

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Natural Resources and Conservation

Contact: Contact: Contact: Christina Butler, Fiscal Analyst
Rm. 110 H, State Capitol Building
Phone: (406) 444-458, e-mail: christinabutler@mt.gov

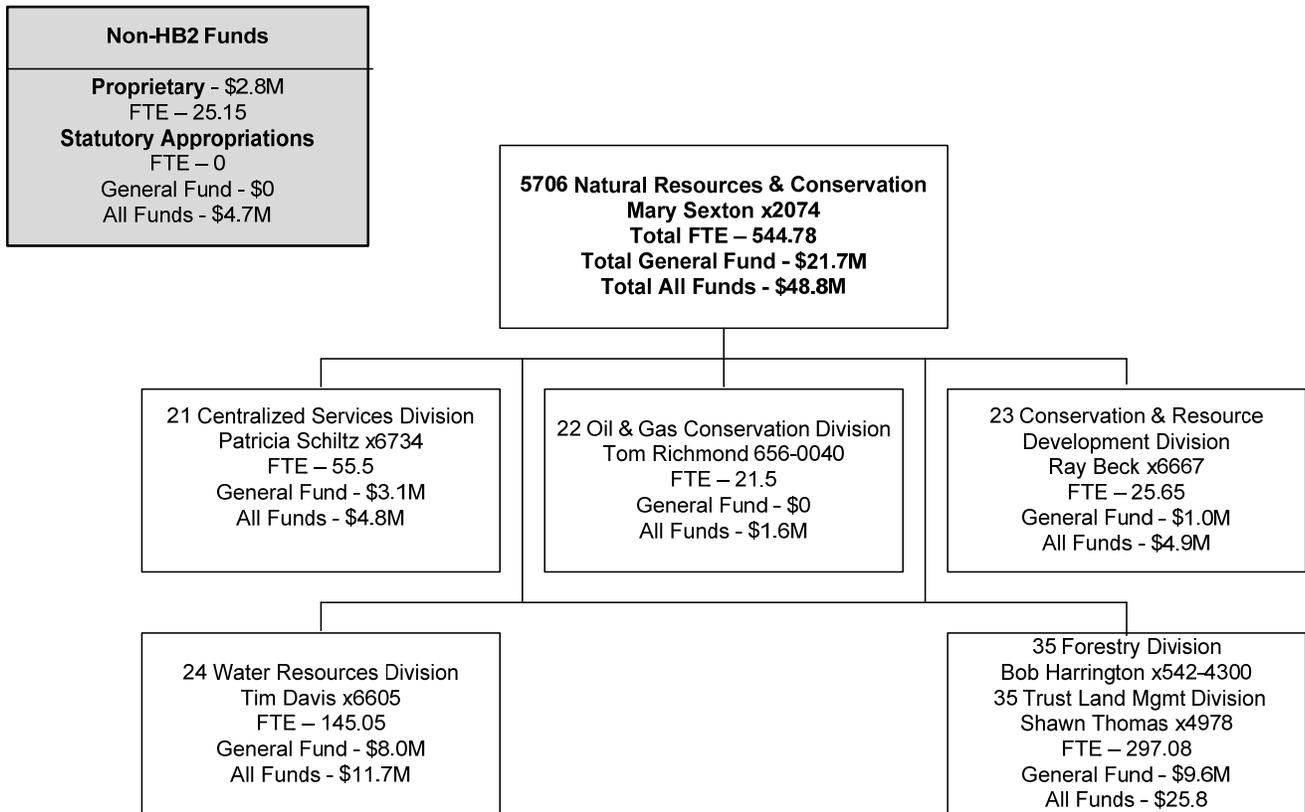
Updated December 2012

Agency Description

Definition of Terms

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.



How Services are Provided

The department consists of seven divisions with the following functions:

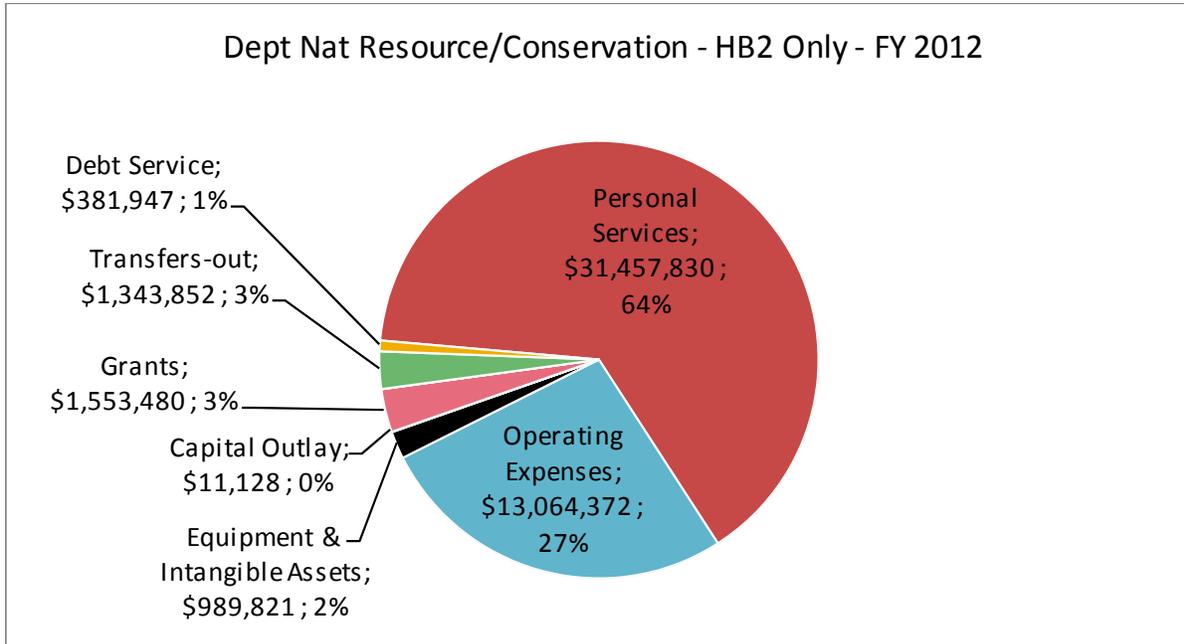
- **The Centralized Services Division** provides managerial and administrative support services to the entire department with 41.0 FTE.
- **The Oil and Gas Conservation Division** administers activities through the quasi-judicial Board of Oil and Gas Conservation and the technical and administrative staff of the division. Their activities include issuing orders and deficiency reports, classifying wells, issuing drilling permits, and administering bonds to ensure proper plugging and surface reclamation. The division also handles the plugging of orphaned, abandoned, or problem wells and is empowered to levy civil and criminal fines. There are seven board members supported by 21.5 FTE.
- **The Conservation and Resource Development Division** provides administrative, financial, and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The division is supported by 25.50 FTE.
- **The Water Resources Division** is responsible for programs associated with the uses, development, and protection of Montana's water, including the adjudication of water rights. The division also develops and recommends in-state, interstate, and international water policy to the director, Governor, and legislature. The division has a staff of 157 FTE.

The Forestry/Trust Lands Administration Division

- **The Forestry Division** is responsible for planning and implementing forestry programs statewide
- **The Trust Land Management Division** provides for the administration and management of trust lands granted to the State of Montana by The Enabling Act of 1889 and the Morrill Acts.

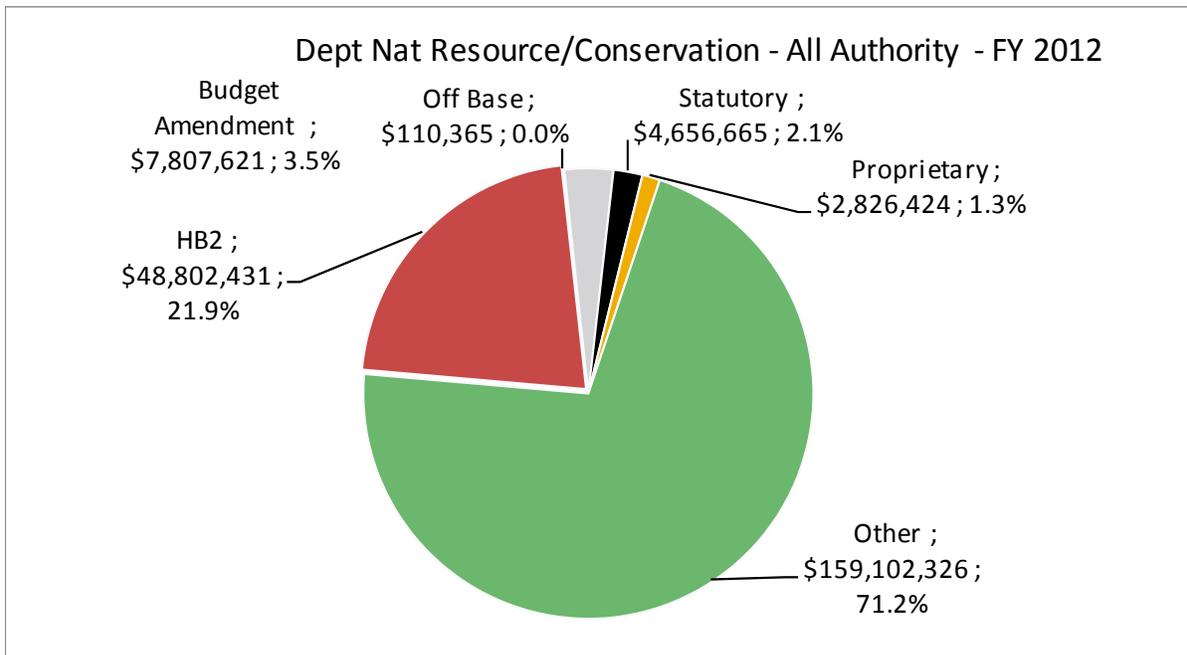
Sources of Spending Authority

The chart on the following page shows the sources of authority for the Department of Natural Resources and Conservation. The primary authority on the chart is accounts for transfers used for trust lands. The primary source of funds for ongoing agency operations comes from HB 2. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



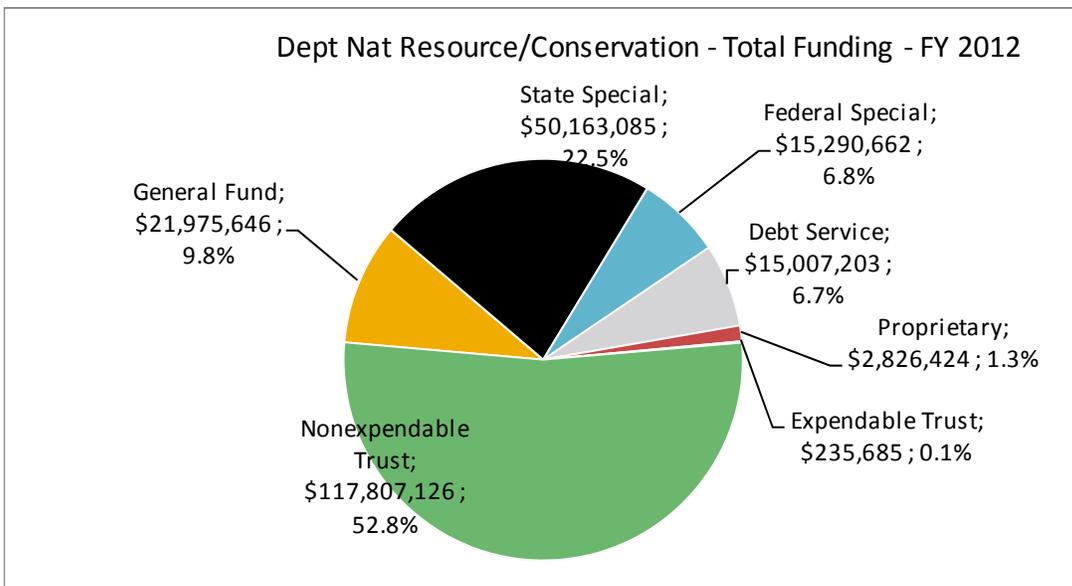
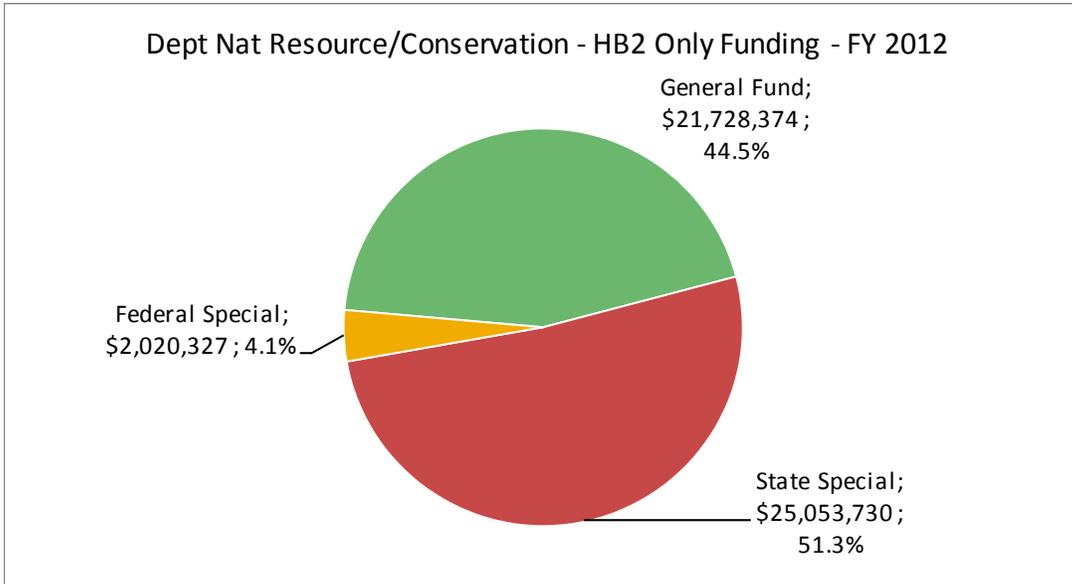
Expenditures

The next chart explains how the HB2 authority is spent. This chart matches the agency chart found in the 2015 Budget Analysis.



Funding

The following charts show the agency's HB2 funding authority by fund type and all sources of its total funding authority.



How the 2013 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

Land Management

The management of trust lands and direct protection of forestlands are major functions of the department. Department expenditures and activities can be affected through:

- Guiding the management of trust lands to increase revenue to beneficiaries
- Ensuring appropriate allocation of trust land management costs across all trusts
- Establishing appropriate fees related to timber harvest on state lands
- Providing appropriations for wildfire costs, prior to fire season
- Setting fire protection assessments on owners of land classified as forestland

Water Resources

Maximizing water resources for the benefit of the state is a guiding principle for the department. The ability to effect change in this area can be done by:

- Directing fees to a specific fund or activity
- Establishing priorities for state-owned dam rehabilitation
- Influencing rates for the leasing of water
- Establishing policies regarding water sustainability

Loan and Grant Programs

The department handles 16 loan and grant programs to provide assistance to private and public entities for resource development or conservation activities. This can be influenced by:

- Setting the amount that can be loaned out to entities
- Determining loan fees and interest rates
- Directing principal payments, fees, and interest dollars to a specific fund or activity
- Determining the types of grants and loans to be released
- Providing access to federal dollars to supplement the loan and grant programs

Permitting and Licensing Activities

The department handles a number of permitting and licensing activities related to the protection and management of natural resources. This activity can be influenced by:

- Determining which activities require a permit
- Establishing permitting and licensing fees
- Directing the revenue from fees to a particular fund or project
- Establishing intervals for licensing and permitting activities
- Establishing realistic timeframes associated with permitting functions

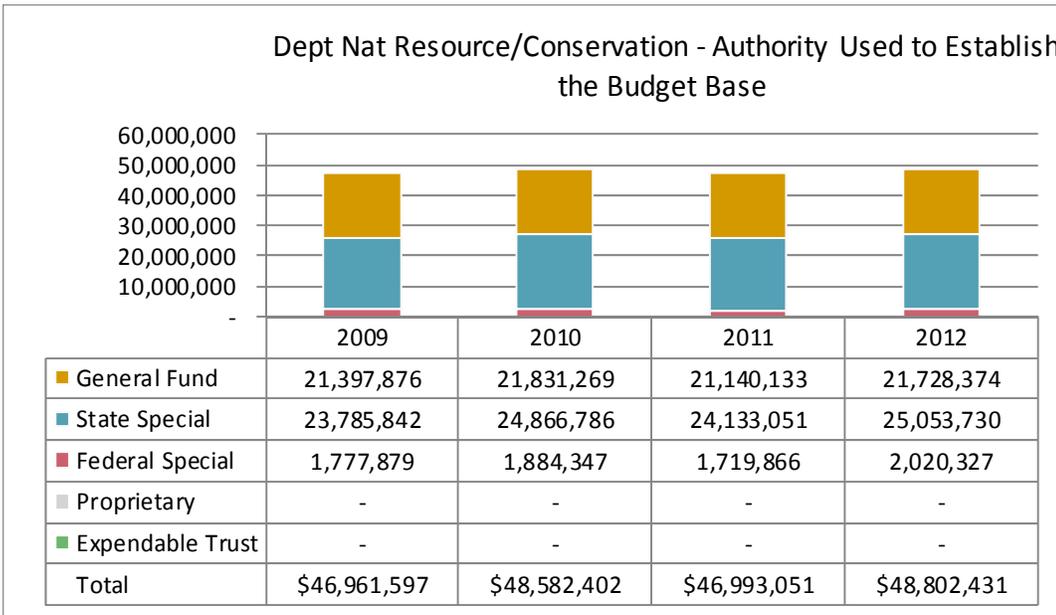
Major Cost Drivers

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time. State FTE - state employees perform many of the functions of the Department of Natural Resources and Conservation. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 64% of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

- Professional/technical/ educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

Element	2010	2012	Significance of Data
Oil and gas drilling permits	239	398	Workload, increase in drilling activities, CY
Dollar value of Resource Development Grant applications	\$18.57 million (RRG & RDG only, does not include Regional Water)	\$17.03 million (RRG & RDG only, does not include Regional Water)	Workload, pressure on grant program.
Number of water rights claims toward 2015 goal and post decree work hours	6,176 claims examined 6,410 post decree hours	9,179 2011 and 2012 claims examined 20,510 post decree hours	Workload, progress toward the goal of examining all remaining water rights claims by 2015 and amount of time assisting the Water Court
Acres of direct fire protection	5,173,219	5,138,786	Change in direct protection responsibilities
Total revenue generated from trust land	\$62.3 million*	\$61.0 million*	Revenue prior to expenses *With Interest *Otter Creek Bonus Payment
Value of loan portfolio, all programs	\$471.8 million	\$553.4 million	Workload, revenue, growth in loan programs
Number of drinking water loans closed or increased	22	23	Workload, growth in loan programs

Funding/Expenditure History



The table shows the historical changes in the department's base budget authority. The base for the department has stayed relatively stable, with no major increases in the last four years.

Major Legislative Changes in the Last Ten Years

Water Compacts

- HB 49 in the 2011 session authorized the sale of bonds to fund the Blackfeet water compact. The department was allowed to issue and sell \$16.0 million in general obligation bonds to pay the state's costs for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian reservation
- HB 645 in the 2009 session provided \$35.0 million in funding for development of wastewater and drinking water infrastructure, state and private forestry activities, and funds for the Blackfeet and Fort Belknap water compacts

Streambeds

- SB 35 in the 2011 session clarified state laws related to the beds of navigable rivers and defines a "navigable river." It provides rulemaking authority to the Board of Land Commissioners to provide for leases, license, or easements to use the beds of navigable rivers and requires authorizations from the Board of Land Commissioners to use the beds of navigable rivers

Fire Suppression

- HB 3 in the 2007 special session provided for the creation of a fire suppression account, transferred \$40 million general fund to the account, and statutorily appropriates the funds in the account for fire suppression activities beginning in FY 2009
- The 2007 Legislature approved \$1.0 million general fund to purchase the title to DNRC helicopters from the US Forest Service pending congressional approval

Trust Land Revenues

- HB 19 in the 2007 session prohibited diversions of Morrill Act Land revenues for administrative costs and provides a statutory appropriation of \$40,000 general fund each year to administer the trust

Water Adjudication

- HB 473 in the 2007 session provided for a \$25.0 million transfer from the general fund to the state special revenue fund for water adjudication activities. This legislation eliminated the water adjudication fee passed by the 2005 legislature

For further information, you may wish to contact the agency at:

Department of Natural Resources and Conservation

Helena, MT 59620-2001

Phone: (406) 444-

webpage: