

### Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	544.78	544.78	545.78	545.78	544.78	545.78	1.00	0.18%
Estimated Impact of HB 2*			(22.49)	(22.49)		(22.49)	(22.49)	
<b>Net Estimated FTE*</b>			<b>523.29</b>	<b>523.29</b>		<b>523.29</b>	<b>(21.49)</b>	
Equipment & Intangible Assets	989,822	930,497	1,165,808	1,166,472	1,920,319	2,332,280	411,961	21.45%
Capital Outlay	11,128	122,204	11,128	11,128	133,332	22,256	(111,076)	(83.31%)
Local Assistance	0	0	5,000,000	5,000,000	0	10,000,000	10,000,000	n/a
Grants	1,553,481	1,476,647	1,993,481	1,593,481	3,030,128	3,586,962	556,834	18.38%
Benefits & Claims	0	0	200,000	200,000	0	400,000	400,000	n/a
Transfers	1,343,852	1,331,665	1,331,297	1,325,194	2,675,517	2,656,491	(19,026)	(0.71%)
Debt Service	381,946	473,418	641,253	631,370	855,364	1,272,623	417,259	48.78%
<b>Total Costs</b>	<b>\$48,801,644</b>	<b>\$54,140,515</b>	<b>\$60,871,400</b>	<b>\$58,047,315</b>	<b>\$102,942,159</b>	<b>\$118,918,715</b>	<b>\$15,976,556</b>	<b>15.52%</b>
General Fund	21,727,611	22,811,451	23,666,442	23,614,354	44,539,062	47,280,796	2,741,734	6.16%
State Special	25,053,700	29,275,510	35,208,644	32,441,542	54,329,210	67,650,186	13,320,976	24.52%
Federal Special	2,020,333	2,053,554	1,996,314	1,991,419	4,073,887	3,987,733	(86,154)	(2.11%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$48,801,644</b>	<b>\$54,140,515</b>	<b>\$60,871,400</b>	<b>\$58,047,315</b>	<b>\$102,942,159</b>	<b>\$118,918,715</b>	<b>\$15,976,556</b>	<b>15.52%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Mission: To help ensure Montana's land and water resources provide benefits for present and future generations.

The department is responsible for managing state trust land, protecting Montana's natural resources from wildfire; promoting stewardship of state water, soil, forest, and rangeland resources; providing assistance to the conservation districts; providing natural resource conservation education; and providing support to the Reserved Water Rights Compact Commission (will sunset July 2013) and the Board of Oil and Gas Conservation.

The department also administers the State Board of Land Commissioners, composed of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State. This board exercises general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.

### Agency Highlights

Department of Natural Resources and Conservation	
Major Budget Highlights	
◆	The legislatively approved budget increased 15.5% over the 2013 biennium, with the primary initiatives being: <ul style="list-style-type: none"> <li>• \$2.6 million from state special revenue for overtime at the Broadwater hydropower facility, fisheries mitigation work, continued rehabilitation on the Ruby Dam and other state water projects, and loan repayment for Middle Creek Dam</li> <li>• \$200,000 per year in drinking water loan forgiveness</li> <li>• \$5.0 million per year for loan appropriation authority</li> <li>• Transfer of 3.00 FTE to the Water Court as part of the water rights adjudication process</li> </ul>

**Summary of Legislative Action**

The legislature approved a biennial budget of \$118.9 million, of which \$67.7 million is derived from state special revenue. The total budget includes \$4.9 million in statewide present law adjustment, \$15.8 million in present law adjustments, and \$662,620 in new proposals.

The legislature had approved an additional \$1.4 million to the Board of Oil and Gas Conservation for educational purposes and \$0.5 million for Montana Rural Water Systems (MRWS). These items were line-item vetoed by the Governor. HB 2 also includes \$1.3 million in state special revenue for conservation districts and a water center at the Montana University System that are contingent on passage and approval of HB 556, a bill that would have eliminated the transfer of the balance of the coal tax shared account to the general fund to support projects listed above. The Governor vetoed this bill. As of this writing, a veto override poll had been sent to legislators. Therefore, these funds are still reflected in the agency comparison table.

Items that the legislature focused on that were passed and approved included \$740,000 over the biennium to continue an oil recovery study and compliance and field inspections and a decrease of \$1.4 million by an additional 2% vacancy savings rate applied to the Forestry and Trust Land Division, which can be allocated throughout the agency.

*Fire Suppression*

Montana had a severe 2012-2013 fire season. As a result, a large supplemental was appropriated to pay the fire suppression costs determined to be the responsibility of the state. The Figure shows the total current and projected fire suppression costs to the end of FY 2013, and how those costs were funded. As shown, the total is \$60.3 million, of which all but \$10.0 million is the responsibility of the state.

The legislature took two major actions to address future fire costs:

- o Appropriated more general fund for fire suppression in HB 3 than was necessary to pay current and projected 2013 biennium fire costs, with the unobligated balance transferred to the fire suppression fund. As of this writing, the amount to be transferred is estimated at \$14.2 million of the \$50 million appropriated in HB 3
- o Passed HB 354, which transfers the following potential funding sources to the fire suppression fund:
  - o Any unencumbered and unexpended funds from the Governor’s emergency statutory appropriation at the end of the biennium
  - o Any unencumbered and unexpended general fund reversions in excess of 0.5% of total general fund appropriations each fiscal year as long as no reductions are required as provided in MCA 17-7-140
  - o Any corporate license tax collected in excess of the revenue estimate each fiscal year through FY 2015

Fire Suppression Costs and Sources of Funding FY 2013	
Total Actual and Projected Fire Costs	FY 2013
Other Parties Responsibility	\$10,006,875
State Responsibility	<u>50,251,567</u>
<b>Total</b>	<b>\$60,258,442</b>
Method of Funding State Responsibility	
Fire Suppression Fund*	4,100,000
Governor's Emergency Fund	10,368,145
Supplemental Appropriation**	<u>35,783,422</u>
<b>Total</b>	<b><u>\$50,251,567</u></b>
*Total amount available in FY 2013 prior to replenishment by HB 354.	
**Total appropriation in HB 3 was \$50 million, with the additional funds transferred to the fire suppression fund.	

Sources of Funding for Fire Suppression Fund 2015 Biennium	
Sources	2015 Biennium
Excess Supplemental Appropriation*	\$14,216,578
HB 354	
Excess Corporate License over Revenue Estimate	**
Excess Governor's Emergency Fund	**
Reversions over 0.5%	**
*Projected as of May 10, 2013.	
**No projections at this time.	

The fire suppression fund is capped at \$100 million and statutorily appropriated to the Department of Natural Resources and Conservation.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 22.49 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Dept Of Natural Resources & Conservation Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$47,280,796	\$0	\$0	\$47,280,796	37.8%
State Special Total	67,650,186	-	-	67,650,186	54.1%
Federal Special Total	3,987,733	-	-	3,987,733	3.2%
Proprietary Total	-	6,108,957	-	6,108,957	4.9%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$118,918,715</b>	<b>\$6,108,957</b>	<b>\$0</b>	<b>\$125,027,672</b>	
<b>Percent - Total All Sources</b>	<b>95.1%</b>	<b>4.9%</b>	<b>0.0%</b>		

General fund supports operating costs across the department. The programs in the Forestry Division and the Water Resource Division receive the most general fund support.

The agency receives funds from interest derived from the resource indemnity trust (RIT), Resource Indemnity Groundwater Assessment (RIGWA) taxes, metal mines and oil and gas taxes for projects and operational support. The grant and loan programs funded by the RIT funds are also managed by the agency. A discussion on RIT and related funds can be found in the agency narrative of the Department of Environmental Quality.

Other state special revenue is derived from fire protection taxes, oil and gas operating fees, forest improvement fees, and revenues retained from state land activities for administration costs. Federal funds come from a variety of sources such as the Federal Emergency Management Agency, the United States Department of Agriculture, and the Bureau of Land Management. The agency includes proprietary funding that does not require an appropriation and so does not appear in HB 2. Rates charged to generate these funds are approved by the legislature and discussed in the individual program narratives that follow. This agency has an air operations fund and the seedling nursery fund. Both can be found at the end of the Forestry Division.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	21,727,611	21,727,611	43,455,222	91.91%	48,801,644	48,801,644	97,603,288	82.08%
Statewide PL Adjustments	1,790,458	1,735,676	3,526,134	7.46%	2,479,955	2,406,913	4,886,868	4.11%
Other PL Adjustments	440,991	443,930	884,921	1.87%	8,979,190	6,824,989	15,804,179	13.29%
New Proposals	(292,618)	(292,863)	(585,481)	(1.24%)	610,611	13,769	624,380	0.53%
<b>Total Budget</b>	<b>\$23,666,442</b>	<b>\$23,614,354</b>	<b>\$47,280,796</b>		<b>\$60,871,400</b>	<b>\$58,047,315</b>	<b>\$118,918,715</b>	

### Other Legislation

**HB 3** - This bill appropriates \$50.0 million for fire costs incurred and anticipated in the 2013 biennium and to replenish the fire suppression fund. For a further discussion, see the Fire Suppression discussion in the Summary of Legislative Action section of this narrative.

**HB 6** - This bill appropriates \$29.5 million, all from the natural resources projects account, for the renewable resource grant and loan (RRGL) program.

**HB 7** - This bill appropriates \$6.2 million, all from the natural resources projects account, for the reclamation and development grant program (RDGP).

**HB 11** - This bill appropriates \$17,000,000 from the treasure state endowment regional water system special revenue account to finance the state's share of regional water system projects authorized in MCA 90-6-715 (2).

**HB 13** - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 354** - This bill transfers the following potential funding sources to the fire suppression fund:

- Any unencumbered and unexpended funds from the Governor's emergency statutory appropriation at the end of the biennium
- Any unencumbered and unexpended general fund reversions in excess of 0.5% of total general fund appropriations each fiscal year as long as no reductions are required as provided in MCA 17-7-140
- Any corporate license tax collected in excess of the revenue estimate each fiscal year through FY 2015

**HB 586** - This bill amends the aquatic invasive species act and appropriates \$1.0 million to the Department of Fish, Wildlife, and Parks and \$300,000 to the Department of Natural Resources and Conservation from the general fund for the 2015 biennium for prevention and eradication of aquatic invasive species.

**SB 410** –This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor’s Office. The funding can be transferred at the Governor’s discretion in the 2015 biennium to the following departments for operations costs:

- o Governor’s Office
- o Public Health and Human Services
- o Natural Resources and Conservation
- o Environmental Quality
- o Administration
- o Commerce
- o Revenue
- o Corrections
- o Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	544.78	542.78	545.78	3.00	542.78	545.78	3.00	
Estimated Impact of HB 2*			(22.49)	(22.49)		(22.49)	(22.49)	
<b>Net Estimated FTE*</b>			<b>523.29</b>	<b>(19.49)</b>		<b>523.29</b>	<b>(19.49)</b>	
Personal Services	31,457,109	33,810,098	33,250,474	(559,624)	33,838,456	33,278,045	(560,411)	(1,120,035)
Operating Expenses	13,064,306	16,731,521	17,277,959	546,438	14,491,935	14,841,625	349,690	896,128
Equipment & Intangible Assets	989,822	1,116,676	1,165,808	49,132	1,116,676	1,166,472	49,796	98,928
Capital Outlay	11,128	11,128	11,128	0	11,128	11,128	0	0
Local Assistance	0	5,000,000	5,000,000	0	5,000,000	5,000,000	0	0
Grants	1,553,481	1,553,481	1,993,481	440,000	1,553,481	1,593,481	40,000	480,000
Benefits & Claims	0	200,000	200,000	0	200,000	200,000	0	0
Transfers	1,343,852	1,331,297	1,331,297	0	1,325,194	1,325,194	0	0
Debt Service	381,946	641,253	641,253	0	631,370	631,370	0	0
<b>Total Costs</b>	<b>\$48,801,644</b>	<b>\$60,395,454</b>	<b>\$60,871,400</b>	<b>\$475,946</b>	<b>\$58,168,240</b>	<b>\$58,047,315</b>	<b>(\$120,925)</b>	<b>\$355,021</b>
General Fund	21,727,611	24,185,711	23,666,442	(519,269)	24,133,452	23,614,354	(519,098)	(1,038,367)
State/Other Special	25,053,700	34,149,975	35,208,644	1,058,669	31,979,863	32,441,542	461,679	1,520,348
Federal Special	2,020,333	2,059,768	1,996,314	(63,454)	2,054,925	1,991,419	(63,506)	(126,960)
Proprietary	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$48,801,644</b>	<b>\$60,395,454</b>	<b>\$60,871,400</b>	<b>\$475,946</b>	<b>\$58,168,240</b>	<b>\$58,047,315</b>	<b>(\$120,925)</b>	<b>\$355,021</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislatively approved budget decreased by \$931,979 from the executively proposed budget. The primary differences include new proposals accounting for \$740,000 over the biennium to continue an oil recovery study and compliance and field inspections that the Governor had not recommended, offset by a decrease of \$1.4 million resulting from an additional 2% vacancy savings.

Included in the table above is the expenditures contingent upon passage and approval of HB 556 detailed on page 2 of this summary. The table shows an increase of \$355,021 over the Governor’s proposed budget.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"During the 2015 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account is appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility."

"During the 2015 biennium, up to \$100,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project."

"During the 2015 biennium, up to \$2,200,000 of funds currently in or to be deposited in the state project hydropower earnings account is appropriated for the purpose of repairing, improving, or rehabilitating department state water projects."

"The department is appropriated up to \$600,000 for the 2015 biennium from the natural resources operations account established in 15-38-301 for the purchase of prior liens on property held as loan security as provided in 85-1-615."

"The department is appropriated up to \$200,000 for the 2015 biennium from the coal bed methane protection account established in 76-15-904 for potential landowner or water right holder claims for emergency loss of water related to coal bed methane development."

"The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving fund loan programs and increase state special revenue by a like amount within administration accounts when the amount of federal EPA CAP grant funds allocated for administration of the grant have been expended or federal funds and bond proceeds will be used for other program purposes as authorized in law providing for the distribution of funds."

"If House Bill No. 556 is not passed and approved, Yellowstone River Conservation District Council, Sheridan County Conservation District, Conservation District Support, MT Salinity Drilling Equipment, MT Salinity Technical Assistance, and MSU Montana Water Center funding is void."

"Forestry and Trust Lands includes a reduction in general fund of \$296,118 in fiscal year 2014 and \$296,363 in fiscal year 2015, state special revenue of \$345,471 in fiscal year 2014 and \$345,757 in fiscal year 2015, and federal special revenue of \$63,454 in fiscal year 2014 and \$63,506 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."