



NATURAL RESOURCES INTERIM BUDGET COMMITTEE

67th Montana Legislature

SENATE MEMBERS

Duane Ankney
Janet Ellis
Tom Jacobson
Jeffrey Welborn

HOUSE MEMBERS

Kenneth Holmlund
Jim Keane
Joe Read
Jerry Schillinger

COMMITTEE STAFF

Brent Doig - OBPP Staffer
Alice Hecht - Legislative Fiscal Analyst
Joanne Kauzlarich - Secretary
Robert Miller - Legislative Fiscal Analyst
Gerry Murphy - OBPP Staffer

MINUTES LOG

June 15, 2022
Room 422
Helena, Montana

Please note: This document is a Minutes Log and provides annotation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video recording of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of the meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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MEMBERS PRESENT:

Rep. Kenneth Holmlund, Chair (R)
Sen. Janet Ellis (D)
Rep. Joe Read (R)

MEMBERS EXCUSED:

Sen. Duane Ankney (R)
Sen. Tom Jacobson (D)
Rep. Jim Keane (D)
Rep. Jerry Schillinger (R)
Sen. Jeffrey Welborn (R)

MEMBERS ABSENT:

STAFF PRESENT:

Brent Doig, OBPP Staffer
Alice Hecht, Legislative Fiscal
Analyst
Joanne Kauzlarich, Secretary
Robert Miller, Legislative Fiscal
Analyst

Gerry Murphy, OBPP Staffer

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

COMMITTEE ACTION

CALL TO ORDER/ROLL CALL

08:33:36 Rep. Kenneth Holmlund-R called the meeting to order at 8:33 AM. The committee secretary took roll.

Marijuana Revenue Update, HB 701

08:34:45 Rob Miller, LFD Senior Fiscal Analyst presented Marijuana Revenue update.
08:34:46 [Exhibit 1](#)
08:35:34 Sen. Jacobson has arrived
08:37:09 Chair Holmlund clarified that some of the cities and counties have had elections to include a 3% tax on marijuana.
08:37:14 Mr. Miller responded.
08:37:18 Chair Holmlund stated that all the cities and counties that voted on the marijuana tax passed it.
08:37:21 Mr. Miller responded.
08:37:42 Sen. Ellis asked if the heart fund is given the first 6 million dollars from that tax, or if it receives a percentage.
08:38:07 Mr. Miller responded.

Montana Aviation Resources

08:38:31 Rob Miller presented update on the Montana Aviation Resources.
08:40:41 [Exhibit 2](#)
08:44:15 Sen. Jacobson asked if the cost analysis included the cost of the pilot.
08:44:29 Mr. Miller responded.
08:48:43 Chair Holmlund thanked Mr. Miller for his report and asked the committee if there were any questions.
08:48:47 Sen. Ellis questioned if the airplane in the motor pool is available for other agencies to use as well.
08:49:51 Chief Financial Officer Larry Flynn, Department of Transportation (DOT) responded.
08:50:50 Sen. Jacobson asked for an explanation of the unequitable aviation operating costs.
08:52:34 Mr. Miller responded.
08:53:19 Sen. Jacobson deferred the question to Sonya Germann.
08:53:39 Sonya Germann, Administrator, Forestry Division, Department of Natural Resources and Conservation (DNRC) responded.
08:55:12 Sen. Jacobson asked if there is an actual aviation cost/hour that is currently being charged and an actual operating cost for the aircraft.

08:55:21 Ms. Germann responded.
08:55:24 Sen. Jacobson clarified that the cost in the handout reflects the operating cost and not the cost that is charged.
08:55:26 Ms. Germann responded.
08:55:35 Sen. Jacobson clarified that when we are charging the other agencies, they are charged only the aviation operating cost.
08:55:35 Sen. Welborn has arrived
08:55:45 Ms. Germann responded.
08:56:08 Chair Holmlund commented that the reason the state has the airplane in the motor pool may be because the governor may not already own an airplane and therefore would need to have one available for business purposes.
08:56:31 Sen. Jacobson asked if the governor covers the cost of using the aircraft or is the state reimbursing him for that; and what liability does the state have for someone else's plane if something goes wrong.
08:57:48 Mr. Miller responded.
08:58:03 Chair Holmlund thanked Rob Miller for the information.

Financial Modernization & Risk analysis Study update (MARA)

08:58:39 Rob Miller reported there is no new information on MARA. He stated there would be more information for the September meeting.
08:59:23 Sen. Ellis stated she did not have a MARA update yet.
09:00:32 Chair Holmlund asked for public comment on anything covered so far.
09:00:47 No public comment

Budget Update FY 2022 Financial Report

Department of Transportation

09:01:00 Alice Hecht, Fiscal Analyst II, Legislative Fiscal Division (LFD), presented an update on the Department of Transportation.
09:02:18 [Exhibit 3](#)
09:16:02 Sen. Ellis asked if she was reading the budget correctly as it looks like the agency has spent too much of its budget for this time in the biennium.
09:17:08 Ms. Hecht responded.
09:17:31 Christine Hultin, Office of Budget & Planning Program (OBPP) responded.
09:17:43 Chair Holmlund asked if money can be moved to the following year if there is an excess.
09:17:55 Sen. Ellis stated she was trying to figure out how the current budget would be enough.
09:18:01 Mr. Miller responded.
09:18:12 Sen. Ellis stated she was trying to understand the report better. She also asked if the COVID funds would be used completely.
09:20:17 CFO Larry Flynn, DOT, responded to Sen. Ellis and presented DOT update.
09:25:02 Sen. Jacobson asked how many commercial flights we are taking into West Yellowstone, what is the reimbursement, and what is the revenue/cost ratio. He asked if the airport had a control tower.
09:25:38 Mr. Flynn responded.

09:25:47 Sen. Jacobson asked what kind of an approach the airport has.
09:25:56 Mr. Flynn responded.
09:26:06 Sen. Jacobson stated he was curious what kind of systems we are required to maintain to make sure the income will cover the potential expenses.
09:26:50 Mr. Flynn responded.
09:28:55 Sen. Jacobson thanked Mr. Flynn and stated he just wanted to make sure it was all covered.
09:29:02 Mr. Miller responded.
09:29:32 Sen. Ellis asked if matching funds needed to be provided due to the flooding in Yellowstone.
09:30:05 Mr. Flynn responded.
09:31:13 Sen. Ellis stated she assumed there is no match at this time.
09:31:17 Mr. Flynn responded.
09:31:31 Rep. Read asked about the gas tax and negotiations with the tribal government.
09:33:40 Mr. Flynn responded.
09:35:28 Rep. Read stated he would like to see accountability from the tribes to make sure the funds are being spent appropriately in Lake County.
09:37:17 Mr. Flynn responded.
09:37:54 Chair Holmlund asked if there has been a cost analysis on the motor pool.
09:38:15 Mr. Flynn responded.
09:38:56 Chair Holmlund clarified there has been no cost analysis.
09:38:59 Mr. Flynn responded.
09:39:09 Chair Holmlund asked if there are strict requirements with using budget amendment or "grab bag" funds.
09:39:20 Mr. Flynn responded.
09:39:30 Chair Holmlund asked if the Yellowstone terminal has been affected by the flooding.
09:39:33 Mr. Flynn responded.
09:39:52 Chair Holmlund invited public comment.
09:39:57 No public comment.

Department of Natural Resources & Conservation

09:40:42 Rob Miller presented update on the Department of Natural Resources and Conservation (DNRC).
09:42:31 [Exhibit 4](#)
09:59:45 Sen. Ellis asked if there have been any challenges using the COVID money before the deadline.
10:00:19 Deputy Director Kerry Davant, Department of Natural Resources and Conservation (DNRC) responded.
10:02:23 Sen. Ellis asked for an update on the timber sales and Good Neighbor Authority.
10:02:56 Sonya Germann, Administrator, Forestry Division, DNRC, responded.
10:03:20 Chair Holmlund stated Ms. Germann may provide this information with her update.
10:03:55 Deputy Director Kerry Davant, DNRC gave update on the agency.

10:08:28 Chief Legal Counsel Brian Bramblett, Department of Natural Resources and Conservation (DNRC) presented an update on HB 286, including recent resolution of litigation and implementation of the bill.

10:16:17 Chair Holmlund commented on the water rights issues.

10:16:24 Mr. Bramblette responded.

10:16:47 Chair Holmlund stated there has been some serious disputes over water rights that needs to be addressed.

10:18:12 Jim Halvorson, Administrator, Board of Oil and Gas Conservation, DNRC, presented financial update.

10:23:34 Sen. Ellis asked where all the orphan wells are coming from. Were they just discovered, or recently declared orphan wells.

10:24:20 Mr. Halvorson responded.

10:26:08 Sen. Ellis stated she would be happy to provide information to the committee she received on the number of wells.

10:26:48 Chair Holmlund thanked Mr. Halvorson for his service and wished him well in his retirement.

10:27:01 Mr. Halvorson thanked the committee for the well wishes.

10:27:17 Sonya Germann, Administrator, Forestry Division, DNRC, presented update on the current fire suppression and the Good Neighbor Authority.

10:37:51 Sen. Ellis asked where to find the Environmental Quality Control (EQC) report.

10:38:07 Ms. Germann responded.

10:38:30 Chair Holmlund stated he would also like a hard copy of the Good Neighbor Authority report.

10:38:36 Ms. Germann responded that she would be happy to get that to him.

10:38:41 Chair Holmlund stated he has heard of possible lawsuits and wondered if this would affect Good Neighbor Authority.

10:39:02 Ms. Germann responded.

10:40:01 Chair Holmlund asked if there has been an increase in sales?

10:40:09 Ms. Germann responded.

10:40:52 Chair Holmlund asked if sawmills are showing more activity?

10:41:14 Ms. Germann responded.

10:41:43 Sen. Jacobson has left

10:42:11 Chair Holmlund agreed.

10:42:26 Chair invited public comment.

10:42:27 No public comment

10:42:39 Chair Holmlund asked if the committee may have an update on the conservation districts.

10:43:04 Deputy Director Kerry Davant, DNRC, responded.

Department of Fish, Wildlife, & Parks

10:44:01 Rob Miller, LFD presented an update on the Department of Fish, Wildlife, and Parks (FWP).

10:45:07 [Exhibit 5](#)

10:56:50 Sen. Ellis expressed concern over FWP spending more money on administration than fisheries.

10:58:24 Chief Financial Officer, Lena Havron, Department of Fish, Wildlife, and Parks (FWP), responded.

10:59:28 Sen. Ellis asked about the reason for the high turnover rate and how it is affecting the department's ability to function as it is higher than any other agency.

11:01:01 Ms. Havron responded.

11:02:19 Director Hank Warsech, Department of Fish, Wildlife, and Parks (FWP) presented the FWP financial update.

11:02:24 [Exhibit 6](#)

11:03:57 Sen. Ellis asked about the difference between managing land for habitat vs. recreation.

11:04:41 Mr. Warsech responded.

11:05:26 Sen. Ellis stated it is awkward when an employee needs a fence to improve the habitat but needs to get it from a different division.

11:06:11 Mr. Warsech responded.

11:06:48 Sen. Ellis stated she felt the restructure may be more cumbersome.

11:07:20 Mr. Warsech responded.

11:07:40 Chair Holmlund inquired about the bird flu and if it is affecting the pheasant population.

11:07:52 Mr. Warsech responded.

11:09:12 Chair Holmlund asked if the agency brought in new or existing employees to handle this situation.

11:09:22 Mr. Warsech responded.

11:11:01 Chair Holmlund asked if FWP is considering hiring the prison employees that have been working for them once they are out of prison.

11:11:51 Mr. Warsech responded.

11:12:37 Chair Holmlund thanked Mr. Warsech for his response to the constituents' questions.

11:13:00 Mr. Warsech responded.

11:13:10 Chair Holmlund invited public comment.

11:13:20 No public comment.

Department of Environmental Quality

11:13:50 Rob Miller, LFD, presented an update on the Department of Environmental Quality (DEQ).

11:14:45 [Exhibit 7](#)

11:20:36 Sen. Jacobson has arrived

11:24:46 Sen. Ellis asked if there was some assurance that the DEQ would be able to spend the COVID money before the deadline.

11:25:31 Director Chris Dorrington, Department of Environmental Quality (DEQ) responded.

11:26:19 Sen. Ellis clarified if there is some money within ARPA to address the issue of lead in schools.

11:26:56 Mr. Dorrington responded.

11:29:33 Deputy Director James Fehr, Department of Environmental Quality (DEQ), presented an agency overview.

- 11:36:44 Chair Holmlund commented that he recently attended a stakeholders meeting on asbestos. They will continue to work on this issue.
- 11:37:35 Chair Holmlund asked for public Comment.
- 11:37:40 No public comment.

Department of Livestock

- 11:37:51 [Exhibit 8](#)
- 11:38:00 Rob Miller presented an update on the Department of Livestock (DOL).
- 11:43:48 Executive Director Mike Honeycutt, Department of Livestock (DOL) presented the agency update.
- 11:54:27 Chair Holmlund asked if the committee had any questions.
- 11:54:33 No questions from the committee.

Department of Agriculture

- 11:55:11 Rob Miller presented an update on the Department of Agriculture (DOA).
- 11:56:10 [Exhibit 9](#)
- 12:03:30 Sen. Ellis asked if the agency will be able to spend the COVID funds before they are recalled.
- 12:04:27 Ian Foley, Administrator, Agriculture Sciences Division, Department of Agriculture (DOA), responded.
- 12:05:16 Sen. Ellis asked why the administrative costs are out of balance.
- 12:05:40 Mr. Foley responded.
- 12:06:07 Chief Financial Officer Cody Pearce, Department of Agriculture (DOA), responded.
- 12:07:35 Ian Foley, DOA, presented an update on the Department of Agriculture.
- 12:07:36 [Exhibit 10](#)
- 12:11:57 [Exhibit 11](#)
- 12:12:07 Chair Holmlund invited public comment.
- 12:12:10 No public comment.
- 12:12:14 Rob Miller, LFD, presented several additional handouts.
- 12:14:46 [Exhibit 12](#)
- 12:14:47 [Exhibit 13](#)
- 12:14:48 [Exhibit 14](#)
- 12:15:28 Christine Hultin presented update on agency fiscal requests.
- 12:18:19 Sen. Jacob asked if the pilots were state employed.
- 12:18:26 Sen. Ellis asked about employee retention.
- 12:19:12 Ms. Hultin responded.
- 12:20:46 Chair Holmlund stated the public is having the same trouble retaining employees.
- 12:21:11 Ms. Hultin responded.
- 12:21:53 Sen. Ellis would like the discussion to continue on employee retention.
- 12:22:33 Ms. Hultin responded.
- 12:22:45 Chair Holmlund invited questions from committee.

12:23:35 Rob Miller discusses memo of upcoming budget analysis in September.

12:24:52 [Exhibit 15](#)

Committee Discussion

12:25:21 Chair Holmlund asked the committee what the feeling is in regard to the IBC meetings.

12:25:55 Sen. Jacobson stated the IBC has been valuable.

12:28:20 Sen. Ellis agreed with Sen. Jacobson and stated it helps to keep a finger on what is going on in the state agencies between legislative sessions.

12:30:25 Rep. Read stated the IBC meetings have been very productive.

12:31:18 Sen. Welborn agreed with the committee.

12:31:48 Chair Holmlund said he is receiving the same kind of feedback from other committees. It is really valuable to be able to ask questions of the agencies directly about issues.

ADJOURNMENT

Adjournment: 12:35:18