

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON AGRICULTURE, LIVESTOCK & IRRIGATION

Call to Order: By VICE CHAIRMAN RIC HOLDEN, on January 29, 1997,
at 1:04 p.m., in Room 413/415.

ROLL CALL

Members Present:

Sen. Kenneth "Ken" Mesaros, Chairman (R)
Sen. Ric Holden, Vice Chairman (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. Gerry Devlin (R)
Sen. Don Hargrove (R)
Sen. Reiny Jabs (R)
Sen. Greg Jergeson (D)
Sen. Walter L. McNutt (R)
Sen. Linda J. Nelson (D)
Sen. Bill Wilson (D)

Members Excused: None

Members Absent: None

Staff Present: Doug Sternberg, Legislative Services Division
Angie Koehler, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 218, 01/24/97
Executive Action: None
Informational Report: Montana State University

HEARING ON SB 218

Sponsor: SENATOR JIM BURNETT, SD 12, LUTHER

Proponents: None

Opponents: Gordon Morris, MT Association of Counties
Mike McGinley, Beaverhead Meats
Candace Torgerson, Women Involved in Farm Economics
and Agricultural Preservation Association
Laurence Petersen, MT Department of Livestock
Leonard Mingneau, L&L Meats
Jason Mahlum, Lower Valley Meats
Mac Carelli, C&C Meats

Les Graham, MT Stockgrowers Association, MT
Woolgrowers Association, MT Cattlewomens
Association, MT Dairy Association and MT
Livestock Auction Association
SENATOR GREG JERGESON, SD 46, CHINOOK
Stuart Doggett, MT Veterinary Association
Ena Simpson, Polson
REPRESENTATIVE WILLIAM "RED" MENAHAN, HD 57, ANACONDA

Opening Statement by Sponsor:

SENATOR JIM BURNETT, SD 12, LUTHER: It makes little or no difference to me whether you pass it or not other than it's a financial matter as far as I'm concerned. It is all General Fund money we're talking about. I will give you a little bit of background about the state meat inspection. As you know, the Wholesome Meat Act that went in during the mid 1960's required that all meat be inspected. The state entered into the process at that time. There was an individual here in the valley that wanted to open a meat plant and couldn't get by the federal inspection so he proposed the state meat inspection. It had to meet certain criteria of the federal agency and be equal to or better. State inspectors had to go school and learn what the requirements were. When they came back, the plant still didn't pass inspection from the state inspectors.

In 1969 we were strapped for finances in the General Fund so the legislature removed the statute for the state meat inspection. We stayed out of the meat inspection program until the 1987 Session of Legislature. Again, they had to be equal to or better than what the federal standards were. Instead of going under the State Board of Health, it went under the State Board of Livestock. The material is before you if you want to look at costs and so forth. (EXHIBIT 1) The first page, a map of Montana, shows 35 state inspection plants and 40 federal inspection plants. The federal has to match 50 percent of what the state does. If the state decides to go out of the meat inspection business, I have the names of the inspector in Washington and one in Billings that can give you the information of what would undoubtedly happen. (EXHIBIT 2) The federal would have to hire more inspectors to pick up what the state does. The State contracts some of their inspections. I guess that's legal because it's been written earlier in the statute. The state also sends inspectors to all the various custom plants. There is no meat inspection requirement as far as the custom plants go. It is only plant inspection. I don't know what the finance or cost would be to send inspectors around to the various plants. I understand they go four times a year.

On the second map, the dots are all custom plants that are not inspected at the present time. I propose that they revert back to the way it was done in the 1960's, that county health officers inspect these plants. It would alleviate the amount the State spends for health inspectors to inspect the various restaurants

and other facilities that dispense food. It costs a fee to do this and the county health officer gets that fee. Having state and federal inspectors is duplication. We should have one or the other. We can't dispense with federal inspections because to cross state lines, it has to be federally inspected.

Opponents' Testimony:

Gordon Morris, MT Association of Counties: Once again we're in front of you from the standpoint of looking out for taxpayer interest across Montana. This bill is a clear violation of the Drake Amendment. Do you have the Fiscal Note? The budget office called me in regard to the bill and asked if I could help them put together some numbers in regard to how much this would cost county health departments to conduct and inspect the custom slaughter houses which are currently exempt under existing law.

Based upon information I generated through county health departments across the state, the statewide fiscal impact would be in excess of \$400,000 per year. Missoula County estimates that if they had to conduct the inspections, they would have to retain a 0.6 FTE, a sanitarian at a salary of about \$35,000 per year. Based upon that salary, it would clearly exceed the 0.1 mill impact allowed under Section 4 of the Drake Amendment in Missoula County alone based upon the current value of their mill at \$77,000. That, in itself, is enough to ask the Committee to TABLE this bill without any further ado. I certainly appreciate **SEN. BURNETT'S** concerns in regard to what we're doing by way of meat inspections. If this is an issue we could take a look at over the interim relative to the federal role versus the state role, MACo would certainly work with you as well as the county health officers.

{Tape: 1; Side: A; Approx. Time Count: 1:15 p.m.}

Mike McGinley, Beaverhead Meats, Dillon, MT: Submitted and read written testimony. (EXHIBIT 3)

Candace Torgerson, Women Involved in Farm Economics and Agricultural Preservation Association: The state meat inspection program meets the needs of the agricultural producers of the state as well as the requirements of the consumers. We hope you will TABLE this bill.

Laurence Petersen, Executive Officer, MT Board of Livestock: The Montana Meat, Milk, Egg and Poultry Inspection program falls under my purview. Submitted and read written testimony. (EXHIBIT 4)

Leonard Mingneau, Owner/Operator, L&L Meats, Malta, MT and Director, MT Meat Processors Association: We have been in business for 26 years so we have gone through the state and federal program. The state has got it by far. When we have a problem or a question we contact the office and get an answer

right away. You can imagine calling Washington D.C. and getting an answer within a month. We're also thinking about going full time state inspection instead of a custom exempt operation. Hopefully you will continue the meat inspection for Montana.

Jason Mahlen, Lower Valley Meats, Kalispell, MT: This issue is so important to the continuation of our business. In 1989 we chose to be a state operated plant. In doing so, we opened our doors to new accounts that have enabled our business to grow as well as being able to keep quality workers year around. The cost of making a change for us and other small packing plants is in the thousands of dollars. I want to stress that the state inspection has been beneficial to our program and it works.

Mac Carelli, C&C Meats, Sheridan, MT: We built a new plant in 1988. We've been with the meat inspection since we started. We're very happy with it. The federal people come in periodically and check on us. They say we have as good of meat inspectors as there are.

{Tape: 1; Side: A; Approx. Time Count: 1:25 p.m.}

Les Graham, MT Stockgrowers Association, MT Woolgrowers Association, MT Cattlewomens Association, MT Dairy Association and MT Livestock Auction Association: This is not a duplication of federal/state because when the state took over, the federal basically contracts with the state to do it for them. If the inspectors are removed and the counties were given the responsibility, it would be duplication because they will not accept the county health sanitation officers inspection on custom exempt plants. They can't under the Federal Wholesome Meat Act. There would be duplication between the federal and the counties at that point. When this program was given to the Department of Livestock, there were 96 plants listed in Montana with slaughter processing and processing only or custom exempt. Right now there are 213 in all these categories. That means growth and the legislature, through the years, has spent thousands of dollars in growth through Montana programs at the Department of Commerce and other state departments. The MT Department of Agriculture, on a national basis with the commissioners, has been working for several years to get the federal government to allow state inspected products to cross state lines. Only federal inspected products can do that for retail sale. They are getting very close to that allowance with the federal government. If this were to take place, then these state inspected plants can have a product that can cross like the federal. The last is rather on the humorous side. We took this program over from the federal in 1987. I went to their state supervisor in Billings and asked for a list of all the custom exempt plants. We already knew of 30 to 40 more he didn't have on his list and didn't even know existed that were going uninspected. There is no comparison of quality between the two programs.

Dave Brown, Butte, MT: I'm testifying on behalf of myself and the past activity in this area while I served in the House. With all due respect to my old colleague in the House and good friend, **SEN. BURNETT**, I fought for a lot of years to keep this program alive and well. It's the kind of economic development activity where there is an unusual federal/state partnership that promotes business instead of government. It has allowed for a substantial increase in activity. You've heard from some of the folks. I'm delighted to see them here. This is one of the strongest areas of economic development in the agricultural community. We can promote Montana products and Montana meat processing and packing. I urge you to TABLE the bill.

SEN. GREG JERGESON: I feel compelled to oppose this bill. I was in the Senate in 1987 when we first started this program. Former **REP. GENE DONALDSON** was the brains and power behind the establishment of the State Meat Inspection Program and I was very privileged to help him get it through the Senate. All of us know that when the Legislature is confronted with a new program, there is a lot of skepticism and a lot of resistance to adopting a new program. There is concern that it may not work as its originators intended. Unfortunately, **REP. DONALDSON** didn't live long enough to see how well this program has developed over the years. It was a matter of his great vision that got this started. I think it's a continuation of that vision and a very fine program. We should keep it going and dispose of this bill on a DO NOT PASS or TABLE.

Stuart Doggett, MT Veterinary Medical Association: The Association simply wishes to express their opposition to SB 218.

Ena Simpson, Polson, MT: I am concerned, as a registered dietician, that the public and everybody receives properly inspected meat. I don't think we'll gain anything if we eliminate one of the meat inspection projects. I oppose this bill as I want maximum protection for the citizens of this state.

REPRESENTATIVE WILLIAM "RED" MENAHAN, HD 57, ANACONDA: I was the cosponsor of this bill with former **REP. GENE DONALDSON** a number of years back when we were having so much trouble with the federal government and inspectors changing the rules every time. Since we got turned around and have these inspectors, Rocky Mountain Meats, a couple of pasty shops and others have expanded and done other things all because of this program we have in place. The costs and impediments of the federal rules put in front of these people is a crying shame. The people in the cattle business trying to sell know about this. They did more to impede the slaughtering and selling of beef in this state than anyone else.

Written Opposition:

Larry Laknar, Beaverhead County Sanitarian (EXHIBIT 5)
Beaverhead County Commissioners (EXHIBIT 6)
Cathy Burwell, Beaverhead Chamber of Commerce (EXHIBIT 7)
Lyle Happel, Sec./Treas., MT Meat Processors Assoc. (EXHIBIT 8)
Robert M. Sain, A Bar S Processing (EXHIBIT 9)
Duane Braaten, Farm-to-Market Pork, Inc. (EXHIBIT 10)
Jack Stivers, MSU/Lake County Ext. Agent (EXHIBIT 11)
Betty J. Krumm, Junes Pasty Shop (EXHIBIT 12)
Linda Mingneau, L&L Meats (EXHIBIT 13)

Questions From Committee Members and Responses:

SEN. GERRY DEVLIN: Is there someone from the local health office here? This transfers to them and I thought maybe someone would be here to accept the responsibility.

Mr. McGinley: I talked to my local, county sanitarian and I think he FAXED a copy in. He strongly opposes this.

SEN. DEVLIN: Do the county sanitarians have anything to do with inspecting the facilities of custom slaughter plants or anything?

Mr. Graham: No, they do not. At the time we implemented the program, we did talk to them. We visit with them on a continual basis and there is interaction between inspectors and county sanitarians. At one time, we did contract with one county to do some work through their county sanitarian. They were agreeable to that. I believe, at that time, the sanitarian was a part-time employee and this filled the rest of their time. I'm not saying they couldn't. Maybe there are some at this time, but at that time there were not.

SEN. DEVLIN: They are not required to do part of the inspection or anything?

Mr. Petersen: No, nothing has changed along those lines.

SEN. DEVLIN: I've known of some cases in my area where the county sanitarian comes in and looks over a plant. They act very official and I was wondering if he needed to be there at all. Would you comment on that?

Mr. Petersen: The Bureau Chief for the program that is being discussed, Carol Olmstead, is here today. I'm sure she could give this Committee an expert opinion on what is going on.

Carol Olmstead, MT Department of Livestock: What you're talking about is a county sanitarian that has the authority to go into a retail exempted meat plant where there is a retail case. That is separate from a custom slaughter plant.

SEN. DEVLIN: Do they have any business in a custom outfit?

Ms. Olmstead: A lot of times, in small businesses, they kind of overlap, but as far as the custom product and inspection of that process, no.

{Tape: 1; Side: A; Approx. Time Count: 1:36 p.m.}

Closing by Sponsor:

SEN. BURNETT: I would like to address **SEN. DEVLIN'S** remark. If there is a complaint and the county sanitarian makes the inspection and so forth, he can shut down anything. It's been done. It's interesting that the opponents bring up the federal inspection because the state inspection has to be equal to or better. It's not going to be any better because they're following the same criteria. I don't care whether you have a state or federal inspector. I've been in the meat business for a very long time. I ship across state lines so I must have federal meat inspection.

The only thing I'm pushing is the economic side. Those of you on Finance and Claims can understand that. If you've been on Health and Human Services as part of the Subcommittee, the demand for money is astronomical. In our part of Finance and Claims, it amounts to a billion and a half dollars. There are people putting in requests for only \$20,000 or \$30,000 and we have to deny it. It's very hard to turn these people down that are in such dire need of finance. The state plants that can get along and go with federal inspection are releasing better than a half a million dollars to people that are in dire need. We're not cutting any money, we're just not allowing increases in many cases. I would like to ask the people, who are here objecting to allowing this better than a half million dollars for human services, if it's fair that they want this program because it's more convenient. They can get along with federal inspection. That's not a problem, I'm sure.

I left the telephone number of the head inspector out of Washington D.C. and the one out of Billings. They would discuss it with you. They are willing, as far as the feds go. You're taking up half of their costs. I'm trying to keep General Fund money working in Montana for the very dire need of people who need the services. If you can get by without that service, fine. When we pull together, we can hold the finance down, but many finances we hold down are very heartbreaking. I'm not hitting the state inspection for their quality or convenience. I'm hitting it because they're taking a half million dollars from places where it's needed much more.

CHAIRMAN KEN MESAROS: This will close the hearing on SB 218. We will not take Executive Action today. We will now hear an informational report from Montana State University.

{Tape: 1; Side: A; Approx. Time Count: 1:43 p.m.; Comments:
Turned tape over.}

Informational Report from Montana State University:

Dr. Mike Malone: I will kick off with a couple issues that are of special interest to us and then I'll turn it over to **Dean McCoy**. Agency salaries is the biggest issue we have on our mind in this Session as **SEN. JERGESON** obviously well knows. The other is the Ag/Bio Science building. That was authorized, as you'll recall, by the 1995 Session. It is an \$11.5 Million, primarily, federally U.S. Department of Agriculture funded project. It has about \$3 Million worth of private support in it. We've succeeded now in raising about half of that at about \$1.5 Million. That's difficult for bricks and mortar. The building was authorized in 1995. We hope to break ground on that facility in the spring in about two or three months. It's an extension on the north side.

A lot of you have been through our Plant Growth Center which, I think, is one of the best investments that the legislature ever made in Montana in terms of return for the dollar. This facility will have two primary purposes. It will have isolation facilities for insects that can be imported into America. Insects that prey upon noxious weeds like leafy spurge and knapweed. We have some of those already in the existing structure. The revolutionary part of this building is quarantine facilities for pathogens or microorganisms. There is only one place in America they can be introduced into our environment. This is at Fort Detrick, Maryland which is a humid area. This institution has about a five or eight year backlog as it's a very delicate matter to bring pathogens into this country and release them into our environment. This will be the second place and it will be a highly sophisticated facility. It will be a biocontrol facility, one of the two best in country, I think. Of course, it will serve both crop agriculture and livestock agriculture as well as the environment generally as these pathogens are part of the answer for dealing with pests as diverse as grasshoppers or noxious weeds.

The other part of the building is devoted to marketing facilities and laboratories, especially for Montana grains and also oil seeds and so on. Right now, foreign purchasers of Montana cereal grains, Japanese and southern Asians in particular, have to look at these facilities in really very poor circumstances in Leon Johnson Hall. These new laboratories will be state-of-the-art. They will have computerized readouts on grain of protein content, lipid content and so on. These facilities are going to be vitally important too. That building is coming on and we'll be keeping you informed about the building of it over the year ahead.

The other issue is the agency salary issue which I think most of you have some awareness of. Beginning in 1994, the University of Montana which is a unionized campus, as we are not, negotiated a

contract, with **Governor Racicot** and the **Board of Regents**, that significant salary increases would extend over four years at a 6.9 percent increase. There would be certain increases in the productivity of the faculty and institution. Once the Regents accepted that, it set the format for the rest of the university system. We have negotiated a similar agreement on our campuses including the Bozeman campus and although they are not unionized, the agreements work the same way. Faculty pledge certain increases in productivity, the students agree that they'll pay a certain amount more of tuition and the salaries get caught up over four years, hopefully, to where they're at least on the lower end of the regional average. That's all well and good because the agreement **Governor Racicot** signed off on was that there would be no impact on General Fund.

The University of Montana has small agencies affiliated with it such as the Bureau of Mines and the Forestry Experiment Stations. The problem is, we have three agencies. One is small, the Fire Services Training School. Two are very large, the Experiment Station and the Extension Service. They have about 200 faculty associated with them and many of those faculty are distant from the Bozeman campus. The issue, in a nutshell, is that the faculty who are employed by the Experiment Station and the Extension Service do not generate any tuition. They are doing research on statewide agricultural issues and problems. In the case of extension employees, we all know what they do. They are partly funded by county governments and partly by the federal government. So we're left with this very large issue after the 1995 Session that we signed off like all the other institutions on a tuition salary issue, but we have 200 faculty who aren't covered. In the 1995 to 1997 Biennium, the University has helped these two agencies meet these salary demands. Our students don't necessarily like that because they're seeing their tuition, in large amounts, going to faculty who they don't see. When you reach the 1997 to 1999 Biennium, the amounts get larger and larger as they compound year by year. So the dollar sign, for those salaries in the coming biennium, is about \$1.7 Million. Most of that, about \$1.5 Million, is MSU faculty. What we've been arguing to the Subcommittee, of which **SEN. JERGSON** is a member, is to ask for General Fund consideration in support of that.

Yesterday the Committee voted by a five to one margin to recommend General Fund support for those salaries. It's extremely critical to us because, if we don't get that, the agencies are going to be in a position where they're going to have to cut services significantly. We'll try to help them from the university side every way we can, but clearly such issues as trying to reopen the Huntley Southern Experiment Station are vitally affected. We would not have the resources to do that. If we get this help, I think we can do that. That is our major issue. That is where it stands.

{Tape: 1; Side: B; Approx. Time Count: 1:52 p.m.}

Tom McCoy, Dean, College of Agriculture and Director,

Agricultural Experiment Station: The cover on this document shows where we have stations around the State of Montana.

(EXHIBIT 14) Most of you are well aware that we have a system that is well coordinated. We do a lot of coordination between the people at the research centers as well as the faculty in Bozeman. In fact, this week the faculty from all the research centers are meeting with all the faculty in Bozeman to develop plans for this next growing season and research plans on into the future. So it is a system. It truly is an investment in Montana's future. I think it's an investment that's been made in the past that has reaped huge rewards. The first page we can march through quickly. It's just a reminder as far as looking at income, gross sales or employment. Those numbers are pretty accurate as of fall of 1996. We had a study done in ag economics. It will show that agriculture is certainly the most important aspect of the Montana economy. It is a \$2 Million plus industry in terms of gross sales and gate receipts from sales of commodities in the state.

The second page just gives you a reminder. Everybody knows we're a cow/calf and wheat state. At the bottom of page though, there are notable facts. It is important to recognize that our FY96 investment from State General Fund was \$7.4 Million. That \$7.4 Million is less than .2 percent of the annual economic benefit from agriculture in Montana. To me, that is relatively minor. I think we could do a lot more when you look at the state's investment in its most important industry in terms of driving that industry through research.

Of the next three pages, the first one talks about some aspects from the past. On page three and four there are some things I would like to discuss in terms of current aspects relative to ag research. The fifth page gives some examples of things we're currently focused on and trying to do in order to improve the ag economy in Montana. It is important and worth mentioning, on page three we talk about improvements from past investments in ag research. If you look at what's happened with variety and what we've got in terms of wheat and barley varieties in Montana today and their productivity, of which a large amount is due to the Montana Experiment Station, that improved genetics and improved management has resulted in those kinds of average yield increases. These truly are improved genetics because in comparing varieties from the 1960's to the 1990's, you will see significant improvement in terms of yield. In looking at \$4.00 wheat and an optimistic \$3.00 per bushel barley, you end up with numbers in the right hand column that show those kind of improvements from research in one year reap the rewards of an additional \$200 Million per year. Once again, we have very defenseful documentation relative to improvements that have been made from ag research that are of immense benefit to Montana and to the economy of Montana.

It's also worth mentioning where our expenditures come from. As for expenditures for the Montana Agricultural Experiment Station, those are the actual numbers for FY96 as of the end of Fiscal Year, June 30, 1996. The state General Fund investment in terms of our operation is less than 40 percent at the present time. If you go back ten years, that number was closer to 80 percent. What has happened is we've become more and more reliant and dependent on grants and contracts. To me, that's good. It shows we have a very productive and competitive faculty.

I would also like to emphasize that some people make comments that sometimes grants and contracts force us to do things that aren't of benefit to Montana. Frankly, I don't buy into that because our faculty gets grants and contracts to fund research programs that are of direct benefit to Montana. A quick case in point would be something like a large grant we currently have to develop and improve feed barleys. We have a very coordinated effort between the barley breeder and an animal nutritionist relative to developing barleys that would make better feed for beef cattle. As you can see, the number that we've been able to keep increasing has been the grants and contracts activity. 1996 was the first year we actually have gone to the point where our grants and contracts expenditures exceed our State General Fund.

The other thing on that page talks about Federal Formula Funds. Those are the Hatch Act and Regional Research Funds we get from the federal government. Then we have the sale of products. We're not in the business of competing with the private sector, but we do sell cattle or some wheat that's harvested off of our research quads. That money goes into our operating funds. As Legislators, you set that amount each year in terms of our appropriation and we make that amount from the sale of products. I do want to emphasize once again, as **President Malone** already alluded to, the top bullet that talks about methods and products that add value to Montana's agricultural commodities. The aspect of barley and wheat varieties for specific end use. I'm sure most of you are well aware that most of the wheat we sell goes to the Pacific Rim and our buyers are getting to be more and more particular about what they want. It's very critical that we have a state-of-the-art facility for doing assays on quality, whether it's cereals or other crops, while they're being developed so we don't have a wreck and release something into Montana that yields well but nobody wants to buy.

Wheat stem sawfly has become a major problem in Montana. That estimate of \$50 Million in damages is lost wheat that could have been sold and have additional money floating through the economy of the state that is being plowed back into the ground because of the damage caused by *wheat stem sawfly*. This is a Montana problem. If we don't solve, nobody else will. It was reported that North Dakota has a little bit of a problem. It is a big Montana problem and it's growing. We have to solve that and we will solve it, but the only way it's going to happen is through an investment in research. There are a variety of other things

listed on that page. Most of you are well aware of the things we are doing. If you have questions about any of those or any of the other things mentioned, we can get into that during the question and answer period.

Another thing that's always important is the concept that ag research only benefits the producer so we should make the farmer and rancher pay for ag research and let the other people off the hook. That's a total fallacy. There is plenty of documentation that shows agricultural research benefits consumers far more than producers. The most conservative estimate, in terms of that benefit, is the statement that is on the second bullet on page six. The return, on the investment of ag research, to the consumer rather than the producer is at least three times greater. Because we have been very successful, in terms of ag research, it has allowed us to produce the most nutritious, safest and yet, most affordable food in the world. This is one of the reasons why it ends up being something people don't think we need to invest in anymore. They think you're always going to be able to go to Safeway and buy your milk and Wheaties and that sort of thing.

As I told the House Committee yesterday, somewhat facetiously, maybe we need an *E. coli* epidemic in Montana to remind people, if we're not on top things, that we can lose out on human health and economy. The chart on page six is very nice documentation showing how much money people spend on food. We're in an era where less than 10 percent of disposable income is now being spent on food. That is a big difference from 20-30 years ago. The reason for that has been through research. With all the Farm Bill changes with the 1996 Farm Bill and Freedom to Farm, there are even more pressures relative to ag research. We need to make sure that we produce the best product we possibly can in Montana so we can compete in the world marketplace.

Let's get down to nuts and bolts in terms of some budget issues. The biggest thing on page seven is that all through the 1990's, the Agricultural Experiment Station and other agencies that exist within the university system have been negatively impacted by budget cuts that have occurred. Some of those budget cuts to the university system have been backfilled with tuition dollars, but by and large the Experiment Station, Extension Service and other agencies have not benefited from backfilling through tuition dollars. The cuts that occurred in the university system started in 1991 and then the various special sessions have truly been cuts to the Ag Experiment Station.

Vacancy savings, actual budget reductions and then revenue shortfalls and this unfunded faculty salary issue is becoming a big problem going into this next biennium. The revenue shortfall aspect is there because the legislature sets our income budget. If we don't make that, it's basically a budget cut we have to make up somewhere else. Cattle is the place where we get most of our income and we've been coming out on the short end of the

stick just like a lot of the producers in Montana. We have decided that we can't afford across the board cuts, meaning that when we get a cut we spread it out across the system on an equal basis because they have been significant. We've seen a 12 percent reduction in personnel that work for the Ag Experiment Station in the last five years. With those kinds of cuts as well as operating cuts, we have not been able to spread that across the system where everybody basically gets crippled. We've had to make some hard decisions.

On page seven, one of the biggies is the downsizing of Huntley. That decision was made to save us approximately \$120,000 per year. We've also eliminated our swine research program at Bozeman that we used to have. A couple more examples are the programs on crop physiology and climatology that we no longer have because of funding shortfalls. All these programs, in my mind, are programs that were productive, could be productive and reap rewards from investment, but we had to do things in a non-across the board manner. When those decisions were made I had meetings with our Advisory Committees for each of the research centers that are shown on the front page. We have a Statewide Advisory Committee that met for two days and kicked around a whole lot of ideas and looked at programs. That decision was made in concert and with approval of those committees before we made a move. Those committees are made up of producers and members of the ag business community around the state. The issue of unfunded salary increases is on page 8. I will not go into detail because **President Malone** has already addressed it.

I will close by saying that we appreciate the positive vote that was received yesterday in the Education and Cultural Resources Joint Subcommittee. I hope you will see it in your hearts and minds to keep that in the budget. With that we intend to do what we can to solve the agricultural problems in Montana on into the future.

{Tape: 1; Side: B; Approx. Time Count: 2:05 p.m.}

Andrea Pagenkopf, Director of Extension, Montana State

University: I think many of you are familiar with extension in your local areas. The job of extension is to take the research done by the Agricultural Experiment Station and other researchers and bring it to people to help them solve problems they have. We're working diligently to do that all the time. We have changed some things and are doing some things the same. We have always prided ourselves on being a grass roots organization. We try to do what the people indicate they need to have done. We do that in a variety of ways.

We have advisory councils, but we also partner with the County Commissioners because they fund much of the bill for this service -- 36 percent of our total budget comes from the counties -- 35 percent from the state -- 29 percent from the federal government. We are very sensitive to partnering very closely with local

people since they are paying a large part of the bill. We don't have identical programs in each county because each county is different. As you well know, Sheridan County is very different from Ravalli County so we could not, at the state level, say every county agent will provide education on five topics and expect that to meet the needs of all the counties.

Some people think our program looks very broad and it is. The reason is so we have a better chance of meeting local needs. Currently we have 87 agents in the state. They are not all full-time and some of them serve more than one county. We have 43 specialists on the campus with some type of extension appointment and many of them serve jointly, with Experiment Station. We are officially serving 55 of the 56 counties. We have no official service delivery in Meagher County except we do have quite an active 4-H program there that is supported by a neighboring agent as well as the State 4-H Office. We also have reservation agents on four of the seven reservations that are funded by the federal government, but are faculty at MSU and are supervised by the University. So we cover, essentially, all of the state.

Some things we are doing differently such as using electronics to the extent that it's beneficial for us. Internal communication has helped us a lot. We do use electronic mail and as you know, it's sort of the standard in a county, if you have a question that nobody seems to be able to answer you go to your county agent. Recently, a question came through the electronic mail on how you build a chicken coop so predators can't get in. I thought, who would know that and within 15 minutes someone who had a similar situation came back with the answer; look in this place and it gives the instructions. We're using that to be more efficient in communicating.

We are certainly looking at the idea and think it would be beneficial if we locate some of our specialists off the campus. For example, we have a specialist position open right now that has traditionally been on campus. We would like to locate the position at the Miles City, Fort Keogh laboratory. The reason for that is because there are very good livestock specialist people at that facility and we could save money by not having to send someone from Bozeman to eastern Montana whenever there was an educational program presented. We have indicated to the people from Huntley that we would very much like to put an Extension Crop Specialist at the Huntley Station when we have a position available. I think we will see more of that if we can serve a local area better and not deprive the rest of the state. Those have to be the criteria we use.

We are trying to maintain a flexible pool of personnel dollars so we can react quickly when issues come up. As you know, it has been traditional for us to hire permanent people. That has served us well until we have something come up that is absolutely new and have no one on the staff with the expertise to deal with it. We've been trying to maintain some flexible dollars so when

something comes up, we can hire someone on a temporary basis to deal with the issue and then we pull away. We don't have a permanent hire. One of the things we've done and, in fact, is going on this week is we've worked with the Montana Veterinary Medical Association, who has indicated a need for educational programs. We have not been able to hire specialists specifically for that and so we have worked with them to put on a series of seminars across the state for veterinarians and producers. I believe the topic this week is on calving difficulties. That was one of the issues they thought was very important. We will probably continue to do that.

We are also cooperating with North Dakota State University and sharing their specialists across the Montana/Dakota border. We can do that for less expense than we can house someone in Bozeman to serve that part of the state. We have realized that collaboration is critical to us. We are collaborating carefully and intensively with many of the state agencies. We can take leadership, for example, in trying to design a program to control noxious weeds in the state. Our specialist, **Roger Sheley**, is taking the lead in that, but working very closely with state agencies and local concerns. We are always open to suggestions. We are always examining whether we're doing things right, but hopefully, to a greater degree, whether we're doing the right things and we always are open for input. We're looking forward to the interim committee that will be studying the structure of extension and give us some recommendations, we hope. I will be happy to answer questions.

Questions from Committee Members and Responses:

SEN. DEVLIN: Several years ago you had a pretty successful swine operation at Fort Keogh. You moved it and then closed it. How long is it going to be before you do the same with the sheep Experiment Station?

Dr. Malone: There is certainly no plan to.

SEN. DEVLIN: There wasn't with the hogs either.

Dr. Malone: No, I mean obviously the wool growing niche is a much larger niche. **Dean McCoy** knows the history of that decision better than I do.

Dean McCoy: The decision, relative to what happened with the swine unit at Bozeman, happened prior to my arrival. I don't know what all went into making that decision, but the decision to close the swine research program in Bozeman was made from looking at the importance of the swine industry in the state and the nature of the swine industry in the state. It's not that it's not important, it is. You can look on the table and see that swine and sheep and wool are not all that far apart in terms of importance in the state. We had to eliminate a program and quite frankly, there was more support for the sheep and wool industry

in the state than there had been for the swine. We had to downsize some things and it was only a one man operation in Bozeman. Relative to the sheep and wool research in extension program in the state, there is no intent. We have a very large program. We have a very excellent facility at the Red Bluff Ranch. I mean it's always a function depending on how much money we have into the future. If we can maintain and particularly, get the assistance for this next biennium, sheep and wool are way up there. It's not even on the chart and I'm not saying that because of the individual that's sitting in the back of the room. It's a very strong industry in the state and something we have to maintain and retain a strong research program on.

SEN. DEVLIN: The reason I asked that question is the other day when we decided to have you in, it came back to me that there was a phase out of anything to do with agriculture at that college. This was one of them. You moved the hog operation from Miles City, where it was a pretty viable operation, and then chucked it. I'm just wondering how many other things this will happen to. My next question is, I know you have several programs going where you develop new strains of barley, wheat and so on and there are seed companies that contract with you for some of those varieties. Can that money be used for the wage increases?

Dr. Malone: The reason for those closures in the late 1980's and early 1990's was the steady decline in General Fund. The same cuts were hitting the university system. That is part of the dilemma, I suspect, of having these agencies in the university system. There are many advantages to them being there, but there are disadvantages because you're in a context of General Fund being cut and matched up by tuition. Not totally. If you look back to 1992, tuition has probably offset 75-80 percent of the cuts. The rest of them have been real cuts. There is no tuition here. We do produce income from patents and licenses. These do affect new varieties like the McNeil Spring Wheat that I think is vital to the future of northern and eastern Montana. We have a long history, as other Experiment Stations do, of not receiving income from major grain inventions. In other words, they're released to the public as was the new winter wheat that was developed not very long ago.

SEN. DEVLIN: How about the research grants?

Dr. Malone: Research grants are a major business and have overhead that varies from as high as 38 percent on some federal agencies down to nothing. We have a sizable income on those grants, but we're following the legislative mandate of 1991 when the legislature gave us full authority to keep all of the overhead. We have reinvested that directly into research.

SEN. DEVLIN: In direct costs?

Dr. Malone: Yes, of the overhead. We call them IDC's, Indirect Costs, but they are overhead. Some of that does go into salary,

but mainly it goes into infrastructure, into bringing up laboratories and so on. To go back to inventions and licenses, some of these are, as you say, contracted with the private sector like the Montola 2000 Safflower that has kept the Culbertson mill going. The income we get from those is pretty light. It's in the vicinity of \$100,000 a year. Some of that goes to the inventor and the rest goes back into seeding research. I can only speak since 1991 really, the rumor that somehow agriculture is being deemphasized is completely false.

{Tape: 1; Side: B; Approx. Time Count: 2:20 p.m.; Comments: End of tape, lost some testimony.}

Our priority, as a number of you know, has been this Ag/Bio Science building. We went out and put our major efforts into getting those funds outside the state to build that. We think that's the biggest investment we can make in the state. We talked to our students about it since it's mainly their tuition. We've been plowing that money into these agencies so we're prioritizing agriculture.

SEN. DEVLIN: Is part of the tuition money derived in the school of agriculture?

Dr. Malone: Oh, sure.

SEN. DEVLIN: But there wasn't enough for the raises?

Dr. Malone: That is a complicated question.

SEN. DEVLIN: It must be.

Dr. Malone: Yeah. The base salary rates have some tuition in them. The average researcher in the Ag Experiment Station is employed partly in the College of Agriculture and that is a major tuition payment. The other half is in the Agricultural Experiment Station where there isn't tuition money. Certainly, tuition is a factor here as it should be. These 700 odd students are directly enrolled in agriculture. It's a mixed picture, but a major part of what I've tried to do in the last six years is make that point. I think one place where that perception got started was back in the 1980's when a chunk of land was carved out of the Ag Experiment Station west of our campus and put in the tech part. Whatever we do with agricultural land on the west end of our campus and every dollar that comes out of that is going back into agriculture. You have our commitment to that. I know where some of the perceptions come from that agriculture is being deemphasized and that is not the case. Our biggest group of researchers, that do \$40 Million a year in research, are in the agricultural and biological sciences.

SEN. DEVLIN: Will this gentlemen that is going to be transferred back to Fort Keogh on beef research fall under the federal wage lines? Do you still pay him?

Dr. Pagenkopf: He will still be a faculty member at Montana State University attached to that.

SEN. DEVLIN: Okay. Are the other people that he works with at Keogh federal employees?

Dr. Pagenkopf: That's correct.

SEN. DEVLIN: Do you have anybody else there now? Are you just sending this one guy?

Dr. Pagenkopf: Just the one person and they've been very open to that. The Fort Keogh people want to collaborate in that way.

SEN. DEVLIN: Is there anyone there that has similar schooling or similar talents?

Dr. Pagenkopf: Yes. They are all focused on beef.

SEN. DEVLIN: Then you're going to bring this person back to do teaching at the...

Dr. Pagenkopf: Extension to do public education with farmers and ranchers.

SEN. BECK: Some of the concerns were addressed yesterday in the Subcommittee, but in the event that they did backfill this approximate \$1.7 Million from the General Fund, what was your plan? Was there ever a plan to cut back on the Extension Service to offset the salary increases? I want to know if there are some misnomers going around here.

Dr. Malone: Divide the question into two parts. The first two years or the current biennium which we've been planning for and of course, as you understand, the problem gets much bigger in the next biennium as we add two more increments to that. If the two agencies had been left totally to their own devices, there would have been much greater cuts than there were. A wave of cuts came after the General Fund cuts, especially in 1992-93. Since then, we've had better dialogue and since these agencies are sitting right in higher education, when a storm hits that area it affects them too. We moved over \$400,000 in tuition monies in 1996-97 to help fund these salaries for this past biennium. I guess that has really been our main plan. We've tried to be very open with students about it. Students are very good consumers now. When the state was paying over 80 percent of the cost of education they were less so. Now that they're paying a third, they have gotten very good about it. They understand and have been supportive. They are very hesitant to see their tuition go up a couple percent in the next biennium. If you're getting at what we'll do if this funding doesn't come in, we'll do everything we can to help it from the university side, but there would be substantial cuts. **Dean McCoy** alludes to the Huntley Station as the station where the most substantial cutting has come and we

can go into why if you would like to. When we say that we think we could begin to plow investment back into Huntley and into the other stations, it's simply that if we don't get this funding, we're going to be carving a lot more on the station despite any tuition support.

The Regents are very concerned about pushing more tuition into research and extension for some pretty basic reasons. We're going to do everything we can to support these agencies. The easiest case we ever make in the legislature is this case. It is the easiest case to make because, for every dollar put into ag research we can show you a quantified return. It will all depend on what sort of support we do get in the next biennium. If we get this kind of support, I think we can move ahead. Everything we hear from producers, of course, is that seven sites are not enough. When you talk to people in the field about the Sidney Station, they'd like to see more plots 100 miles north or east of Sidney. They are right because the subregions are all different.

SEN. JERGSON: I've been on that Education Subcommittee most of the sessions I've been here since 1987. The agencies have always had their budgets as a line item appropriation. I've never seen any evidence where money was taken from the agencies and their budgets and transferred to the campus for the educational unit at MSU. For example, in the last session of Legislature, they received a line item budget that was outside of the lump that was appropriated for the six educational units and then was attached to your units. Their appropriation, to the extent there was any transfer, was from the educational unit to the agencies.

Yesterday we did a good thing and that was put in the money for the unfunded faculty salary. You have to understand, there is another thing that's a problem area out there. Vacancy savings are applied to the faculty and agencies, but are not applied to faculty in the educational units. As the agencies attempt to absorb those vacancy savings that are applied to them, there are going to be faculty, within the agencies, who misunderstand how the legislature put the budget together and are going to somehow suggest that, because positions are being left open longer in the agencies than they see it happening in the university, somehow the university is taking that money away from the agency. That is not the case. It is simply the situation that derives from the way the legislature funds the agency. It's the algebraic formula most of us learned in sixth or seventh grade, $a + b = c$. When it comes to the agencies, if you reduce General Fund or costs go up, they have to make it balance to arrive at c . That's what they've had to do. Without the \$1.76 Million it's not just Huntley at risk, it's several others. I suspect a lot of counties will be forced to share Extension Agents in some pretty large regions in order to absorb the kind of reductions that will be necessary if that \$1.76 Million is not included in the budget.

SEN. NELSON: In about 1989 or 1990 when we were facing tough financial times here, I know we took a really good look at the

Extension Agents and so on and we did a little trimming back. How do we compare with what we did at that time now in actual numbers of agents?

Dr. Pagenkopf: We've probably been relatively stable. We still have several dual counties, two counties with one agent. In Rosebud and Treasure County we have two counties with two agents. We have tried to meet the needs of the counties. If a county comes to us and says we want to pay our portion of a county agent, we try if we have the funds to accommodate that. Some counties have said we simply don't have the budget, we can't afford three agents and we're going to go to one agent. That happened in Lewis & Clark County. This last year they've come back and said we really need a second agent in this county and we were able to accommodate that. I would say we are probably steady from what we were in 1989 as far as the field staff is concerned. We have fewer on campus than we had at that time.

SEN. NELSON: Would you provide me with a list of agents, their localities and their range of salaries too, please?

Dr. Pagenkopf: I would be glad to do that.

VICE CHAIRMAN HOLDEN: I'm a farmer and rancher out of Glendive and also graduated from MSU. I had a few of your classes along the way. I always thought you pretty much gave a straight scoop when you were asked a question in class. Some of the farmers and ranchers out in the country are reading these newspaper articles about ag land being sold and the money not going back to the agriculture part of the college. You said earlier that it was. I was wondering, how do we exactly track that to know that you're telling the truth or to know that's happening?

Dr. Malone: Thanks for the compliment. I try to and will try to now. This is an enormous, complicated subject and the point I was trying to make was that I've made a commitment in writing to **Dean McCoy** that is, obviously, addressed to the world. To try to answer your question, there is a very big block of land there. Part of that land, in the 1980's, was carved out and made into a tech park which is one of the few in the country that survived without a state subsidy. That was a sore subject. In many ways, that still lives on in the collective memory as something that was taken away from agriculture. I think it was part of the perception that **SEN. DEVLIN** was probably talking about. Bozeman is moving heavily to the west and south and the day is coming when that Experiment Station land out there including the veterinary lab and the Miller Pavilion area on the far western end is not going to be in any way suitably devoted to ag research. We're going to need to relocate that land. My commitment is that it's valuable land, but whenever and however we do that will be with the approval of the Land Board under legislation from 1995. Any earnings from that are going to go directly into agriculture.

Let me take a shot at those land exchanges that have been so much in the news. We can go as deep into it as you want. I'm sure our credibility has been hurt by that, rightly or wrongly. I think mostly wrongly. The issue arose, of course, over the Fort Missoula question. That's not my bailiwick. It is much different than the series of land exchanges at MSU. There were three of those. The first in 1980, the second in 1986 and the third one in 1990. I wasn't involved in any of them although I was at the university. There were several things going on in all three of them. First of all, the Director of the Ag Experiment Station, **Dr. McCoy's** predecessor, was issued a letter by the Director of Land Board, **Leo Barry**, that specifically said the Land Board has no wish to or proper role in these transactions so the Regents went ahead and conducted them.

All three transactions involved lands, if you know the campus, along College Street out there on the north end of these properties that we're talking about, Northwest of the campus. In each case, properties owned by the Foundation were exchanged for properties owned by the university. There are those who allege that, in this process, the Foundation benefited and the university lost. There are all kinds of other arguments that some of these lands were held trust and should not have been exchanged. Those can easily be disposed of, I think. I would say this and certainly **Leroy Schramm**, who knows this issue better than anybody else, could progress it further if you would like us to. In each case, there were at least two appraisals of the lands for value being exchanged and the Board of Regents in public hearings each time waived those and satisfied themselves that properties of each equal value were being exchanged in each case. By the time you get to the 1990 trade there were other properties being traded.

The Board of Regents, as you probably know, recently carried this issue to the Supreme Court to decide the authority. Does the Land Board have authority or do the Regents have exclusive authority? I'm really glad they are because the perceptions you talk about are that something wrong here was done. No judicial body has ever found that. There are allegations that somehow agriculture lost or the university lost to the Foundation. I think we can demonstrate that's not true, but that perception is hurting us. I'm sure that's what you're talking about. It damages us.

SEN. HARGROVE: Would you explain to us what the relationship, both formal, informal and what control mechanism there is for the Foundation and relationships between the Foundation and Board of Regents at the University?

Dr. Malone: I'll try. Montana State University Foundation is a typical university foundation. It's a 501(c)(3) organization which means that it's a stand-apart foundation that operates strictly on behalf of this one institution, us. That's very typical. Until very recently, the Foundation had some directors

who were officials at MSU. That is no longer true. I am ex-officio member but I don't vote. There is about a 24 member Board so the independence of the organization's governance is easily enough demonstrated. It gathers, essentially, gifts that are given to the university and holds them in trust, usually with income coming back. A typical gift will be a scholarship fund. There are properties donated like a number of these ranches that **VICE CHAIRMAN HOLDEN'S** question was talking about. Most of the Foundation's assets are restricted, typically over 90 percent. Our Foundation is relatively small compared to very large ones like the University of Michigan or Harvard or some of those.

So it's on behalf of the organization. The critics of these land sales, I think in part, are fallaciously arguing, "Well, if it's on behalf of, the University shouldn't have to exchange properties because it's all for the University anyway." That's a fallacious argument because those gifts legally belong to that Foundation. I was on the Foundation of the Historical Society here and properties that are given in trust to that Foundation cannot simply be given away. That's part of the assumption that something is wrong, as if somehow the state is being bilked of these properties and the Foundation is profiting unfairly. I think we can demonstrate that is not true. It is hard, as **VICE CHAIRMAN HOLDEN** says, when those perceptions are out there that somehow something wrong is going on. We all know about the controversy at Fort Missoula which was really a bigger controversy than these were.

{Tape: 2; Side: A; Approx. Time Count: 2:35 p.m.}

SEN. HARGROVE: Is there any real control by either the University or the State over the Foundation?

Dr. Malone: No. I think it's easily demonstrated, whether one likes it or not, that the Foundation Board acts as it is legally supposed to under its charter as an independent body. I've seen many other universities and one of the most successful is the University of Kansas Foundation. The last time I looked, it owned and operated something like 40 ranches and farms in Kansas. It's a major agriculture business. The University there, as here, makes its case about what it would like Foundation support for. Sometimes they don't agree with it. We asked them to take on the fundraising task for this ag building. That's our priority, but they don't have to raise funds for the ag building. We asked them for the Engineering/Physical Science building. We had to raise \$3.5 Million. They took that on, accepted our priority and raised it. They operate as a stand-apart body and legally that's what they're supposed to do. Certainly, the Board of Regents doesn't control them in any way. I'm sure we would reinforce that. In fact, the Board of Regents just established a Committee to look into relationships but that Committee, as charged by the Board of Regents, is empowered only to look at the relationships they have with us, not to go inside the walls of that body.

SEN. HARGROVE: I think that is part of the perception problem. The Foundation uses University letterhead or something that looks very much like it and so perception is that they are more responsive to the University than they are.

Dr. Malone: It also flip flops the other way. The whole argument underlying these land trades is that somehow they were furthering themselves at the expense of the University. Sometimes the gun is swinging one direction and sometimes the other. That perception is there though because I hear it too.

SEN. DEVLIN: Were there any land swaps between Foundation lands and land grants?

Dr. Malone: No. These were not Morrell Act lands. The lands that started out with the Foundation were lands that were acquired by different means, but none of those lands. They were lands, in some cases, that were gifted.

SEN. DEVLIN: Was state land traded for Foundation land or vice versa?

Dr. Malone: None. These were lands that were either purchased or given, but not part of the land grants.

SEN. DEVLIN: I commend you for gathering the money for a new building. However, I know the Committee would like to know that we will fund the upkeep of that building from here on. Am I correct?

Dr. Malone: Yes, partly right. We made an agreement with the Long Range Building Committee in 1995. The ag building is not very big, but it's a very high end operation. We estimated that the operating and maintenance budget on that building would be as high as \$400,000 a year so we're talking about significant money here. The agreement we made with **CHAIRMAN ERNEST BERGSAGEL** was that we would pay half, hopefully, out of some of the savings we could generate with our new utility tunnels and the state would pay half. The executive budget that came in this autumn gave us a break. I think the state is now paying 70 to 75 percent and we will pay the other 25. It is state property and the state did take the obligation.

SEN. DEVLIN: You talk about the legislative cuts through the years. Those cuts were from your wish list, not current level.

Dr. Malone: Certainly the cuts were primarily to the wish list, but if you look over 1991 to 1995 there were actual General Fund cuts. There were real cuts in existence.

SEN. DEVLIN: In the current level?

Dr. Malone: Yes, they were current level cuts. The amount of General Fund did decline. Tuition was backfilling most of it.

SEN. DEVLIN: I mean actual cuts from current level.

Dr. Malone: Yes, General Fund cuts.

SEN. DEVLIN: I had quite a conversation with the Commissioner of Higher Education before this one. We had a terrible time pinning him down in Miles City that the cuts were not from current level, but from the wish list added on top.

Dr. Malone: If you look at General Fund from 1992, 1993 and 1994 the amount of General Fund in the university system actually declined. Total funding, after you put in tuition and all kinds of other funds, didn't necessarily decline, but General Fund did.

SEN. DEVLIN: And other funds?

Dr. Malone: Yes.

SEN. JABS: Is there a separate budget for agents and research? What I'm grabbing at is you have 43 specialists in the county agent side of it, right?

Dr. McCoy: Specialists and county agents are through the Extension Service.

SEN. JABS: You had the 43 specialists, but you're short research people like Huntley Station and everything. You set priorities and transferred some of that money from these specialists. Are they that important that you have to sacrifice research for these specialists? Are they two separate departments or what? How does that work?

Dr. McCoy: As far as the Ag Experiment Station component goes, we've seen reductions in personnel. Extension Service has seen some reductions. The specialists and county agents are both answering, in terms of budget, to the Director of Extension, **Dr. Pagenkopf**. They are separate budgets. They are separate line items in terms of how we received our budget. The Ag Experiment Station budget is what, in the past, has entirely funded Huntley. The Extension Service has not put any money into the Huntley Research Station. In the future the decision may be made, as **Dr. Pagenkopf** indicated, to house or place a specialist at Huntley Station. I don't know if that is the answer you're driving at, but the reduction that occurred at Huntley Station was on the research program. That's through the Montana Ag Experiment Station.

SEN. JABS: I understand that, but you've got 43 specialists here. I guess it's in their department, but we're all in ag together. To me, it would be a bigger priority to have the researchers there than have all the specialists because they are more or less for education while the researchers are for research and can generate money or can pay for itself more or less. I don't know if you can work that thing out or not.

Dr. McCoy: The research component and the extension specialist component are a hand in glove operation. We have some faculty that have part of their funding come from Extension and part of it come from the Experiment Station. The source of funding for those are dealt with as two separate lines; two of the five agencies that **SEN. JERGESON'S** Joint Subcommittee first deals with in terms of budget. I don't want to give the impression that somehow our research people are not working in concert with Extension Specialists because they are. I don't think **Dr. Pagenkopf** is interested in housing a specialist at Huntley if we don't have an active research program going on because that person could be a source of information in the educational area just like you're saying. The Experiment Station currently has about 80 faculty.

Dr. Pagenkopf: Of the 43 specialists I mentioned, most of those are both research and extension. They have joint appointments. We wouldn't have 43 people if they were all funded by extension, but because we work jointly with the Experiment Station, they pay part of their salary. They do research and Extension pays part of their salary and they do public education based on the research they do. We work together very closely, even to the point of dividing people.

{Tape: 2; Side: A; Approx. Time Count: 2:44 p.m.}

SEN. BECK: I'm assuming the people in the field or in the county as county extension are supported by county governments, but none of the people in Bozeman are supported by county government.

Dr. Pagenkopf: That's correct except for the people in the county extension office in Bozeman, but not on-campus.

SEN. BECK: I'm assuming the Foundation supports on campus pretty actively. What portion of the Foundation supports the Experiment Station and Extension Service?

Dr. Malone: That would be relatively small. The Foundation support is totally determined by the gift. I would have to get you the percentage, but I can tell you the kinds of things it has that support them. The College of Agriculture, Experiment Station and Extension all meld together. A large part of our scholarship program is devoted to the College of Agriculture which, in this regard, is both Experiment Station and on. We've raised about \$1.5 Million of the \$3 Million we need to raise for the Ag/Bio Science building. They have incomes that come in from gifted ranching and farming properties. It would be a relatively small percentage of the total. It would be hard define.

SEN. BECK: Okay. Does the income off the Experiment Station, such as patented grains or whatever, go directly back to the Agriculture Experiment Station or do they have to go into the General Fund of the University?

Dr. Malone: We have an organization called the Research and Development Institute (RDI) that was created in the early 1980's that manages patents, licenses, copyrights and so on generated by our faculty. Before that time, we had such a relatively small amount of activity that we simply used a brokerage. It didn't work very well because a typical patent has to really be cultivated by an entrepreneur. Our RDI holds the patents and the licenses. A certain percentage of income from a patent will go to the inventor, who is a faculty member. The larger part is then granted back to the University to foster more research. None of that goes through the Foundation and it does not go in the General Fund. The majority does come to the campus. We're talking about small amounts of money, about \$100,000 a year.

SEN. JERGSON: They do receive income from the sale of cattle off the Havre Station. That is included. Yesterday when we built their budget there was an estimate of what the revenues were going to be. It also includes the small numbers that **President Malone** is talking about, but that is included in their funding source on balancing their budget. The sale of cattle is built into their budget and that money stays with the agency.

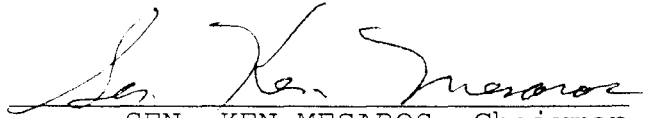
SEN. BECK: Okay.

Dr. Malone: The much bigger number that **Dean McCoy** indicated is the grants and contracts. They are now slightly bigger than the General Fund. Of course, that has become a major element in the Experiment Station as it should be. You should expect it to.

CHAIRMAN MESAROS: I would like to thank **Dr. Malone**, **Dean McCoy** and **Dr. Pagenkopf** for their presentation.

ADJOURNMENT

Adjournment: 2:55 p.m.


SEN. KEN MESAROS, Chairman


ANGIE KOEHLER, Secretary

KM/AK