

### Program Budget Comparison

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

Program 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	38.75	38.75	38.75	38.75	38.75	38.75	0.00	0.00%
Personal Services	1,538,063	1,785,633	1,856,284	1,858,636	3,323,696	3,714,920	391,224	11.77%
Operating Expenses	1,432,035	1,472,654	2,433,203	2,480,054	2,904,689	4,913,257	2,008,568	69.15%
Equipment & Intangible Assets	24,877	15,000	24,877	24,877	39,877	49,754	9,877	24.77%
Grants	1,645,161	1,570,027	2,521,355	2,567,679	3,215,188	5,089,034	1,873,846	58.28%
Transfers	217,232	264,797	217,232	217,232	482,029	434,464	(47,565)	(9.87%)
<b>Total Costs</b>	<b>\$4,857,368</b>	<b>\$5,108,111</b>	<b>\$7,052,951</b>	<b>\$7,148,478</b>	<b>\$9,965,479</b>	<b>\$14,201,429</b>	<b>\$4,235,950</b>	<b>42.51%</b>
General Fund	506,966	506,500	532,011	533,058	1,013,466	1,065,069	51,603	5.09%
State Special	3,989,159	4,128,851	6,049,836	6,144,753	8,118,010	12,194,589	4,076,579	50.22%
Federal Special	21,461	25,000	25,000	25,000	46,461	50,000	3,539	7.62%
Other	339,782	447,760	446,104	445,667	787,542	891,771	104,229	13.23%
<b>Total Funds</b>	<b>\$4,857,368</b>	<b>\$5,108,111</b>	<b>\$7,052,951</b>	<b>\$7,148,478</b>	<b>\$9,965,479</b>	<b>\$14,201,429</b>	<b>\$4,235,950</b>	<b>42.51%</b>

### Program Description

The Agricultural Development Division (ADD) administers programs to promote Montana agriculture by working through:

- The Rural Development Bureau
- The Agriculture Marketing & Business Development Bureau
- The State Grain Laboratory
- The Wheat and Barley Committee, which is attached to the Department of Agriculture for administrative purposes. It is composed of seven members appointed by the Governor for 3 year terms and oversees the Wheat and Barley program.
- The Montana Agriculture Development Council, which is attached to the Department of Agriculture for administrative purposes. It is composed of seven members appointed by the Governor for 3 year terms and oversees the Montana Growth through Agriculture Program.

There are five agricultural commodity research and marketing committees that are administratively attached to the Department of Agriculture and supported by the Agricultural Development Division. These committees are comprised primarily of producers of their given commodities who provide direction for the development, research, and marketing of their products and industries. These committees are:

- The Alfalfa Seed Committee
- The Montana Wheat and Barley Committee
- The Cherry Advisory Committee
- The Potato Advisory Committee
- The Pulse Crop Advisory Committee

The division houses two proprietary programs:

- The Hail Insurance Program, managed by the Hail Insurance Board, providing low-cost hail insurance coverage for crops grown in Montana.
- The Farm and Ranch Loan Program, a federally supported program to assist beginning farmers and ranchers in the state to acquire agricultural land.

The division also provides agricultural literacy services around the state.

**Program Highlights**

<b>Agricultural Development Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The legislatively approved budget increased 42.51% above the previous biennium due primarily to the following:                             <ul style="list-style-type: none"> <li>• Statewide present law adjustments</li> <li>• Operating adjustment of \$173,200 for the biennium to bring authority back to the FY 2012 authorized level</li> <li>• \$76,151 each year of the biennium from the Coal Severance Tax Shared Account for increased grants and loans related to agricultural development</li> <li>• \$210,000 from the research and commercialization account for additional spending authority for the food and ag centers</li> <li>• \$3.3 million of additional appropriation authority for the biennium from the wheat and barley account for the Wheat and Barley Committee</li> </ul> </li> </ul>	

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Agriculture Funding by Source of Authority 2015 Biennium Budget - Agricultural Development Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,065,069	\$0	\$2,630,000	\$3,695,069	11.1%	15-35-108	Direct
State Special Total	\$12,194,589	\$0	\$1,321,276	\$13,515,865	40.7%		
02040 Wheat & Barley Research & Mktg	\$9,195,365	\$0	\$0	\$9,195,365	27.7%		
02066 Agriculture In Mt Schools Act.	\$35,550	\$0	\$0	\$35,550	0.1%		
02132 Gta Seed Capital Account	\$0	\$0	\$284,584	\$284,584	0.9%	90-9-301	Pass Thru
02178 Cherry Check-off	\$0	\$0	\$48,204	\$48,204	0.1%	80-11-518	Direct
02205 Pulse Crop Research & Mrktg	\$0	\$0	\$879,864	\$879,864	2.6%	80-11-518	Direct
02340 Coal Sev. Tax Shared Ssr	\$869,579	\$0	\$0	\$869,579	2.6%		
02453 Grain Services	\$1,790,604	\$0	\$0	\$1,790,604	5.4%		
02461 Alfalfa Seed Assessment	\$77,991	\$0	\$0	\$77,991	0.2%		
02557 Research & Commercialization	\$210,000	\$0	\$0	\$210,000	0.6%		
02582 Certified Natural Beef	\$15,500	\$0	\$0	\$15,500	0.0%		
02793 Potato Research & Marketing	\$0	\$0	\$108,624	\$108,624	0.3%	80-11-518	Direct
Federal Special Total	\$50,000	\$0	\$0	\$50,000	0.2%		
03225 Agriculture Add Federal	\$50,000	\$0	\$0	\$50,000	0.2%		
Proprietary Total	\$891,771	\$116,400	\$14,966,414	\$15,974,585	48.1%		
06016 Beginning Farm Loans	\$0	\$116,400	\$0	\$116,400	0.4%		
06052 Hail Insurance	\$891,771	\$0	\$14,966,414	\$15,858,185	47.7%	80-2-222	Pass Thru
<b>Total All Funds</b>	<b>\$14,201,429</b>	<b>\$116,400</b>	<b>\$18,917,690</b>	<b>\$33,235,519</b>	<b>100.0%</b>		
<b>Percent - Total All Sources</b>	<b>42.7%</b>	<b>0.4%</b>	<b>56.9%</b>				

The funding for the Agricultural Development Division is dominated by state special revenue (SSR), accounting for 81.2% of the program’s HB 2 total funding. The largest account, the wheat and barley research and marketing SSR account, comprises 68.4% of the HB 2 appropriation for the program.

**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	506,966	506,966	1,013,932	95.20%	4,857,368	4,857,368	9,714,736	68.41%
Statewide PL Adjustments	25,045	26,092	51,137	4.80%	340,929	343,807	684,736	4.82%
Other PL Adjustments	0	0	0	0.00%	86,613	86,613	173,226	1.22%
New Proposals	0	0	0	0.00%	1,768,041	1,860,690	3,628,731	25.55%
<b>Total Budget</b>	<b>\$532,011</b>	<b>\$533,058</b>	<b>\$1,065,069</b>		<b>\$7,052,951</b>	<b>\$7,148,478</b>	<b>\$14,201,429</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					395,234					397,691
Vacancy Savings					(77,013)					(77,118)
Inflation/Deflation					(1,731)					(660)
Fixed Costs					24,439					23,894
<b>Total Statewide Present Law Adjustments</b>		<b>\$25,045</b>	<b>\$269,404</b>	<b>\$0</b>	<b>\$340,929*</b>		<b>\$26,092</b>	<b>\$271,672</b>	<b>\$0</b>	<b>\$343,807*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(25,045)	(269,404)	0	(340,929)*	0.00	(26,092)	(271,672)	0	(343,807)*
DP 51 - Adjustment for Statewide Personal Services	0.00	21,923	252,399	0	318,221*	0.00	23,426	253,558	0	320,573*
DP 52 - Adjustment for Statewide Operations	0.00	3,122	17,005	0	22,708*	0.00	2,666	18,114	0	23,234*
DP 5001 - Program 50 Operating Adjustment	0.00	0	23,232	3,539	86,613*	0.00	0	23,232	3,539	86,613*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$23,232</b>	<b>\$3,539</b>	<b>\$86,613*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$23,232</b>	<b>\$3,539</b>	<b>\$86,613*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$25,045</b>	<b>\$292,636</b>	<b>\$3,539</b>	<b>\$427,542*</b>	<b>0.00</b>	<b>\$26,092</b>	<b>\$294,904</b>	<b>\$3,539</b>	<b>\$430,420*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 5001 - Program 50 Operating Adjustment - The legislature approved adjustments to base operations authority from the alfalfa seed assessment, hail insurance, and certified beef state special revenue accounts, and federal funding. Actual expenditures in FY 2012 were lower than the level authorized by the 62<sup>nd</sup> Legislature due to the variable nature of agricultural activity. This authority will be used for research contracts and grants, supplies, travel, and meeting expenses in the alfalfa seed, hail insurance, marketing, and certified natural beef programs.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5002 - Coal Severance Tax Shared Account	50	0.00	0	76,151	0	76,151	0.00	0	76,151	0	76,151
DP 5003 - Ag in Montana Schools Account	50	0.00	0	3,000	0	3,000	0.00	0	3,000	0	3,000
DP 5009 - Food and Ag Center Funding (RST/OTO)	50	0.00	0	105,000	0	105,000	0.00	0	105,000	0	105,000
DP 5012 - Wheat and Barley Committee Funding (RST)	50	0.00	0	1,583,890	0	1,583,890	0.00	0	1,676,539	0	1,676,539
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,768,041</b>	<b>\$0</b>	<b>\$1,768,041</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,860,690</b>	<b>\$0</b>	<b>\$1,860,690</b>	

DP 5002 - Coal Severance Tax Shared Account - The legislature approved funding at the 2011 biennium level for grants and loans related to agricultural development, from the coal tax shared account.

DP 5003 - Ag in Montana Schools Account - The legislature approved funding from the agriculture in Montana schools account to match operating authority more closely to the revenues that are received through the voluntary check off. The additional funding will be used for supplies, printing, and travel to develop and deliver agriculture related curriculum to classroom teachers.

DP 5009 - Food and Ag Center Funding RST/OTO - The legislature approved adding funding from the research and commercialization account for the 2015 biennium to provide additional funding to the Montana food and agricultural development centers. This funds the food and agricultural development centers at \$300,000 each year of the biennium, including the statutory appropriation of \$195,000 annually authorized in MCA 90-3-1003(4) from the research and commercialization account.

DP 5012 - Wheat and Barley Committee Funding RST - The legislature approved removing \$2.9 million each year of the biennium from the wheat and barley account from the base and adding an additional appropriation of \$1.6 million in FY 2014 and \$1.7 million in FY 2015. Funding for the Wheat and Barley Committee totaled \$4.5 million for FY 2014 and \$4.6 million for FY 2015, all from the wheat and barley account.

**Proprietary Rates**

**Proprietary Program Description**

The Hail Insurance program (fund 06052) has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for crops grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.9 million acres of crops with coverage exceeding \$85 million each year. The program pays for 3.17 permanent FTE and 4.55 seasonal FTE to support program operations. The program is statutorily appropriated under Title 80, Chapter 2, part 2, MCA.

The Montana Beginning Farmer/Rancher Loan Program (fund 06016) is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher. The financial institution, after arranging the loan or sales contract, will obtain from the Montana agriculture loan authority a federally tax-exempt bond in the amount of the loan or unpaid balance. The loan and its collateral will be assigned to the financial institution as security for the bond. In the case of a contract sale, the contract will be entered into by the authority, and the financial institution will receive the bond to evidence the authority's obligations under the contract. The authority's right, title and interest in the contract will then be assigned to the beginning farmer/rancher who assumes payment obligations of the authority under the contract. Once the program is operational, it will fund a 0.50 FTE and related operating expenses. The FTE will not be filled until revenue will support it. The program is statutorily appropriated under Title 80, Chapter 12, part 2, MCA.

**Proprietary Revenues and Expenses**

The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers, no changes have been made in services or fees. Using the agreed upon formula, the program must maintain \$1,321,552 in cash to maintain an ongoing operation. The Department of Revenue issues the insurance policies to producers.

The Farm and Ranch Loan Program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

**Proprietary Rate Explanation**

The Montana Beginning Farmer/Rancher Loan Program applicants pay a \$50 application fee and a loan participation fee of 1.5% of the value of the bond.

**Language and Statutory Authority**

The legislature included the following language in HB 2:

“Central Management Division includes a reduction in general fund of \$7,366 in fiscal year 2014 and \$7,398 in fiscal year 2015, state special revenue of \$80,398 in fiscal year 2014 and \$80,509 in fiscal year 2015, federal special revenue of \$46,249 in fiscal year 2014 and \$46,032 in fiscal year 2015, and proprietary funds of \$10,051 in fiscal year 2014 and \$10,252 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.”