. & CONS.  
Centralized Services Division  
Oil and Gas Division  
Conservation Resource Development  
Division

Executive Action: Centralized Services Division

Tape 1,A  
Speed 4.8

HEARING CENTRALIZED SERVICES

**EXHIBIT 1.** Pages C-158, C-159, C-160, C-161. Roger Lloyd, Legislative Fiscal Division gave an overview of the division.

**Ann Bauchman, Administrator Centralized Services** gave an overview of the functions of that division.

**EXHIBIT 2.** She said Centralized Services is comprised of two bureaus.

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{Tape: 1; Side: A; Approx. Time Count: 8.0; Comments: .}

**Ms. Bauchman** stated that Centralized Services was involved with all the other division.

She mentioned a large reduction in personal services due to reorganization when Centralized Services decreased FTE's and also a reduced Fixed Costs. See **EXHIBIT 1, Page C-159.**

**Ms Bauchman** said the only increase to the base was for equipment.

{Tape: 1; Side: A; Approx. Time Count: 18.9; Comments: .}

Discussion:

The committee discussed the computer replacements.

**SEN. JOHNSON** inquired as to what happened to the 4 FTE they were eliminating.

**Bob Kuchenbrod** said they would disappear and would not show up in the base.

Questions and Responses:

**SEN. KEATING** asked if they ever utilized the state office of graphics and design instead of theirs.

**Ms. Bauchman** replied that they did use them because they had several capabilities that their system would not do.

**SEN. BAER** said the department said that FTE's in Personal Services and Operating Services reductions would disappear.

He asked if they may reappear in the Department of Environmental Quality.

{Tape: 1; Side: A; Approx. Time Count: 28.2; Comments: .}

**Mr. Kuchenbrod** responded to **SEN. BAER'S** question. He said the FTE's were eliminated, retired, etc. and he was one of them that was retiring.

Tape 1, B  
Speed 4.8

Discussion:

{Tape: 1; Side: B; Approx. Time Count: 1.5; Comments: Discussion on FTE reductions continues.}

**Mr. Lloyd** explained the funding for Centralized Services. See **EXHIBIT 1, Page C-159.**

Questions and Responses:

{Tape: 1; Side: B; Approx. Time Count: 12.2; Comments: Questions and Responses on rental costs due to reorganization.}

EXECUTIVE ACTION  
CENTRALIZED SERVICES

Budget Items:4) Operating Adjustments

Motion: REP. WISEMAN MOVED TO APPROVE OPERATING ADJUSTMENTS OF \$41,008 IN FY98 AND \$41,536 IN FY99.

Discussion:

Vote: Motion carried unanimously.

5) Replacement Equipment

Motion/Vote: SEN KEATING MOVED TO APPROVE \$11,376 EACH YEAR OF THE BIENNIAL FOR EQUIPMENT REPLACEMENT. Motion carried unanimously.

Other Base Adjustments

Motion/Vote: SEN. KEATING MOVED TO APPROVE OTHER BASE ADJUSTMENTS. Motion carried unanimously.

Executive New Proposals1) Personnel Officer

Mr. Lloyd reviewed the LFD comment on the Personnel Officer. See EXHIBIT 1, Page C-160.

{Tape: 1; Side: B; Approx. Time Count: 28.2; Comments: .}

The department introduced Glenna McClure, the new Personnel Officer who came from DEQ.

Tape 2,A  
Speed 2.4

Questions and Responses:

SEN. KEATING asked what was the source of the proprietary funding for the FTE.

Mr. Lloyd responded that the FTE was funded by indirect costs in DEQ because they charge 17% to all the other divisions. All the

different sources of funding are contributed into the proprietary fund in DEQ.

**Motion/Vote:** SEN. JOHNSON MOVED TO APPROVE THE ACCEPTANCE OF THE PERSONNEL OFFICER. Motion carried unanimously.

**State Lands Equalization Payments**

REP. SAM KITZENBERG, HD 96 Glasgow, representing part of Valley County and all of Daniels County said that last year he introduced an amendment to catch-up on the funding for the Equalization Payments. As a result that was raised up to \$496,594 and it needs to be raised again up to \$543,093. Perhaps the committee could appropriate an automatic raise per year through statutes so it wouldn't have to be revisited that each year.

REP. KITZENBERG stated that the funding doesn't keep up with the law.

{Tape: 2; Side: A; Approx. Time Count: 6.7; Comments: .}

Mr. Lloyd explained that the legislature appropriates funds two years in advance and no one knows what the payment would be until November, December of that calendar year.

Mr. Lloyd reviewed three options for the committee's consideration. See EXHIBIT 1, Page C-161.

EXHIBIT 3, 3A. Mr. Kuchenbrod reviewed how the State Equalization Payments were calculated.

EXHIBIT 4. Mr. Kuchenbrod reviewed some comparisons from 1993 to 1999 for State Equalization Payments.

**Questions and Responses:**

REP. WISEMAN asked REP. KITZENBERG how the people in his area would respond if they decided to sell state lands if they came up for release.

REP. KITZENBERG responded that last session there were a couple of Bills that addressed that and the banks were very nervous because they had loaned money on various farms and ranches that had state lands. There was a lot of apprehension in his area because of the possibility of losing their land to an out-of-stater who had a lot of money.

{Tape: 2, Side A; Approx. Time Count: 20.1; Comments: .}

**Discussion:**

SEN. NELSON remarked that those people were scared to death of selling to out-side bidders.

Motion: SEN. NELSON MOVED TO APPROVE OPTION 3 OF THE STATE LAND EQUALIZATION PAYMENTS.

Discussion:

Mr. Lloyd asked the committee to review Page 6 of the statue write up he passed out previously.

{Tape: 2; Side: A; Approx. Time Count: 27.0; Comments: REP. KITZENBERG discussed the State Equalization Payments.}

{Tape: 2; Side: A; Approx. Time Count: 33.0; Comments: Discussion continues on State Land Equalization Payments..}

Vote: Motion to approve Option 3 of the State Lands Equalization Payment, failed 3-3.

HEARING OIL AND GAS DIVISION

**EXHIBIT 5, Page C-163.** Tom Richmond, Administrator Oil and Gas Division gave an overview of the division and the Board of Oil and Gas.

**EXHIBIT 6.** Annual Review 1995, Montana Oil and Gas.

{Tape: 2; Side: A; Approx. Time Count: 48.7; Comments: Mr. Richmond continues his overview of the Oil & Gas Conservation Division.}

Discussion:

SEN. KEATING stated it was difficult to attract outside investments in Montana because of having to compete with Colorado, Utah, Oklahoma and Texas.

Tape 2,B  
Speed 2.4

{Tape: 2; Side: B; Approx. Time Count: 12.0; Comments: Continued discussion on Oil & Gas Conservation Division.}

Discussion on horizontal wells verses vertical wells:

**EXHIBIT 7, Page C-165.** Mr. Richmond reviewed the Underground Injection Wells. He said there were 5 different classes of injection wells.

Gail Abercrombie, Executive Director Montana Petroleum Association said several producers got together to help the Board of Oil & Gas hire a consultant to put the UIC Primacy application together. It was called Montana Producers for UIC Primacy and they were awarded primacy on Class 2 wells.

{Tape: 2; Side: B; Approx. Time Count: 21.0; Comments: .}

Mr. Richmond stated that all the funding was from state special revenue from well injection fees.

Discussion:

{Tape: 2; Side: B; Approx. Time Count: 30.4; Comments: Discussion on cost per barrel of oil.}

HEARING

CONSERVATION RESOURCE DEVELOPMENT DIVISION

EXHIBIT 8, Page C-168. Ray Beck, Administrator Conservation Resource Development Division gave an overview of the division.

Discussion:

{Tape: 2; Side: b; Approx. Time Count: 38.7; Comments: Mr. Beck discussed the Farm Bill that was passed by Congress.}

Mr. Beck reviewed the Riparian Management Program.

{Tape: 2; Side: B; Approx. Time Count: 51.5; Comments: .}

Mr. Beck reviewed the Grants and Loan Program.

{Tape: 2; Side: B; Approx. Time Count: 52.8; Comments: .}

Mr. Beck reviewed the Grazing District's responsibilities.

Tape 3,A  
Speed 2.4

Ann Miller, Financial Advisor Conservation Resource Development Division explained the loan grants funding.

Discussion:

Nr, Beck discussed the Coal Tax Trust fund and the Treasure State Endowment fund.

{Tape: 3; Side: A; Approx. Time Count: 10.0; Comments: SEN KEATING discussed the severance coal tax.}

Mr. Beck stated that there were 128 loans for private water projects that were backed by bonds.

{Tape: 3; Side: A; Approx. Time Count: 14.5; Comments: Mr. Beck reviewed the Reclamation and Development Grant Program.}

Discussion:

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*{Tape: 3; Side: A; Approx. Time Count: 16.0; 8 Comments: .}*

Mr. Beck reviewed the State Waste Water Loan Program.

Ms. Miller discussed the loan repayments.

*{Tape: 3; Side: A; Approx. Time Count: 20.9 ; Comments: .}*

Mr. Beck discussed the State Revolving Fund Loan Program.

REP. MOOD, HD 58, Seeley Lake sponsored a Bill to expand the funds for drinking water. That Bill would allow Seeley Lake to borrow money for their water system at a rate that would be affordable.

*{Tape: 3; Side: A; Approx. Time Count: 27.0; Comments: Testimony in support of State Revolving Fund Loan Program for water systems.}*

Jill Scheel, Montana Association of Conservation Districts from Sweet Grass County.

Dennis DeVries, Chairman Lake County Conservation District from Polson.

**EXHIBIT 9.** Letters from Montana Cities supporting the State Revolving Fund Loan Program for water systems: Shelby, Plentywood, Fort Benton, Cut Bank, Glendive, Glasgow, Victor, Cascade, Kalispell, St. Marie and Missoula.

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ADJOURNMENT

Adjournment: 12:05 P.M.

Roger DeBruycker  
REP. ROGER DEBRUYCKER, Chairman

Theda Rossberg  
THEDA ROSSBERG Secretary

RD/TR

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