

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
59th LEGISLATURE - REGULAR SESSION**

**JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND  
COMMERCE**

**Call to Order:** By **CHAIRMAN RICK RIPLEY**, on February 2, 2005 at  
8:00 A.M., in Room 317-C Capitol.

**ROLL CALL**

**Members Present:**

Rep. Rick Ripley, Chairman (R)  
Sen. Ken (Kim) Hansen, Vice Chairman (D)  
Sen. Gregory D. Barkus (R)  
Sen. Bob Hawks (D)  
Rep. Walter McNutt (R)  
Rep. John L. Musgrove (D)

**Members Excused:** Rep. Rosalie (Rosie) Buzzas (D)

**Members Absent:** None.

**Staff Present:** Britt Nelson, Committee Secretary  
Shane Sierer, Legislative Branch  
Doug Schmitz, OBPP Representative

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

**Committee Business Summary:**

Hearing & Date Posted: HB 2  
Executive Action:

**HEARING ON THE DEPARTMENT OF AGRICULTURE**

**Nancy Peterson, Director of the Department of Agriculture,** introduced the Department and gave a PowerPoint presentation on the Department. She talked about the role of the Department in the state, the mission statement of the Department, Montana's national ranking in different agricultural practices, the organization of the Department, as well as its function and funding sources. Each of the presenters provided a copy of their PowerPoint presentation.

**EXHIBIT(jnh26a01)**

*{Tape: 1; Side: A; Approx. Time Counter: 0 - 16.8}*

**Greg Ames, Administrator of the Agricultural Sciences Division of the Department of Agriculture,** was the next presenter. He introduced the Agricultural Science Division discussing the organization, programs and the revenue sources.

**EXHIBIT(jnh26a02)**

*{Tape: 1; Side: A; Approx. Time Counter: 16.8 - 47.3}*

**Candi Mullenbach, a Fiscal Specialist with the Centralized Services Division of the Department of Agriculture,** covered the presentation for the Centralized Services Division. She discussed the Division's functions and revenue sources.

**EXHIBIT(jnh26a03)**

*{Tape: 1; Side: B; Approx. Time Counter: 0 - 3.7}*

**Joel Clairmont, Deputy Director and Administrator of the Agricultural Development Division of the Department of Agriculture,** reported on the Agricultural Development Division. He covered the Division's organization, budget and revenue.

**EXHIBIT(jnh26a04)**

*{Tape: 1; Side: B; Approx. Time Counter: 3.7 - 12.2}*

**Mr. Clairmont** also discussed the Growth Through Agriculture Program. He highlighted a few projects funded by this program showing how the money raised and spent in this program affects Montana.

**EXHIBIT** (jnh26a05)

***{Tape: 1; Side: B; Approx. Time Counter: 12.2 - 16.8}***

**SEN. HANSEN** referenced the slide depicting the State Grain Lab and the Wheat and Barley Bureau vacancies. He wanted to know why there was the vacancy and if they had someone waiting to come on board.

**Mr. Clairmont** responded that the vacancies came from a retirement and a death. He indicated that they did have plans to fill those vacancies and in fact it was one of their highest priorities.

**SEN. BARKUS** asked about the Agriculture Development Division (ADD) Administrator position.

**Mr. Clairmont** replied that he was serving two roles, as a Deputy Director and also as the Division Administrator. He explained that 65% of his time was given to the Deputy Director position and 35% to the duties of Agricultural Development Division Administrator.

**SEN. BARKUS** followed up asking if the Director's Office under the Centralized Services Division and the Deputy Director's position was split.

**Ms. Mullenbach** answered that the ADD Administration account also included operational funds and an Administrative Support position and was not just for personal services.

***{Tape: 1; Side: B; Approx. Time Counter: 16.8 - 21.6}***

**Ms. Peterson** concluded the overview and began to present the Decision Packages (DP) for the Department.

**Ms. Mullenbach** started the presentation of Decision Packages with a discussion of the Centralized Services Division's Decision Packages.

**DP 1502 -- Microsoft Office Licensing.**

There were no questions concerning DP 1502.

**DP 1504 -- Operations and Equipment**

There were no questions regarding DP 1504.

**DP 1503 -- Electronic Government.**

***{Tape: 1; Side: B; Approx. Time Counter: 21.6 - 28.8}***

**SEN. BARKUS** referenced the Legislative Fiscal Division's comment regarding the declining numbers of family farms. He wanted to address the overall revenue trends in the Department to determine if they have been in decline or on the rise.

**Mr. Ames** responded to SEN. BARKUS' question. He informed the committee that the Department kept track of all of their revenue streams. In the Agricultural Sciences Division each of the seventeen programs are tracked. He stated that they look at trends in revenue, expenditures and in the bank accounts for each program. He proposed that across the Division as a whole the revenues have increased because of new programs such as the Organic Farm Program.

***{Tape: 1; Side: B; Approx. Time Counter: 28.8 - 37.8}***

**SEN. BARKUS** asked for a copy of the revenue charts for each of the different Divisions.

**Mr. Ames** proceeded to discuss the DPs for the Agricultural Sciences Division.

**DP 3001 -- USDA Federal Mitigation of Noxious Weed Impacts**

**EXHIBIT** (jnh26a06)

**CHAIRMAN RIPLEY** asked if the Division awarded all of the grant dollars every year but the grantees do not expended them all.

***{Tape: 1; Side: B; Approx. Time Counter: 37.8 - 50.6}***

**Mr. Ames** explained that they have had grants issued for four years but only have spending authority for two years. He also noted that even though they have had appropriation authority the grantees have not always spent all of the grant money for various reasons. However, he stated that the balance would be typically spent in the subsequent year if they expanded the grant. This pattern causes an accumulation of unspent grant dollars. He informed the committee that the unspent money was what they needed the spending appropriation for.

**CHAIRMAN RIPLEY** asked who was eligible for the grants.

**Mr. Ames** responded that all counties with weed management plans were eligible. He mentioned that in each of the 56 counties there is a County Weed Supervisor. These supervisors work with private entities, irrigation districts, weed management groups, and 'weed warriors'.

***{Tape: 2; Side: A; Approx. Time Counter: 0 - 3.9}***

**Mr. Ames** continued with his presentation of the Decision Packages.

**DP 3002 -- Pesticide Base Budget Adjustments**

There were no questions concerning DP 3002.

**DP 3003 -- Organic Program**

***{Tape: 2; Side: A; Approx. Time Counter: 3.9 - 10}***

**CHAIRMAN RIPLEY** wondered how easy it would be to hire a half-time Organic Inspector.

**Mr. Ames** replied that the Organic Community was very close and had a desire to hire the inspector. He mentioned that there were a number in the community who were interested in the position.

**CHAIRMAN RIPLEY** followed up asking what the qualifications would be for the Organic Inspector.

**Mr. Ames** explained that it took a lot of training. They have to follow the National Organic Program rules and have to be trained as an Organic Inspector. He mentioned that there were many individuals in-state who worked as contractor specialists.

***{Tape: 2; Side: A; Approx. Time Counter: 10 - 12.6}***

**SEN. HAWKS** wondered if it was field inspection or product inspection.

**Mr. Ames** responded that the Organic Certification Program has a certifying process. The Division goes into the field and looks at their organic operations, looking at what they use for inputs, and certify them accordingly. The certification process does not certify their product. However, if the process is certified they can use the Department and USDA seals.

***{Tape: 2; Side: A; Approx. Time Counter: 12.6 - 14.5}***

**SEN. HAWKS** inferred this to mean that there was self-policing in the industry.

**Mr. Ames** agreed to a certain extent although he admitted that they had to keep watch for imposters.

**DP 3005 -- EPA Homeland Security**

*{Tape: 2; Side: A; Approx. Time Counter: 14.5 - 17.8}*

**CHAIRMAN RIPLEY** asked if it was requested as one-time-only.

**Mr. Ames** replied in the affirmative.

**SEN. BARKUS** addressed Director Peterson. He wanted to know why the Department hadn't taken a stronger position on the Bison issue.

**Ms. Peterson** responded that the issue was being addressed and they have been discussing the issue with the Department of Livestock.

*{Tape: 2; Side: A; Approx. Time Counter: 17.8 - 20.8}*

**DP 3010 -- Produce Base Budget Adjustments**

*{Tape: 2; Side: A; Approx. Time Counter: 20.8 - 22.6}*

**CHAIRMAN RIPLEY** wondered how they had arrived at \$10,160 -- if it had been a guess or if they had conducted preliminary negotiations.

**Mr. Ames** explained that they had conducted preliminary conversations with the Food and Drug Administration and would formally enter into negotiations with them on February 17. He stated that they had expressed the direction of both the Director and the current administration on increasing the efforts of investigating and sampling feed supplies in the state of Montana.

**DP 3011 -- Feed and Fertilizer Base Budget Adjustments**

*{Tape: 2; Side: A; Approx. Time Counter: 22.6 - 27.5}*

**REP. MUSGROVE** cited the Division's vehicles and purchases, noting that they were purchasing the vehicles rather than using the motor pool. He wondered if there was a reason for this.

**Mr. Ames** replied that it was cheaper for the Department to purchase a vehicle than to lease a vehicle. He provided the committee with some information regarding costs and savings on vans, trucks and cars.

**Ms. Peterson** added that there were other issues regarding their purchase of vehicles rather than the leasing of vehicles. She mentioned the fact that there was concern about contamination and decontamination of the vehicles from the field. There was also concern about the abuse of the trucks. She reported that many of the field vehicles are used heavily to haul equipment which can cause extensive problems.

*{Tape: 2; Side: A; Approx. Time Counter: 27.5 - 35.6}*

**DP 3012 -- Mint Committee Base Budget Adjustments**

There was no discussion on DP 3012

**DP 3013 -- Noxious Weed Administration Base Budget Adjustments**

*{Tape: 2; Side: A; Approx. Time Counter: 35.6 - 42.4}*

**Director Peterson** commented that they had a number of youth in the public school system in Havre who have been involved in collecting weeds and seeds and disposing of them away from the sensitive locations.

**SEN. HANSEN** asked for an explanation of the DP. He assumed that the hay products across the border are taken out of the DP. He wondered how the control of transported hay from state to state or from Canada was budgeted.

**Mr. Ames** replied that the only regulatory authority the Department had regarding that hay would be in the areas of the state that required the use of weed seed free forage. He expressed that the Department wanted to work with ranchers and farmers to address the issue but they had no authority concerning what individuals purchase.

**SEN. HANSEN** followed up asking if the responsibility fell back on the counties.

**Mr. Ames** responded that the individual County Weed Supervisors work to address the issues.

*{Tape: 2; Side: A; Approx. Time Counter: 42.4 - 50.4}*

**DP 3014 -- Groundwater Base Budget Adjustments**

There was no discussion on DP 3014.

**DP 3015 -- USDA Caps Base Budget Adjustments**

*{Tape: 2; Side: B; Approx. Time Counter: 0 - 3}*

**CHAIRMAN RIPLEY** noted that there was nothing appropriated for overtime. He wondered if that might not be an issue later on.

**Mr. Ames** related that it had not been an issue in the past. He explained that many of the workers took comp-time to make up for the overtime hours gained. He questioned whether there was a need to cover the Proprietary Rate -- Alfalfa Leaf-Cutting Bee Program.

**Shane Sierer** responded that if the subcommittee wanted to hear the information it would be fine but the rate increases would not be in front of the subcommittee to vote on.

*{Tape: 2; Side: B; Approx. Time Counter: 3 - 5.5}*

**NP -- BSE Package**

**Mr. Ames** addressed the last DP which was actually a New Decision Package. This Package came from the Director and the Budget Director. This Package dealt with Bovine Spongiform Encephalopathy (BSE) sampling efforts. They want to increase the sampling of feed coming across the border from Canada. The proposal was created to increase the investigations, sampling, and analysis of livestock feeds. They requested one full-time equivalent (FTE) for the lab staff and one and a half FTE in the field staff. He explained what they looked for in the investigations and the process they used to test for animal byproducts in livestock feed. He explained that their lab was requesting the purchase of a Polymerase Chain Reaction (PCR) or Deoxyribonucleic Acid (DNA) analysis equipment and an analytical scientist to interpret the data. He assumed it would take six months to purchase the equipment and train the lab chemist in the analytical procedures. The equipment would total \$100,000. He clarified that the NP before the committee was for \$230,000 in the first year of the biennium and \$108,000 in the second year of the biennium. From the \$230,000 in the first year, \$100,000 would be used to purchase the equipment. The remaining money in 2006 and all of the money from 2007 would be for personal services and operating equipment.

**EXHIBIT** (jnh26a07)

*{Tape: 2; Side: B; Approx. Time Counter: 5.5 - 22.6}*

**CHAIRMAN RIPLEY** had a question on their contracted services. He noted that the amount for contracted services increased and he wondered why they wouldn't decrease if they purchased the equipment and the testing could be done by the Department.

**Mr. Ames** replied that they were going to need additional contracting services for the first two or so years. He explained that they were going to split the samples between the MSU lab and a private lab so they could compare the samples and make sure the equipment was working and that they were reading it correctly.

**REP. MUSGROVE** asked if there was a need to designate the equipment as one-time-only.

**Mr. Ames** was unsure as to how long the equipment would last. He stated that some pieces of equipment only lasted two or three years before it needed to be replaced. He suspected that there would be a need to replace the equipment at some point in the future. He mentioned the rotation system at the lab.

**SEN. BARKUS** seemed to feel that a piece of analytical equipment that only lasted three years seemed outrageous.

**Mr. Ames** explained that if a piece of equipment was bought when it was state-of-the-art it might have a complete change in two years, rendering the equipment obsolete. He stressed that he did not know what the useful life of this certain piece of equipment would be, but he would guess that it would be around five years.

**Director Peterson** clarified that it would be appropriate to have a one-time-only appropriation for the equipment.

*{Tape: 2; Side: B; Approx. Time Counter: 22.6 - 30.5}*

**Joel Clairmont** followed Greg Ames, introducing the Decision Packages for the Agricultural Development Division.

**DP 5001 -- Montana Agricultural Statistics Service GF  
Appropriation**

With no questions concerning this DP he proceeded to discuss the next Decision Package.

**DP 5002 -- Montana Agriculture Statistics-Alternative Crop  
Survey**

**DP 5003 -- State Grain Lab Bureau Base Adjustment.**

When he discussed DP 5003 he addressed the Legislative Fiscal Division comment about the Grain Lab.

*{Tape: 2; Side: B; Approx. Time Counter: 30.5 - 39}*

**SEN. HAWKS** asked if the Grain Lab was essential for the international export market.

**Mr. Clairmont** affirmed this statement.

**REP. MCNUTT** wondered if many of the Montana growers had returned to using the State Grain Lab.

**Lee Boyer, Rural Development Bureau Chief**, responded that they had experienced problems getting the producers to come back to the Lab. He mentioned that the busiest years the Lab has experienced were years when there were problems such as early frost. They are trying to find ways to be more competitive with private labs. He mentioned that they were expecting to have to inspect many loads of malt barley being transported to Mexico.

*{Tape: 2; Side: B; Approx. Time Counter: 39 - 44.1}*

**Ms. Peterson** followed up on REP. MCNUTT'S question. She noted that the Federal Grain Inspection Service (FGIS) standard certification was the bottom line for producers.

*{Tape: 2; Side: B; Approx. Time Counter: 44.1 - 49.5}*

**DP 5004 -- Montana State Hail Insurance Program Base Adjustment**

There were no questions concerning DP 5004.

**DP 5005 -- Wheat and Barley Bureau Base Adjustment**

There was no discussion on DP 5005.

**DP 5009 -- Federal Marketing Appropriation Authority**

*{Tape: 3; Side: A; Approx. Time Counter: 0 - 2.9}*

**CHAIRMAN RIPLEY** asked how they had arrived at the anticipated increase in the federal revenue since most indicators pointed to all federal revenue being tight.

**Mr. Clairmont** explained that it was based on history and in the past they had consistently received \$100,000 in revenue.

**DP 5020 -- Montana Agriculture Development Council Grants**

**{Tape: 3; Side: A; Approx. Time Counter: 2.9 - 4.6}**

**CHAIRMAN RIPLEY** indicated that it would be a good time to discuss the Coal Tax Shared Account because DP 5020 would affect the amount. He then decided that the best time to address the Coal Tax Shared Account would be during Executive Action the following day. At this time Mr. Sierer handed out a spreadsheet on the action taken by the committee using monies from the Coal Tax Shared Account.

**EXHIBIT (jnh26a08)**

**Director Peterson** prioritized the main issues for the Department: 1) Growth Through Agriculture -- she emphasized that the program was a dollar-for-dollar match. She explained that some of the grants had a return on the investment. She claimed that it would add value to Montana's raw commodities, 2) Weed Program -- she expressed the need to address the weed issue in Montana. She reported that there was a request for \$3 1/2 million for the grants and only \$2 million available, and 3) the BSE issue, maintaining the safety and quality of meat in Montana.

**{Tape: 3; Side: A; Approx. Time Counter: 4.6 - 17}**

**Proponents' Testimony:**

**Barbara Broberg, of the Montana Women Involved in Farm Economics,** urged the support of agriculture in the state. She wanted to thank the committee for their consideration of issues which concern agriculture.

**{Tape: 3; Side: A; Approx. Time Counter: 17 - 18}**

**Richard Owen, Montana Grain Growers Association,** spoke in strong support of the Department's budget as well as the increases which they were requesting. He expressed that no other Department in the state has as much interaction with the constituents. He also wanted to specifically support the Growth Through Agriculture Program, the Montana Wheat and Barley Committee and the state's Grain Lab. He referred to SEN. HANSEN'S question concerning the Grain Lab, implying that the revenue was directly affected by the drought.

*{Tape: 3; Side: A; Approx. Time Counter: 18 - 22.4}*

**John Youngberg, Montana Farm Bureau,** also spoke in support of the Growth Through Agriculture Program, the Grain Lab, and the Montana Wheat and Barley Committee.

*{Tape: 3; Side: A; Approx. Time Counter: 22.4 - 24.7}*

**Paul Tuss, Executive Director of the Bear Paw Development Corporation,** reiterated the Corporation's support of the Growth Through Agriculture Program, mentioning how important it was as well as its easy usage and effectiveness.

*{Tape: 3; Side: A; Approx. Time Counter: 24.7 - 26.9}*

**Fraser McLeay, Senior Manager of Montana World Trade Center,** expressed his support for the Growth Through Agriculture Program as well as some of the budget issues. He compared the experiences of New Zealand farmers to those of Montana farmers.

*{Tape: 3; Side: A; Approx. Time Counter: 26.9 - 38.8}*

**Cathy Cottom, Chairwoman for the Montana Agriculture Development Council and Growth Through Agriculture Program,** asked for the consideration and continued support for the programs.

*{Tape: 3; Side: A; Approx. Time Counter: 38.8 - 40.9}*

**Billie Lee, Lake County Community Development Corporation,** spoke of the need for the assistance provided by the Agricultural Sciences Division, Growth Through Agriculture Program and the Department's budget. She spoke about some of the projects which have been completed because of the funding provided by the Program. She spoke of the need to market Montana's product development in foreign markets. She was a strong proponent of value-added programs.

*{Tape: 3; Side: A; Approx. Time Counter: 40.9 - 49.8}*

*{Tape: 3; Side: B; Approx. Time Counter: 0 - 4.7}*

**Cheryl MacArthur, Director of the Montana Cooperative Development Center,** asked that the committee support the budget for the Department of Agriculture, specifically the Montana Growth Through Agriculture Program.

*{Tape: 3; Side: B; Approx. Time Counter: 4.7 - 6.1}*

**Gary Iverson, Executive Director of the Great Northern Growers Cooperative**, discussed his Cooperative and the support that they receive from the Growth Through Agriculture Program. He wanted to express the appreciation for the help provided by the Department.

*{Tape: 3; Side: B; Approx. Time Counter: 6.1 - 8}*

**CHAIRMAN RIPLEY** called on REP. MCNUTT to discuss his DP.

**REP. MCNUTT** discussed his proposed DP. He explained that Mr. Carlson from the Eastern Plains Resource Council and Development had requested a \$50,000 grant program. This was something he felt was extremely important. He requested that Mr. Sierer develop a DP for the committee to discuss the next day. He felt that since the grant would cover 16 counties it was a worthy project especially since it had gone without funding the last biennium.

*{Tape: 3; Side: B; Approx. Time Counter: 8 - 10}*

**CHAIRMAN RIPLEY** asked where the funding would come from.

**REP. MCNUTT** replied that it had originally been funded through the Coal Tax Shared Account but he thought that it would be possible to find funding from another source.

**SEN. HAWKS** questioned a comment made by Ms. Broberg. He noted that she had mentioned an interface between the Department of Agriculture and the Department of Environmental Quality (DEQ). He asked her to expand upon that comment.

**Ms. Broberg** responded that she had been referring mainly to Concentrated Animal Feeding Operations and the water quality issues which DEQ deals with and that affect agriculture. She claimed that everything heard in the committee affects agriculture.

**REP. MUSGROVE** mentioned that the committee had discussed some of the problems in the marketing phase. He felt that there could be a better coordination with foreign markets and Montana.

**Director Peterson** remarked that work was being done on the issue. She expressed that the Department was trying to develop a better relationship in terms of a better understanding of the markets. She felt the only way that the new administration could promote marketing in these international markets is to interact with the

buyers. She claimed that the market was important for the raw commodities.

*{Tape: 3; Side: B; Approx. Time Counter: 10 - 17.2}*

**REP. MUSGROVE** asked how firm the March 7 deadline was for the opening of cattle trade with Canada.

**Ms. Peterson** answered that the proposed date was firm although the Department was and would continue to stand against the opening.

*{Tape: 3; Side: B; Approx. Time Counter: 17.2 - 20.8}*

**SEN. HAWKS** asserted that there was a tendency to avoid the topic of genetically altered products. He wanted to know what the Department's position was on the topic.

**Ms. Peterson** responded that the issue of genetically altered products was a topic they treated carefully. They have a growing organic program with a legitimate concern about their industry. She mentioned however, that Round-Up ready corn, soy beans, and alfalfa were all soon to be available on the market. She claimed that they were going to take a position of information and education on the matter. She felt that information and education were critical for the use of genetically modified products.

*{Tape: 3; Side: B; Approx. Time Counter: 20.8 - 26}*

**Shane Sierer** discussed the plan for the following day.

**SEN. BARKUS** wanted to know which DPs were approved with Coal Tax Shared Account Funds.

**Mr. Sierer** referenced Exhibit 8, indicating that the Agriculture's Growth Through Agriculture was the only one which had not gone through Executive Action. He also noted that **REP. MCNUTT'S** DP would also draw from the Coal Tax Shared Account and had not been voted on.

**SEN. BARKUS** asked if the committee would be revisiting the DPs funded by the account or if the last program to ask for the funding would be cut.

**CHAIRMAN RIPLEY** stated that the next day, when they addressed DP 5020, they would go back and address the other DPs.

**Mr. Sierer** explained that if the committee did not address the issue it would be worked out in Free Conference.

**CHAIRMAN RIPLEY** expressed a desire to balance the budget before it left the committee.

**SEN. BARKUS** related that he felt it was only fair to look at all of the DPs equally with the new information and prioritize.

*{Tape: 3; Side: B; Approx. Time Counter: 26 - 33.8}*

There were handouts provided to the committee by the Department of Agriculture that were not discussed during the meeting.

[EXHIBIT \(jnh26a09\)](#)

[EXHIBIT \(jnh26a10\)](#)

**ADJOURNMENT**

Adjournment: 11:15 A.M.

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REP. RICK RIPLEY, Chairman

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BRITT NELSON, Secretary

RR/bn

Additional Exhibits:

**EXHIBIT ([jnh26aad0.PDF](#))**