

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
January 28, 2004
Room 305, State Capitol**

MEMBERS PRESENT: Sen. Thomas Hatch, Co-Chair
Sen. Parley Hellewell
Rep. Craig W. Buttars
Rep. Carl W. Duckworth
Rep. Ben C. Ferry
Rep. James R. Gowans
Rep. Michael Noel
Rep. Michael R. Styler
Rep. R. Curt Webb

MEMBERS ABSENT: Rep. David Ure, Co-Chair
Sen. Ron Allen
Rep. Darin G. Peterson

STAFF: Steven Allred, Fiscal Analyst
Cindy Hopkin, Committee Secretary

SPEAKERS: Kevin Carter, Director, Trust Lands Administration
Margaret Bird, Utah State Office of Education
Robert L. Morgan, Executive Director, Dept. of Natural Resources
Dennis Carver, Finance Director, Department of Natural Resources

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen. Hatch called the meeting to order at 2:10 p.m.

Kevin Carter, Director, School and Institute Trust Lands Administration, presented information to the committee about the reservoir trust lands that his department administers. He met with Sen. Hatch and Rep. Ure on Monday to present them with an overview. As a result, he was invited to this meeting to give a short presentation to the committee.

Mr. Carter distributed a handout which lists the parts of the law and Constitution that deal with the issue of the grant that was made to the state of Utah for reservoirs. Since July 1994 when the Trust Lands Administration was created, they have sold 3,457 acres of reservoir grant land for a sales price of a little over \$2M, which is an average price of a little over \$606 per acre. If that number is applied to the 44,000 acres remaining it is worth about \$25M.

Sen. Hatch stated that one of the ways discussed, that has been used in the past, of converting trust lands to cash is through an exchange similar to what was done last year with some public building land for desert tortoise habitat in the St. George area.

Margaret Bird, representing the beneficiaries of the trust, briefed about an exchange in the 2003 General Session to clarify what was done and to clear up any misunderstanding that may have occurred since that exchange came toward the end of the session. The committee had asked Kevin Carter at the beginning of the session (because of a deficit) if every agency could look for any money that might be available to help the General Fund. In response, Mr. Carter realized that the beneficiary for the public buildings land was not a permanent fund, but rather was a fund established to build on the State Capitol grounds. The plan was to trade public building lands for school lands in desert tortoise habitat, then sell the public building lands to the federal government. Ms. Bird explained that the lateness of the exchange was due to appraisal of the lands, consulting both beneficiaries, and making sure the federal government had the \$5M to pay for the land, all of which took considerable work.

Sen. Hatch stated that the Board of Water Resources oversees the reservoir lands fund.

MOTION: Rep. Gowans moved to approve the minutes of January 22 and 26, 2004. The motion passed unanimously with Sen. Allen, Rep. Ure and Rep. Peterson absent for the vote.

Sen. Hatch noted that Rep. Ure and Rep. Peterson asked to be excused from today's meeting.

Robert L. Morgan, Executive Director, Department of Natural Resources introduced his staff. Assisted by Dennis Carver, Finance Director, Department of Natural Resources, he gave a presentation of the agency's budget requests, concerns and issues.

Over the last three years, the Department of Natural Resources with its seven divisions and office of energy, has taken a 15% cut in its overall General Funds and a 33% cut in capital General Funds. In regards to public lands, the department faces issues with the relationship of wild and scenic rivers, recreation, watersheds, accessibility, and water usage.

The Department of Natural Resources was asked by the committee to identify and make a list of species that are of critical concern in an effort to keep them from becoming endangered. This has been done and is on file with the Division of Wildlife Resources.

The Governor has selected watersheds as one of her planks. This is a concern for everyone as we rely on healthy watersheds for clean air, clean water, recreation, forage, and habitat. Presently we have over 600,000 acres of sagebrush loss throughout the state, some on federal lands and some on private and some on state lands. If something isn't done in connection with these other groups to protect the watersheds, soon all we'll have is 600,000 acres of cheat grass.

Mr. Morgan states that the Forest Service has recommended that 6% of the annual forest growth be harvested. If you harvest only 6% of the annual growth, you are continually adding more and more timber to the fires, decreasing watershed, habitat and forage.

The department has concerns about fires and the consequences of fires. Mr. Morgan stated that

Rep. Buttars served on a task force looking at the fire issues; and Mr. Morgan requests that the committee consider supporting any bills that may come forward granting an annual amount for the Fire Suppression Fund. Fires also can affect the watersheds. We need to restore the watersheds to get the maximum water yield.

Mr. Morgan brought up the department's drought concerns. \$1.3M has been lost in fishing license revenue mainly due to lack of confidence in the fishing because of the drought. We have also lost revenue in the parks because not as many people were boating.

The department believes it would be to their advantage to look into the purchase or construction of a building. They are not asking for funds to be appropriated, but as they see rents increase by 50 to 75 percent they want to explore those options. They are currently trying to find funding other than appropriated funds. In addition, there may be other state agencies that would like to occupy the building.

Mr. Morgan stated that data is needed in the study of water resources. The budget for the state engineer's office to keep and maintain gauging stations for ground water and surface water studies has not received any more funding for two decades.

Rep. Styler asked how the steady flow of funding for water rights compares with the request. Mr. Morgan responded that he believes the department has lost 30% of their gauging stations and no longer can afford to do ground water studies.

Mr. Morgan requested that the committee support the Governor's proposal of a 2% raise for State of Utah employees in an effort to help the state keep up with private, city and county employees. Since January 2001, the Department has lost 217 employees and have rehired 171. Of that 171, 24 were law enforcement which has a large initial expenditure to get the employees prepared and equipped to do their job. For an engineer to be trained and become functional, takes at least a year.

Mr. Morgan stated that out of 400 employees, one-third do not meet market comparability for income. About 70 of those 400 employees are below the recommended entry level income at the new range, and it would take about \$100,000 to get them up to the first step.

Sen. Hatch stated that Executive Appropriations Committee would have to make those decisions.

Steven Allred, Fiscal Analyst, presented the committee with an overview of the FY 2005 budget.

The General Fund appropriation that is recommended is \$32,966,500 found on page 4 of Tab 4. There is growth of 16 FTE including fire crews, and Soldier Hollow Golf Course.

Mr. Allred gave the DNR state vehicle report shown on page 5. As of October 2003 there were 722 vehicles which translates to about 1 car for every 1.7 FTE.

A historical perspective on General Funds is on page 6. For General Funds, ongoing-- between 2003 actual and 2004 estimated, there is a drop of about \$550,000. Mr. Allred reminded the committee that there was an increase of \$25,000 for the wild turkey transplants, another increase of \$25,000 for the wolf management plans, and a cut to Parks Capital of \$850,000 and another cut of about \$67,000 for internal service funds savings and retirement rate savings and then added back was about \$425,000 for health, dental and retirement benefits. The net effect was about \$1M in cuts that were taken, plus about one-half million added back in, most of which was for benefits.

Regarding General Funds, One-Time, the negative \$332,200 in FY 2004: There was \$78,000 added in because there was an extra day in FY 2004 for leap year; a negative \$200,000 that was taken from Forestry, Fire and State Lands, of which \$50,000 went to Agriculture in the Class Room, \$30,000 went to insect infestations, and \$120,000 went to USU Climate Center. Another \$210,000 was taken from Wildlife Resources with \$200,000 going to Agriculture for insect control and \$10,000 for the high school rodeo competitors.

The Actual FTEs for 2003 show 1,181 which is based on hours worked, recorded by Finance.

Mr. Allred spoke about the issues he is recommending for DNR administration (Tab 5). In FY 2002-3, two programs transferred from DCED and GOPB to create the Utah Energy Office. Based on FY 2002 actual results, Mr. Allred recommended total ongoing appropriations from the Oil Overcharge funds totaling \$1.2M. The Utah Energy Office has requested an additional appropriation of \$432,200 in order to meet project costs, primarily and also to meet salaries. At the close of FY 2003 there was a balance of \$7.8M remaining.

There has been a transfer of a wetlands specialist from GOPB to DNR. Mr. Allred recommends transferring the position, and the \$25,000 General Fund that goes with it, to the Division of Wildlife Resources.

The Bear Lake Commission receives funding from the State of Utah, the State of Idaho, and federal and other grants. In the State of Utah, it is currently budgeted as a separate program in the DNR Administration line item (see item 3.5). In the State of Idaho it is treated as a contract by the Idaho Department of Environmental Quality. Mr. Allred believes it would be more appropriate for the State of Utah to handle this program similarly. He also recommends the Legislature transfer funding for the Bear Lake Commission to the Department of Environmental Quality and that it be treated as other water quality contracts in that department.

Mr. Allred made the following budget recommendations:

--For the Executive Director of Administration, a total budget of \$971,300. The growth of three FTE in FY 2004 represents a transfer of three employees from the Energy Office.

The intent language from HB1, 2003 General Session requires a report from the department to

the subcommittee. Mr. Allred recommends the report be given now without continuing with the language in FY05.

--For the Administrative Services program of \$1,415,000, funded entirely from the General Fund. Personal Services comprise 87% of the recommended appropriation.

--A total budget of \$3,506,200 for the Utah Energy Office, funded from the General Fund, federal funds, and the Oil Overcharge accounts.

--A total budget of \$334,000 for Public Affairs, funded entirely from the General Fund. One FTE in this program has been vacant for approximately two years.

--A total budget of \$28,000 for the Bear Lake Regional Commission, funded entirely from the General Fund.

--A total budget of \$118,100 for the Law Enforcement Program, funded entirely from the General Fund. This program has decreased from three FTE in FY 2001 to one in FY 2004. Due to budget cuts, these positions probably will not be filled anytime soon.

--General Funds for the Private Property Ombudsman program in the amount of \$147,400. Program staffing consists of one attorney. An office technician temporarily in this program until FY 2002 is no longer on staff due to budget reductions.

MOTION: Rep. Styler moved to adjourn. The motion passed unanimously with Sen. Allen, Rep. Ure, Rep. Noel, and Rep. Peterson absent for the vote.

Rep. David Ure, Co-Chairman

Sen. Thomas Hatch, Co-Chairman