

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	544.37	544.37	557.69	557.69	544.37	557.69	13.32	2.45%
Personal Services	29,564,814	31,869,195	32,092,831	32,420,382	61,434,009	64,513,213	3,079,204	5.01%
Operating Expenses	13,078,619	14,135,948	19,188,408	19,227,521	27,214,567	38,415,929	11,201,362	41.16%
Equipment & Intangible Assets	1,217,708	1,118,448	1,527,076	1,535,026	2,336,156	3,062,102	725,946	31.07%
Capital Outlay	69,788	135,118	69,788	69,788	204,906	139,576	(65,330)	(31.88%)
Local Assistance	0	200,000	200,000	200,000	200,000	400,000	200,000	100.00%
Grants	1,410,342	1,432,297	2,090,342	1,490,342	2,842,639	3,580,684	738,045	25.96%
Transfers	959,895	977,351	1,218,390	1,228,444	1,937,246	2,446,834	509,588	26.30%
Debt Service	387,283	476,504	478,067	478,067	863,787	956,134	92,347	10.69%
<b>Total Costs</b>	<b>\$46,688,449</b>	<b>\$50,344,861</b>	<b>\$56,864,902</b>	<b>\$56,649,570</b>	<b>\$97,033,310</b>	<b>\$113,514,472</b>	<b>\$16,481,162</b>	<b>16.99%</b>
General Fund	20,883,410	21,819,894	22,506,409	22,676,677	42,703,304	45,183,086	2,479,782	5.81%
State Special	24,052,836	26,686,335	32,261,662	31,891,999	50,739,171	64,153,661	13,414,490	26.44%
Federal Special	1,752,203	1,838,632	2,096,831	2,080,894	3,590,835	4,177,725	586,890	16.34%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$46,688,449</b>	<b>\$50,344,861</b>	<b>\$56,864,902</b>	<b>\$56,649,570</b>	<b>\$97,033,310</b>	<b>\$113,514,472</b>	<b>\$16,481,162</b>	<b>16.99%</b>

### Agency Description

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

The Department of Natural Resources is tasked to:

1. Manage the state trust land resource to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land
2. Protect Montana's natural resources from wildfires through regulation and partnerships with federal, state, and local agencies
3. Promote stewardship of state water, soil, forest, and rangeland resources, and regulate forest practices to protect water quality
4. Provide administrative, legal, and technical assistance and financial grants to the conservation districts and provide natural resource conservation and development programs
5. Resolve water resource use conflicts, manage state water projects, investigate water use violations, ensure dam safety compliance, and provide water adjudication support to the Water Court
6. Provide administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies
7. Provide administrative support to the Board of Oil and Gas Conservation to assist in conservation of oil and gas and prevention of resource waste through regulation of oil and gas exploration and production

The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercise the 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

<b>Department of Natural Resources and Conservation</b> <b>HB 2 Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The budget increases by \$16.4 million or 17 percent in the 2011 biennium from the previous biennium, of which \$7.0 million are statewide present law adjustments</li> <li>◆ One-time-only proposals total \$10.4 million over the biennium and include: <ul style="list-style-type: none"> <li>• \$49.6 million for the state's share of the KRY site cleanup</li> <li>• \$160,000 to conservation districts</li> <li>• \$203,000 for rural water support</li> <li>• \$400,000 for drinking water assistance</li> <li>• \$223,000 for information technology needs</li> <li>• \$240,000 for travel and educational outreach for the oil and gas program</li> </ul> </li> <li>◆ Reductions to the budget include: <ul style="list-style-type: none"> <li>• Increase in vacancy savings to 7 percent, \$1.9 million</li> <li>• Across the board reduction of general fund, \$1.5 million</li> <li>• Reductions due to vacant positions, \$490,000</li> </ul> </li> </ul>	
<b>HB 645 Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The department was provided \$29.8 million in federal authority to provide loan assistance to disadvantaged communities utilizing the state revolving fund program and support to state and private forestry efforts</li> <li>◆ General fund authority of \$460,000 to provide increased grant administration costs was provided. The bill infused \$4.5 million into the renewable resources and reclamation and development grant programs.</li> </ul>	

## Summary of Legislative Action

The legislature approved a biennial budget of \$113.2 million. The budget includes \$7.0 million in statewide present law adjustments, \$3.9 million in additional present law adjustments and \$8.9 million in new proposals. The budget is funded with 40 percent general fund.

The budget contains funding to implement HB 13, the pay plan. This includes \$754,414 in ongoing costs for employee health insurance increases as well as \$179,716 in one-time-only funding to provide a \$450 lump sum payment to qualified employees. Forty five percent of the pay plan is funded with general fund.

Other major biennial budget items include:

- o \$9.6 million to fund the state's share of the cleanup of the KRY state superfund site
- o Forest improvement and contract harvesting activities, \$1.3 million
- o Increased fire suppression staffing, \$1.0 million
- o Expansion of oil and gas related activities, \$1.0 million
- o Assistance under the state revolving fund for disadvantaged communities, \$400,00

Budget increases were offset by the following reductions:

- o Increase to 7 percent vacancy savings of approximately \$1.9 million
- o A 3.2 percent across the board general fund reduction of \$1.5 million
- o Fuel funding reductions of \$277,201

## Agency Discussion

### *Fire Suppression Funding*

The legislature provided authority for the unfunded fire costs for the 2009 biennium. Figure 1 illustrates the fire suppression costs for both FY 2008 and FY 2009. The combined biennial cost of fire suppression was \$90 million of which \$42.0 million was covered by appropriation authority granted during the special session of September 2007, \$6.0 million from the fire suppression fund created during the special session of September 2007 and \$8.0 million from the Governor's emergency fund. Of the \$33 million in remaining costs, \$31.0 million was covered through funding from the Federal Emergency Management Agency and other federal partners. The remaining \$3.0 million was funded in HB 3 of the 2009 session. The figure does not include any spring fire costs. Should fires occur prior to July 1; the cost to the 2009 biennium will increase.

Figure 1 Department of Natural Resources and Conservation 2009 Biennium Fire Costs		
<u>PART 1: FY2008 Actual &amp; Estimated Costs</u>		
FY 2008 Fire Costs	\$81,544,805	
FY 2009 Fire Costs (YTD)	<u>8,474,127</u>	
Paid and Current Obligations		<u>\$90,018,932</u>
<u>PART 2: Sources of Funding</u>		
Appropriations-		
DNRC - Sept 2007 Special Session	(39,000,000)	
DMA - Sept. 2007 Special Session	(3,000,000)	
DNRC - Fire Suppression Fund	(5,984,667)	
Governor's Emergency Fund	<u>(8,000,000)</u>	
		(55,984,667)
Reimbursement Available		
Billable Support - USFS/BLM/NPS./BIA	(12,900,494)	
FEMA Reimbursement	<u>(17,500,339)</u>	
		(30,400,833)
Unfunded Fire Costs		<u>\$3,633,432</u>
Supplemental Funding - HB 3	<u>(\$3,633,432)</u>	<u>\$0</u>

The legislature chose to extend \$30 million of the balance in the fire suppression fund for the same purpose for the 2011 biennium. This funding is appropriated to the department to cover fire suppression costs.

### *Resource Indemnity Trust (RIT)*

The Resource Indemnity Trust (RIT) and related accounts provide support to the natural resource agencies for a variety of purposes. However, the decline in RIT interest due to the economic downturn resulted in the need to transfer funds to and reduce appropriations from the natural resources operations fund. Figure 2 illustrates the condition of the RIT related funds.

**Figure 2**  
2011 Biennium  
Resource Indemnity Funding

Related Funds	02010	02022	02070	02107	02162	02216	02289	02472	02576
	Oil & Gas	Future Fish	HazWas	ECA	EQPF	Wa Sto	GRW	Orphan Share	Operations
Beginning FY 2009 Fund Balance	\$312,433	\$1,113,055	\$429,779	639,501	\$2,987,113	\$1,420,433	\$0	\$10,632,358	\$4,192,776
RIT Interest		\$500,000	\$287,040	175,000	\$99,360	\$0	\$300,000		\$717,600
interest									
STIP	10,000		10,000	15,000					
RIGWA			293,711		293,711	150,000	366,000		
Metal Mines Tax								3,140,398	832,000
Oil and Gas Tax									1,522,936
Other Income	67,000				3,750,000				
FY 2009 Total Revenues & Fund Balance	\$389,433	\$1,613,008	\$1,020,530	\$829,501	\$7,130,184	\$1,570,433	\$666,000	\$13,772,756	\$7,265,312
FY 2009 Appropriations	(174,194)	(1,613,008)	(494,755)	0	(3,008,135)	(520,628)	(666,000)	(19,118)	(5,324,833)
FY 2009 Budget Amendment									(992,037)
Transfers	25,000							(3,025,000)	
Reserved for Capital Appropriations									
Grant Reversion									
Projected Fund Balance Ending FY 2009	\$240,239	\$0	\$525,775	\$829,501	\$4,122,049	\$1,049,805	\$0	\$10,728,638	\$948,442
Revenues for 2011 Biennium									
RIT Interest - Direct	50,000	1,000,000	431,340	175,000	595,310	500,000	600,000	-	1,078,350
RIGWA			820,422		820,422		732,000		
Anticipated reversions									350,000
Short Term Investment Pool - Interest	20,000		20,000		70,000	35,000			6,000
Admin Fees									802,000
Metal Mines Tax								4,949,187	2,400,108
Oil and Gas Tax					7,500,000				2,064,139
Agency Generated Revenues	100,000				(600,000)		(2,400,000)		900,000
Transfers - From Water Adjudication Account									226,843
Transfers - Other									
Fiscal Note - SB 62 / HB 678									
Projected Fund Balance Beginning FY 2010	\$410,239	\$1,000,000	\$1,797,537	\$1,004,501	\$13,107,781	\$1,704,805	\$1,332,000	\$13,277,825	\$8,775,882
Appropriations for 2011 Biennium									
RRGL and RDGP Programs									
UM-Bureau of Mines							(1,332,000)		(351,772)
DNRC - Conservation and Resource Devel. Division									(1,362,397)
DNRC-Water Resources Division						(535,000)			(451,687)
DNRC - Board of Oil & Gas									
DNRC - Forestry/Trust Lands	(200,000)							(9,600,000)	(199,762)
DEQ-Central Management									(117,114)
DEQ-Planning, Prevention & Assistance			(182,178)						
DEQ-Enforcement									(10,260)
DEQ-Remediation			(42,873)		(11,600,998)			(28,851)	
DEQ-Permitting & Compliance			(872,858)						(4,055,739)
Future Fisheries		(1,000,000)							
Judiciary-Water Court									(2,082,508)
Governor's Office - Emergency Authority				(1,004,501)					
Total Appropriations	(\$200,000)	(\$1,000,000)	(\$1,097,909)	(\$1,004,501)	(\$11,600,998)	(\$535,000)	(\$1,332,000)	(\$9,628,851)	(\$8,631,239)
Projected Ending Fund Balance	\$210,239	\$0	\$699,628	\$0	\$1,506,783	\$1,169,805	\$0	\$3,648,974	\$144,643

## Major changes include

- o Revision of the deposit schedule to the environmental contingency fund from \$175,000 annually to \$175,000 at the beginning of each biennium.
- o Elimination of support to the Central Services Division within the department and the Natural Resources Information System (NRIS) at the State Library
- o Reductions to the Permitting and Compliance Division within the Department of Environmental Quality of \$50,000 in FY 2011 to aid in balancing the natural resources operating fund

## Biennial transfers include:

- o \$2.4 million per statute from the orphan share to the Zortman/Landusky water treatment trust
- o \$2.1 million from the water adjudication fund to the natural resources operations fund to support the water court
- o \$0.6 million from the environmental quality protection fund and \$0.3 million from the junk vehicle fund to the natural resource operations fund to cover funding shortfalls

## Biennial appropriations include:

- o \$11.6 million to operate the state superfund program, of which \$7.5 million is reimbursement from liable parties
- o \$9.6 million to cover the state's share of the cleanup costs of the KRY state superfund site
- o \$8.6 million for agency operational support including:
  - o \$2.1 million for the Water Court
  - o \$4.2 million for the Department of Environmental Quality
  - o \$2.0 million for the Department of Natural Resources and Conservation
  - o \$0.3 for the Montana Bureau of Mines and Geology

The legislature did not over appropriate any fund based on available revenue estimates. All projected balances could change based on the amount of the appropriations expended and the actual revenues.

**Funding**

The following table shows funding for the agency, by source, for the base year and for the 2011 biennium as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
21 Centralized Services	\$ 4,223,712	\$ 1,190,472	\$ 361,335	\$ 5,775,519	5.09%
22 Oil & Gas Conservation Div.	-	4,514,216	269,884	4,784,100	4.21%
23 Conservation/Resource Dev Div	3,034,261	6,855,789	591,500	10,481,550	9.23%
24 Water Resources Division	16,405,384	9,293,299	336,196	26,034,879	22.94%
25 Reserved Water Rights Comp Com	1,193,499	-	-	1,193,499	1.05%
35 Forestry/Trust Lands	20,326,230	42,299,885	2,618,810	65,244,925	57.48%
Grand Total	<u>\$ 45,183,086</u>	<u>\$ 64,153,661</u>	<u>\$ 4,177,725</u>	<u>\$ 113,514,472</u>	<u>100.00%</u>

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) for projects and operational support. The grant and loan programs funded by the RIT interest 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.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	20,883,410	20,883,410	41,766,820	92.44%	46,688,449	46,688,449	93,376,898	82.26%
Statewide PL Adjustments	1,766,570	1,758,514	3,525,084	7.80%	3,474,582	3,516,131	6,990,713	6.16%
Other PL Adjustments	226,072	307,315	533,387	1.18%	1,854,412	2,091,276	3,945,688	3.48%
New Proposals	(369,643)	(272,562)	(642,205)	(1.42%)	4,847,459	4,353,714	9,201,173	8.11%
<b>Total Budget</b>	<b>\$22,506,409</b>	<b>\$22,676,677</b>	<b>\$45,183,086</b>		<b>\$56,864,902</b>	<b>\$56,649,570</b>	<b>\$113,514,472</b>	

**Other Legislation**

**HB 645** - In addition to the appropriations provided in HB 2, the Department of Natural Resources and Conservation is provided with \$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.

Figure 3 illustrates HB 645 funding by program.

Figure 3 Department of Natural Resources and Conservation - HB 645 Biennium Budget		
Division	General Fund	Federal Special
Centralized Services Division	0	150,852
Conservation and Resources Development Division	460,000	20,935,146
Reserved Water Rights Compact Commission	5,000,000	0
Forestry and Trust Lands	0	8,500,000
Total	<u>5,460,000</u>	<u>29,585,998</u>

A portion of the federal funds provided by the American Recovery and Reinvestment Act (ARRA) to Montana for specific purposes enabled the legislature to free-up general fund for use in implementing the intent of ARRA at the state level. The \$5.2 million general fund appropriated in HB 645 to the department is directed as follows;

- o \$4.0 million for the Blackfeet Water Compact
- o \$1.0 million for the Fort Belknap Water Compact
- o \$230,000 for water project administration

The \$29.8 million of the federal funds provided by the ARRA to Montana are “siloe’d” funds that have specific federal direction pertaining to the expenditure of those funds. These include funds to provide loan forgiveness or assistance on revolving fund loans for waste water and drinking water plants as well as forestry programs such a fuel reduction projects and private forestry assistance.

**HB 2 and HB 645 Combined**

Figure 4 illustrate HB 2 and HB 645 combined. The first two columns show the appropriations in HB 2 and HB 645, and the third column shows the total funding for the agency from both bills.

**HB 140** - Increases the amount by which the DNRC may exceed the annual sustained harvest level from 5% to 10% using contract harvesting if the department is addressing forest health concerns. A budget adjustment was made for this activity.

Figure 4 2011 Biennium HB 2 and HB 645 Combined Department of Natural Resources and Conservation			
Fund	HB 2	One-time HB 645	2011 Biennium Revised Total
General Fund	\$45,002,904	\$5,460,000	\$50,462,904
State Special Revenue	63,968,318	0	63,968,318
Federal Special Revenue	<u>4,176,080</u>	<u>29,585,998</u>	<u>33,762,078</u>
Total Funds	<u>\$113,147,302</u>	<u>\$35,045,998</u>	<u>\$148,193,300</u>

HB 135 – Provides funding for the mitigation measure required by the Fort Belknap Water Compact by transferring \$1.0 million general fund to the People’s Creek minimum flow fund. ( Note: The appropriation in this bill was voided as it was replaced with an appropriation in HB 645.)

HB 154 - Makes the fire suppression account permanent and appropriates up to \$30 million to DNRC for the 2011 biennium to be used for paying expenses for fire prevention, including fuel mitigation, grants for the purchase of fire suppression equipment for county cooperatives, and fire suppression costs.

HB 161 - Ratifies the water rights compact entered into by the Blackfeet Tribe, Montana and the federal government, transfers \$4.0 million from the general fund to the Blackfeet Tribe water rights compact infrastructure account and appropriates funds for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian Reservation. (Note: The appropriation in this bill was voided as it was replaced with an appropriation in HB 645)

HB 674 – Provides bonding authority for the department to purchase sustainable forest land for support of Montana public schools.

SB 39 - Extends the duration of the Reserved Water Rights Compact Commission to 2013.

SB 65 - Revises, and is meant to simplify, the way in which DNRC calculates and pays for administrative costs associated with the management of state trust lands (i.e. a timber sale) for the benefit of public schools. Reduces the number of special revenue accounts kept for these purposes. Requires accounting practices to ensure that no trust (i.e. K-12 schools) is charged for the administrative costs of another trust (i.e. the university system). Authorizes the use of general fund loans to cover up front costs (timber sales have significant startup costs) before the expected revenue is collected.

SB 113 - Establishes a pilot program for mechanized equipment fuels reduction on state lands within the wildland-urban interface and for fire suppression purposes.

SB 143 - Establishes a minimum amount of assessment for fire protection for people who own a share of property and an individual unit on the property (condominiums).

SB 303 – Requires the department to update the state water plan to specifically address issues in the Yellowstone, Clark Fork and Missouri River basins. This work is to be completed by 2015. The legislature appropriated \$306,000 general fund and approved 1.00 FTE for this purpose.

SB 507 - Revises and clarifies laws related to the treatment of property consisting of the bed of navigable rivers, including requiring authorization from the Board of Land Commissioners for uses on the beds of navigable rivers and requiring the land commissioners to adopt rules for providing easements, leases, or licenses for uses on the beds of navigable rivers. Funds to manage this process were appropriated in HB 2.

### **Executive Budget Comparison**

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg – Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg – Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	544.37	553.69	557.69	4.00	553.69	557.69	4.00	
Personal Services	29,564,814	31,698,216	32,092,831	394,615	31,793,921	32,420,382	626,461	1,021,076
Operating Expenses	13,078,619	15,408,480	19,188,408	3,779,928	15,442,054	19,227,521	3,785,467	7,565,395
Equipment & Intangible Assets	1,217,708	1,337,518	1,527,076	189,558	1,345,477	1,535,026	189,549	379,107
Capital Outlay	69,788	69,788	69,788	0	69,788	69,788	0	0
Local Assistance	0	200,000	200,000	0	200,000	200,000	0	0
Grants	1,410,342	1,610,342	2,090,342	480,000	1,610,342	1,490,342	(120,000)	360,000
Transfers	959,895	1,218,390	1,218,390	0	1,228,444	1,228,444	0	0
Debt Service	387,283	478,067	478,067	0	478,067	478,067	0	0
<b>Total Costs</b>	<b>\$46,688,449</b>	<b>\$52,020,801</b>	<b>\$56,864,902</b>	<b>\$4,844,101</b>	<b>\$52,168,093</b>	<b>\$56,649,570</b>	<b>\$4,481,477</b>	<b>\$9,325,578</b>
General Fund	20,883,410	22,975,073	22,506,409	(468,664)	23,002,944	22,676,677	(326,267)	(794,931)
State/Other Special	24,052,836	26,949,491	32,261,662	5,312,171	27,085,494	31,891,999	4,806,505	10,118,676
Federal Special	1,752,203	2,096,237	2,096,831	594	2,079,655	2,080,894	1,239	1,833
Proprietary	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$46,688,449</b>	<b>\$52,020,801</b>	<b>\$56,864,902</b>	<b>\$4,844,101</b>	<b>\$52,168,093</b>	<b>\$56,649,570</b>	<b>\$4,481,477</b>	<b>\$9,325,578</b>

The legislature approved a biennial budget 8.7 percent higher than the executive proposal. This biennial increase of \$9.0 million can be attributed to the legislature's decision to appropriate the state's share of the cleanup at the KRY state superfund site to this department rather than the Department of Environmental Quality. The department has oversight of the state land within the boundaries of the superfund site. Other increases to the department's budget were offset by an equal amount of general fund reductions, an increase in vacancy savings, and elimination of funds associated with vacant positions.



### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	41.50	41.50	41.50	41.50	41.50	41.50	0.00	0.00%
Personal Services	2,421,039	2,659,504	2,607,686	2,633,228	5,080,543	5,240,914	160,371	3.16%
Operating Expenses	767,779	648,253	310,585	209,710	1,416,032	520,295	(895,737)	(63.26%)
Equipment & Intangible Assets	7,155	20,000	7,155	7,155	27,155	14,310	(12,845)	(47.30%)
Capital Outlay	0	10,000	0	0	10,000	0	(10,000)	(100.00%)
<b>Total Costs</b>	<b>\$3,195,973</b>	<b>\$3,337,757</b>	<b>\$2,925,426</b>	<b>\$2,850,093</b>	<b>\$6,533,730</b>	<b>\$5,775,519</b>	<b>(\$758,211)</b>	<b>(11.60%)</b>
General Fund	2,414,779	2,594,318	2,142,062	2,081,650	5,009,097	4,223,712	(785,385)	(15.68%)
State Special	681,199	668,439	593,856	596,616	1,349,638	1,190,472	(159,166)	(11.79%)
Federal Special	99,995	75,000	189,508	171,827	174,995	361,335	186,340	106.48%
<b>Total Funds</b>	<b>\$3,195,973</b>	<b>\$3,337,757</b>	<b>\$2,925,426</b>	<b>\$2,850,093</b>	<b>\$6,533,730</b>	<b>\$5,775,519</b>	<b>(\$758,211)</b>	<b>(11.60%)</b>

### Program Description

The Centralized Services Division provides managerial and administrative support services to the department through: 1) the Director's Office, which includes the director, legal staff, and public information; and 2) support services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and mail. Responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land. The division also coordinates the state's Restoration Program.

### Program Highlights

Centralized Services Division	
HB 2 Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The budget decreases by 11.6 percent from the previous biennial budget, primarily due to statewide present law adjustments</li> <li>◆ The legislature approved a funding switch of state special revenue RIT funds for general fund</li> <li>◆ A one-time-only appropriation for electronic filing is included</li> <li>◆ Reductions to the biennial budget include: <ul style="list-style-type: none"> <li>A 3.2 percent reduction of general fund, \$1.5 million</li> <li>An increase in vacancy savings to 7 percent, \$168,866</li> </ul> </li> </ul>	
HB 645 Highlights	
<ul style="list-style-type: none"> <li>◆ The division received \$150,000 of federal drinking water funds to provide support to manage additional loans</li> </ul>	

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature

Program Funding Table						
Centralized Services						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 2,414,779	75.6%	\$ 2,142,062	73.2%	\$ 2,081,650	73.0%
01100 General Fund	2,414,779	75.6%	2,142,062	73.2%	2,081,650	73.0%
02000 Total State Special Funds	681,199	21.3%	593,856	20.3%	596,616	20.9%
02039 Forestry-Fire Protection Taxes	74,500	2.3%	74,995	2.6%	74,994	2.6%
02052 Rangeland Improvement Loans	15,000	0.5%	14,999	0.5%	14,999	0.5%
02073 Forestry - Slash Disposal	5,000	0.2%	5,000	0.2%	5,000	0.2%
02145 Broadwater O & M	9,500	0.3%	9,699	0.3%	9,699	0.3%
02280 Forest Resources-Timber Sales	78,000	2.4%	78,495	2.7%	78,494	2.8%
02340 Coal Sev. Tax Shared Ssr	10,000	0.3%	9,999	0.3%	9,999	0.4%
02430 Water Right Appropriation	65,000	2.0%	65,496	2.2%	65,495	2.3%
02431 Water Adjudication	28,350	0.9%	84,995	2.9%	84,994	3.0%
02432 Oil & Gas Era	63,500	2.0%	69,955	2.4%	69,954	2.5%
02449 Forest Resources-Forest Improv	32,000	1.0%	38,247	1.3%	41,016	1.4%
02450 State Lands Res Dev	26,443	0.8%	51,997	1.8%	51,996	1.8%
02576 Natural Resources Operations Ssr Fu	203,934	6.4%	(16)	0.0%	(18)	0.0%
02825 Water Well Contractors	5,000	0.2%	5,000	0.2%	5,000	0.2%
02938 Tlmd - Administration	64,972	2.0%	84,995	2.9%	84,994	3.0%
03000 Total Federal Special Funds	99,995	3.1%	189,508	6.5%	171,827	6.0%
03255 Csd Federal Indirect	99,995	3.1%	189,508	6.5%	171,827	6.0%
Grand Total	\$ 3,195,973	100.0%	\$ 2,925,426	100.0%	\$ 2,850,093	100.0%

The Centralized Services Division is funded primarily with general fund, a variety of resource based accounts such as revenue from timber sales and taxes on oil and gas wells, and federal indirect grant reimbursements. To obtain funding the department charges overhead rates to other divisions to recover costs. The rate varies depending upon the type and amount of managerial, payroll, contract, and accounts payable services provided to the divisions.

### Budget Summary by Category

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

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,414,779	2,414,779	4,829,558	114.34%	3,195,973	3,195,973	6,391,946	110.67%
Statewide PL Adjustments	302,321	214,011	516,332	12.22%	508,786	395,476	904,262	15.66%
Other PL Adjustments	9,006	20,636	29,642	0.70%	48,711	70,420	119,131	2.06%
New Proposals	(584,044)	(567,776)	(1,151,820)	(27.27%)	(828,044)	(811,776)	(1,639,820)	(28.39%)
Total Budget	\$2,142,062	\$2,081,650	\$4,223,712		\$2,925,426	\$2,850,093	\$5,775,519	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					388,715					398,149
Vacancy Savings					(112,388)					(112,766)
Inflation/Deflation					4,190					5,378
Fixed Costs					228,269					104,715
<b>Total Statewide Present Law Adjustments</b>		<b>\$302,321</b>	<b>\$156,460</b>	<b>\$50,005</b>	<b>\$508,786</b>		<b>\$214,011</b>	<b>\$156,460</b>	<b>\$25,005</b>	<b>\$395,476</b>
DP 2101 - Centralized Services Operating Adjustment	0.00	9,176	5,249	34,517	48,942	0.00	20,831	8,018	41,836	70,685
DP 7101 - Fuel Inflation Reduction	0.00	(170)	(52)	(9)	(231)	0.00	(195)	(61)	(9)	(265)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$9,006</b>	<b>\$5,197</b>	<b>\$34,508</b>	<b>\$48,711</b>	<b>0.00</b>	<b>\$20,636</b>	<b>\$7,957</b>	<b>\$41,827</b>	<b>\$70,420</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$311,327</b>	<b>\$161,657</b>	<b>\$84,513</b>	<b>\$557,497</b>	<b>0.00</b>	<b>\$234,647</b>	<b>\$164,417</b>	<b>\$66,832</b>	<b>\$465,896</b>

DP 2101 - Centralized Services Operating Adjustment - The bill contains a base adjustment for janitorial services, targeted server and computer replacement, and rent at one non-state building.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

### New Proposals

New Proposals										
-----Fiscal 2010-----					-----Fiscal 2011-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2102 - Natural Resources Operations Acct - Funding Switch										
21	0.00	249,000	(249,000)	0	0	0.00	249,000	(249,000)	0	0
DP 2151 - Centralized Services Legal Imaging - OTO										
21	0.00	5,000	0	5,000	10,000	0.00	5,000	0	5,000	10,000
DP 2155 - General Fund Reduction										
21	0.00	(750,000)	0	0	(750,000)	0.00	(750,000)	0	0	(750,000)
DP 2170 - Personal Services Reduction										
21	0.00	(31,199)	0	0	(31,199)	0.00	(31,211)	0	0	(31,211)
DP 6013 - 2011 Biennium Pay Plan - HB 13										
21	0.00	14,080	0	0	14,080	0.00	42,592	0	0	42,592
DP 6014 - Pay Plan Lump Sum Payment - OTO										
21	0.00	11,730	0	0	11,730	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
21	0.00	1,636	0	0	1,636	0.00	1,418	0	0	1,418
DP 8101 - Increasing 4% vacancy savings to 7%										
21	0.00	(84,291)	0	0	(84,291)	0.00	(84,575)	0	0	(84,575)
<b>Total</b>	<b>0.00</b>	<b>(\$584,044)</b>	<b>(\$249,000)</b>	<b>\$5,000</b>	<b>(\$828,044)</b>	<b>0.00</b>	<b>(\$567,776)</b>	<b>(\$249,000)</b>	<b>\$5,000</b>	<b>(\$811,776)</b>

DP 2102 - Natural Resources Operations Acct - Funding Switch - To balance expenditures with available revenue in the natural resources operations account, the legislature approved a funding switch of \$249,000 general fund each year of the biennium for the same amount of state special revenue. Funding is used to help pay for the staff and operating expenses of the Centralized Services Division.

DP 2151 - Centralized Services Legal Imaging - OTO - The legislature approved a one-time appropriation of general fund and federal special funds of \$10,000 per year to institute and maintain a searchable electronic database of the legal unit's case files using FileNet. The project is contracted through the Department of Administration-ITSD.

DP 2155 - General Fund Reduction - The legislature reduced the general fund appropriation for the department by 3.2 percent or \$750,000 each year of the biennium. The department was provided the flexibility to apply the reduction throughout the agency.

DP 2170 - Personal Services Reduction - The legislature reduced personal services in an amount equal to the value of positions that have been vacant for more than 12 months as of January 2, 2009.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY2010 and an additional \$54 per month for CY2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment - OTO - This DP funds this program's cost of providing one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% vacancy savings to 7% - This adds an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

#### **Language and Statutory Authority**

The legislature added the following language to HB 2:

“Centralized services includes unspecified reductions in general fund money of \$750,000 in fiscal year 2010 and \$750,000 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans.”

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	20.50	20.50	21.50	21.50	20.50	21.50	1.00	4.88%
Personal Services	1,004,109	1,323,256	1,264,233	1,286,593	2,327,365	2,550,826	223,461	9.60%
Operating Expenses	676,963	862,022	813,930	813,893	1,538,985	1,627,823	88,838	5.77%
Equipment & Intangible Assets	47,672	53,345	299,730	299,721	101,017	599,451	498,434	493.42%
Grants	3,000	7,000	3,000	3,000	10,000	6,000	(4,000)	(40.00%)
<b>Total Costs</b>	<b>\$1,731,744</b>	<b>\$2,245,623</b>	<b>\$2,380,893</b>	<b>\$2,403,207</b>	<b>\$3,977,367</b>	<b>\$4,784,100</b>	<b>\$806,733</b>	<b>20.28%</b>
General Fund	0	0	0	0	0	0	0	n/a
State Special	1,731,744	2,245,623	2,245,951	2,268,265	3,977,367	4,514,216	536,849	13.50%
Federal Special	0	0	134,942	134,942	0	269,884	269,884	n/a
<b>Total Funds</b>	<b>\$1,731,744</b>	<b>\$2,245,623</b>	<b>\$2,380,893</b>	<b>\$2,403,207</b>	<b>\$3,977,367</b>	<b>\$4,784,100</b>	<b>\$806,733</b>	<b>20.28%</b>

### Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) performs engineering studies; 7) determines incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects; 8) operates the underground injection control program; 9) plugs orphan wells; and 10) collects and maintains complete well data and production information.

### Program Highlights

Oil and Gas Conservation Division HB 2 Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The budget increases by 20.3 percent from the previous biennial budget, primarily due to statewide present law adjustments and new proposals</li> <li>◆ Major new proposals approved include: <ul style="list-style-type: none"> <li>• Continuation of the data access project, \$440,000</li> <li>• Underground injection program funding change, \$269,884</li> </ul> </li> <li>◆ The budget contains \$107,500 in one-time-only funding to address: <ul style="list-style-type: none"> <li>• Storage needs, \$100,000</li> <li>• Board travel, \$7,500</li> </ul> </li> <li>◆ The increase in vacancy savings to 7 percent reduced the budget by \$78,097</li> </ul>	

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Oil & Gas Conservation Div.						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 1,731,744	100.0%	\$ 2,245,951	94.3%	\$ 2,268,265	94.4%
02432 Oil & Gas Era	1,731,744	100.0%	2,245,951	94.3%	2,268,265	94.4%
03000 Total Federal Special Funds	-	-	134,942	5.7%	134,942	5.6%
03356 Oil & Gas Federal	-	-	134,942	5.7%	134,942	5.6%
Grand Total	\$ 1,731,744	100.0%	\$ 2,380,893	100.0%	\$ 2,403,207	100.0%

The division is funded through taxes levied on oil and gas wells and the class II annual operating fee. By statute (15-36-331, MCA), a percentage of oil production taxes and natural gas taxes are deposited to the account for the board's use. The Board of Oil and Gas Conservation (BOGC) is authorized by statute (82-11-131, MCA) to set privilege and license taxes up to 3/10 of 1 percent of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-331 MCA. The privilege and license tax is currently set at 30 percent of the maximum allowed by statute. Section 82-11-137, MCA provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$200.

### Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	1,731,744	1,731,744	3,463,488	72.40%
Statewide PL Adjustments	0	0	0	0.00%	260,766	264,052	524,818	10.97%
Other PL Adjustments	0	0	0	0.00%	136,584	148,841	285,425	5.97%
New Proposals	0	0	0	0.00%	251,799	258,570	510,369	10.67%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,380,893</b>	<b>\$2,403,207</b>	<b>\$4,784,100</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					296,216					298,590
Vacancy Savings					(52,013)					(52,111)
Inflation/Deflation					7,551					8,760
Fixed Costs					9,012					8,813
Total Statewide Present Law Adjustments		\$0	\$260,766	\$0	\$260,766		\$0	\$264,052	\$0	\$264,052
DP 2201 - Oil & Gas Operating Adjustment	0.00	0	18,246	0	18,246	0.00	0	31,414	0	31,414
DP 2202 - Board of Oil & Gas Office Equipment-BIEN-OTO	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 2275 - Restore funding for statutory Technical FTE (RST)	0.00	0	74,654	0	74,654	0.00	0	74,676	0	74,676
DP 7101 - Fuel Inflation Reduction	0.00	0	(6,316)	0	(6,316)	0.00	0	(7,249)	0	(7,249)
Total Other Present Law Adjustments		\$0	\$136,584	\$0	\$136,584	0.00	\$0	\$148,841	\$0	\$148,841
Grand Total All Present Law Adjustments		\$0	\$397,350	\$0	\$397,350	0.00	\$0	\$412,893	\$0	\$412,893

DP 2201 - Oil & Gas Operating Adjustment - The legislature approved additional state special revenue of \$18,246 in FY 2010 and \$31,414 in FY 2011 for board per diem, exempt staff pay, janitorial, and rent increases for non-state buildings within the Regulatory and Underground Injection Control Programs.

DP 2202 - Board of Oil & Gas Office Equipment-BIEN-OTO - The legislature approved one-time-only budget authority of \$100,000 state special revenue funds in order to procure four new office cubicles estimated at \$10,000 each and a high density compact mobile storage system for well files estimated at \$60,000 for the new building in Billings approved by the 60th Legislature.

DP 2275 - Restore funding for statutory Technical FTE (RST) - The legislature approve restoration of one position that had been vacant for more than 12 months. (see DP 2270). The funding was restricted to the position and may not be used for any other purpose.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

### New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2204 - North American Prospect Exhibition-OTO										
22	0.00	0	7,500	0	7,500	0.00	0	7,500	0	7,500
DP 2206 - Underground Injection Control (UIC) Funding Change										
22	0.00	0	0	134,942	134,942	0.00	0	0	134,942	134,942
DP 2250 - O & G Educational Workshop_-OTO										
22	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
DP 2251 - Public Data Access										
22	1.00	0	220,000	0	220,000	1.00	0	220,000	0	220,000
DP 2270 - Personal Services Reduction										
22	0.00	0	(149,395)	0	(149,395)	0.00	0	(149,437)	0	(149,437)
DP 6013 - 2011 Biennium Pay Plan - HB 13										
22	0.00	0	7,084	0	7,084	0.00	0	21,406	0	21,406
DP 6014 - Pay Plan Lump Sum Payment - OTO										
22	0.00	0	7,322	0	7,322	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
22	0.00	0	858	0	858	0.00	0	744	0	744
DP 8101 - Increasing 4% Vacancy Savings to 7%										
22	0.00	0	(39,012)	0	(39,012)	0.00	0	(39,085)	0	(39,085)
<b>Total</b>	<b>1.00</b>	<b>\$0</b>	<b>\$116,857</b>	<b>\$134,942</b>	<b>\$251,799</b>	<b>1.00</b>	<b>\$0</b>	<b>\$123,628</b>	<b>\$134,942</b>	<b>\$258,570</b>

DP 2204 - North American Prospect Exhibition-OTO - The legislature approved one-time-only state special revenue authority of \$7,500 per year for staff and board members to attend and sponsor a booth at the annual North American Prospect Exhibition in Houston. Funding will provide travel, supplies, and booth rental and registration fees.

DP 2206 - Underground Injection Control (UIC) Funding Change - The legislature approved federal special revenue of \$134,942 in FY 2010 and \$134,942 in FY 2011 for the UIC program. This will establish federal revenue authority in the division's base budget to allow for expenditure of the annual EPA grant.

DP 2250 - O & G Educational Workshop\_-OTO - The legislature approved \$62,500 of state special revenue each year of the biennium to provide an annual workshop for Montana teachers.

DP 2251 - Public Data Access - The legislature approved \$220,000 state special revenue and 1.0 FTE per year to continue the public access data system project initially authorized by the 2003 Legislature as OTO/Restricted. The project makes historical records available for internal or public accessibility.

DP 2270 - Personal Services Reduction - The legislature reduced personal services in an amount equal to the value of the 2.0 positions that have been vacant for more than 12 months as of January 2, 2009.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment - OTO - This DP funds this program's cost of providing one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - This adds an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.



### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	24.50	24.50	24.50	24.50	24.50	24.50	0.00	0.00%
Personal Services	1,501,343	1,571,834	1,552,940	1,571,636	3,073,177	3,124,576	51,399	1.67%
Operating Expenses	1,820,039	1,878,135	2,116,481	2,144,509	3,698,174	4,260,990	562,816	15.22%
Equipment & Intangible Assets	45,141	54,996	45,141	45,141	100,137	90,282	(9,855)	(9.84%)
Local Assistance	0	200,000	200,000	200,000	200,000	400,000	200,000	100.00%
Grants	1,222,851	1,240,806	1,302,851	1,302,851	2,463,657	2,605,702	142,045	5.77%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$4,589,374</b>	<b>\$4,945,771</b>	<b>\$5,217,413</b>	<b>\$5,264,137</b>	<b>\$9,535,145</b>	<b>\$10,481,550</b>	<b>\$946,405</b>	<b>9.93%</b>
General Fund	1,367,141	1,395,252	1,508,944	1,525,317	2,762,393	3,034,261	271,868	9.84%
State Special	2,956,284	3,276,911	3,412,705	3,443,084	6,233,195	6,855,789	622,594	9.99%
Federal Special	265,949	273,608	295,764	295,736	539,557	591,500	51,943	9.63%
<b>Total Funds</b>	<b>\$4,589,374</b>	<b>\$4,945,771</b>	<b>\$5,217,413</b>	<b>\$5,264,137</b>	<b>\$9,535,145</b>	<b>\$10,481,550</b>	<b>\$946,405</b>	<b>9.93%</b>

### Program Description

The Conservation and Resource Development Division provides technical, 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 programs include the state revolving fund, which at the end of FY 2008 included \$358 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$36.3 million, and private loans for \$18.1 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs.

### Program Highlights

Conservation and Resource Development Division HB 2 Budget Highlights	
♦	The budget increases by 9.9 percent from the previous biennial budget, primarily due to present law adjustments
♦	Major present law adjustments include: <ul style="list-style-type: none"> <li>• Assistance to disadvantaged communities for safe drinking water loans, \$400,000</li> <li>• Grants to conservation districts and rural water systems, \$288,000</li> <li>• Funding to administer the coal bed methane water damage program, \$98,000</li> </ul>
♦	The legislature approved a funding switch of state special revenue RIT funds for coal tax shared revenue funds
♦	The increase in vacancy savings to 7 percent reduced the budget by \$99,739

**HB 645 Highlights**

- ◆ The division received state revolving funds for loan assistance or forgiveness:
  - \$10.5 million for the drinking water loan program
  - \$10.4 million for the clean water loan program
- ◆ General fund (\$430,000) was appropriated for water project administration to cover the costs of plan reviews, financing work and project oversight

**Funding**

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table							
Conservation/Resource Dev Div							
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011	
01000 Total General Fund	\$ 1,367,141	29.8%	\$ 1,508,944	28.9%	\$ 1,525,317	29.0%	
01100 General Fund	1,367,141	29.8%	1,508,944	28.9%	1,525,317	29.0%	
02000 Total State Special Funds	2,956,284	64.4%	3,412,705	65.4%	3,443,084	65.4%	
02015 Tsep Regional Water System	648,293	14.1%	711,814	13.6%	711,744	13.5%	
02052 Rangeland Improvement Loans	8,108	0.2%	9,104	0.2%	9,103	0.2%	
02270 Treasure State Endowment	28,000	0.6%	27,979	0.5%	27,976	0.5%	
02316 Go94B/Ban 93D Admin	19,707	0.4%	22,858	0.4%	22,724	0.4%	
02340 Coal Sev. Tax Shared Ssr	856,781	18.7%	1,625,089	31.1%	1,676,399	31.8%	
02433 Grazing District Fees	15,333	0.3%	24,326	0.5%	24,325	0.5%	
02490 Drinking Water Investment	-	-	200,000	3.8%	200,000	3.8%	
02576 Natural Resources Operations Ssr Fu	1,328,062	28.9%	691,558	13.3%	670,839	12.7%	
02694 Coal Bed Methane Protection	52,000	1.1%	99,977	1.9%	99,974	1.9%	
03000 Total Federal Special Funds	265,949	5.8%	295,764	5.7%	295,736	5.6%	
03178 Res Dev & Cons - Fed	35,652	0.8%	35,637	0.7%	35,634	0.7%	
03245 Wastewater Treatment Grant	105,295	2.3%	120,217	2.3%	120,206	2.3%	
03812 Epa 106 Water Grant	125,002	2.7%	139,910	2.7%	139,896	2.7%	
Grand Total	\$ 4,589,374	100.0%	\$ 5,217,413	100.0%	\$ 5,264,137	100.0%	

This program is primarily funded with general fund, resource indemnity trust (RIT) accounts and coal severance taxes.

RIT funding is used to administer the Reclamation and Development Grants Program (RDGP) and the Renewable Resources Grant and Loan Program (RRGLP). The RRGLP funds a variety of natural resource projects including groundwater studies, irrigation projects, water and soil conservation, and public wastewater projects, primarily through grants administered by the department. Coal severance tax is used to cover division administrative costs and provide grants to conservation districts for natural resource related projects such as streambed stabilization, soil conservation, educational activities, and demonstrations of new technologies.

**Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,367,141	1,367,141	2,734,282	90.11%	4,589,374	4,589,374	9,178,748	87.57%
Statewide PL Adjustments	41,410	47,530	88,940	2.93%	102,905	110,466	213,371	2.04%
Other PL Adjustments	7,652	14,753	22,405	0.74%	459,359	486,669	946,028	9.03%
New Proposals	92,741	95,893	188,634	6.22%	65,775	77,628	143,403	1.37%
<b>Total Budget</b>	<b>\$1,508,944</b>	<b>\$1,525,317</b>	<b>\$3,034,261</b>		<b>\$5,217,413</b>	<b>\$5,264,137</b>	<b>\$10,481,550</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					157,284					164,686
Vacancy Savings					(66,343)					(66,642)
Inflation/Deflation					5,663					6,453
Fixed Costs					6,301					5,969
<b>Total Statewide Present Law Adjustments</b>		<b>\$41,410</b>	<b>\$61,495</b>	<b>\$0</b>	<b>\$102,905</b>		<b>\$47,530</b>	<b>\$62,936</b>	<b>\$0</b>	<b>\$110,466</b>
DP 2301 - CARDD Operating Adjustment	0.00	8,340	22,660	30,000	61,000	0.00	15,545	43,155	30,000	88,700
DP 2302 - Montana Grass Conservation Commission (MGCC)	0.00	0	9,000	0	9,000	0.00	0	9,000	0	9,000
DP 2303 - Coal Bed Methane CD Administration	0.00	0	48,000	0	48,000	0.00	0	48,000	0	48,000
DP 2304 - Drinking Water Loan Assistance-(RST/OTO)	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 2305 - Regional Water Systems	0.00	0	64,000	0	64,000	0.00	0	64,000	0	64,000
DP 2307 - Conservation District Grants - OTO	0.00	0	80,000	0	80,000	0.00	0	80,000	0	80,000
DP 7101 - Fuel Inflation Reduction	0.00	(688)	(1,768)	(185)	(2,641)	0.00	(792)	(2,026)	(213)	(3,031)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,652</b>	<b>\$421,892</b>	<b>\$29,815</b>	<b>\$459,359</b>	<b>0.00</b>	<b>\$14,753</b>	<b>\$442,129</b>	<b>\$29,787</b>	<b>\$486,669</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$49,062</b>	<b>\$483,387</b>	<b>\$29,815</b>	<b>\$562,264</b>	<b>0.00</b>	<b>\$62,283</b>	<b>\$505,065</b>	<b>\$29,787</b>	<b>\$597,135</b>

DP 2301 - CARDD Operating Adjustment - The legislature approved \$61,000 in FY 2010 and \$88,700 in FY 2011 of general, state special, and federal special funds to restore the base budget due to increased rent, travel and supply costs, cleaning service fees, and increased contract workload in the loan and grant programs.

DP 2302 - Montana Grass Conservation Commission (MGCC) - The legislature approved \$9,000 of state special revenue each year of the biennium for executive director services, travel, supplies and materials, and other operating expenses of MGCC. The funding will come from grazing fees that are collected each year from grazing district members.

DP 2303 - Coal Bed Methane CD Administration - The legislature approved \$48,000 per year state special revenue from the coal bed methane protection account. This funding will assist conservation districts with procedural development for evaluating claims under the coal bed methane protection program by July 1, 2011 and any claims for water losses.

DP 2304 - Drinking Water Loan Assistance-(RST/OTO) - The legislature approved \$200,000 of state special revenue each year of the 2011 biennium to match federal authority for hardship communities in the Safe Drinking Water program. This allows the state to provide assistance to disadvantaged communities who borrow from the program. The funding is from the interest derived from the investments of the revolving fund.

DP 2305 - Regional Water Systems - The legislature approved \$64,000 per year of state special revenue funds to increase base expenditures for the continued development of Dry Prairie, Dry Red Water, Central Montana, and North Central Regional Water Systems. This will provide resources to maintain local support, work toward securing federal assistance, and negotiate needed agreements.

DP 2307 - Conservation District Grants - OTO - The legislature approved one-time-only-state special revenue authority of \$80,000 each year of the biennium. The funding is from the coal severance tax shared account which is statutorily designated for libraries, conservation districts, and Growth Through Agriculture. Funds will be used for grants to local conservation districts.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2306 - Montana Rural Water Systems (Bien/OTO)										
23	0.00	101,500	0	0	101,500	0.00	101,500	0	0	101,500
DP 2308 - State Special Revenue Funding Switch-R										
23	0.00	0	0	0	0	0.00	0	0	0	0
DP 6013 - 2011 Biennium Pay Plan - HB 13										
23	0.00	2,040	6,332	0	8,372	0.00	6,182	19,079	0	25,261
DP 6014 - Pay Plan Lump Sum Payment - OTO										
23	0.00	789	3,894	0	4,683	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
23	0.00	978	0	0	978	0.00	848	0	0	848
DP 8101 - Increasing 4% Vacancy Savings to 7%										
23	0.00	(12,566)	(37,192)	0	(49,758)	0.00	(12,637)	(37,344)	0	(49,981)
<b>Total</b>	<b>0.00</b>	<b>\$92,741</b>	<b>(\$26,966)</b>	<b>\$0</b>	<b>\$65,775</b>	<b>0.00</b>	<b>\$95,893</b>	<b>(\$18,265)</b>	<b>\$0</b>	<b>\$77,628</b>

DP 2306 - Montana Rural Water Systems (Bien/OTO) - The legislature approved \$203,000 one-time-only general fund for the support of Montana Rural Water Systems (MRWS). MRWS provides assistance to small regional water systems to meet requirements of the safe drinking water act and the state non-degradation rule. This appropriation would be offset by federal funds if they became available, see language section.

DP 2308 - State Special Revenue Funding Switch-R - The legislature approved a funding switch of \$686,383 in FY 2010 and \$734,415 in FY 2011 from the natural resources operations fund to the coal severance tax shared fund. The appropriation is required in order to balance available resources within the operations fund.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment - OTO - This DP funds this program's cost of providing one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - This adds an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

**Language and Statutory Authority**

The legislature added the following language to HB 2:

"The department is appropriated up to \$600,000 for the 2011 biennium from the state special revenue account established in 85-1-617, MCA, for the purchase of prior liens on property held as loan security as required by 85-1-618, MCA.

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 the special administration account when the amount of federal EPA CAP funds has 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.

There is appropriated up to \$1 million of state special revenue for the 2011 biennium from the coal bed methane account to fund potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

If Montana Rural Water Systems receives federal funding during the 2011 biennium, Montana Rural Water Systems (BIEN/OTO) is reduced by a like amount."

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	157.00	157.00	158.00	158.00	157.00	158.00	1.00	0.64%
Personal Services	8,634,298	9,370,069	9,269,989	9,362,220	18,004,367	18,632,209	627,842	3.49%
Operating Expenses	2,915,678	3,174,036	3,088,585	3,153,093	6,089,714	6,241,678	151,964	2.50%
Equipment & Intangible Assets	103,602	672	103,602	111,902	104,274	215,504	111,230	106.67%
Capital Outlay	3,000	3,000	3,000	3,000	6,000	6,000	0	0.00%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	378,960	469,744	469,744	469,744	848,704	939,488	90,784	10.70%
<b>Total Costs</b>	<b>\$12,035,538</b>	<b>\$13,017,521</b>	<b>\$12,934,920</b>	<b>\$13,099,959</b>	<b>\$25,053,059</b>	<b>\$26,034,879</b>	<b>\$981,820</b>	<b>3.92%</b>
General Fund	7,518,992	8,127,033	8,150,618	8,254,766	15,646,025	16,405,384	759,359	4.85%
State Special	4,378,928	4,686,967	4,616,535	4,676,764	9,065,895	9,293,299	227,404	2.51%
Federal Special	137,618	203,521	167,767	168,429	341,139	336,196	(4,943)	(1.45%)
<b>Total Funds</b>	<b>\$12,035,538</b>	<b>\$13,017,521</b>	<b>\$12,934,920</b>	<b>\$13,099,959</b>	<b>\$25,053,059</b>	<b>\$26,034,879</b>	<b>\$981,820</b>	<b>3.92%</b>

### Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division manages and maintains the state-owned dams, reservoirs, and canals; develops and recommends in-state, interstate, and international water policy to the director, Governor, and legislature; administers the Dam Safety, Floodplain Management, and Water Management programs; provides support to the Board of Water Well Contractors; assists the Water Court with the adjudication of pre-July 1, 1973 water rights; administers applications for new water rights, changes in historic water rights and ownership updates; and is responsible for maintaining centralized water rights records. The division consists of an administration unit and five bureaus: Water Management Bureau, Water Rights Bureau, Water Adjudication Bureau, State Water Projects Bureau, and the Water Operations Bureau. In addition, the Flathead Basin Commission is administratively attached to the department.

### Program Highlights

Water Resources Division HB 2 Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The budget increases by 3.1 percent from the previous biennial budget, primarily due to present law adjustments</li> <li>◆ Reductions to the biennial budget include: <ul style="list-style-type: none"> <li>• An adjustment for one-time costs, \$342,588</li> <li>• Increase of vacancy savings to 7 percent, \$591,308</li> </ul> </li> <li>◆ Language appropriations were approved to address potential emergency needs of state water projects</li> </ul>	

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Water Resources Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 7,518,992	62.5%	\$ 8,150,618	63.0%	\$ 8,254,766	63.0%
01100 General Fund	7,518,992	62.5%	8,150,618	63.0%	8,254,766	63.0%
02000 Total State Special Funds	4,378,928	36.4%	4,616,535	35.7%	4,676,764	35.7%
02145 Broadwater O & M	515,926	4.3%	513,350	4.0%	515,270	3.9%
02147 Broadwater R & R	-	-	40,000	0.3%	40,000	0.3%
02351 Water Project Lands Lease Acct	9,203	0.1%	10,843	0.1%	10,863	0.1%
02404 Water Project Loans	217,422	1.8%	308,198	2.4%	308,197	2.4%
02430 Water Right Appropriation	977,798	8.1%	848,589	6.6%	883,470	6.7%
02431 Water Adjudication	2,240,386	18.6%	2,422,842	18.7%	2,445,096	18.7%
02470 State Project Hydro Earnings	161,538	1.3%	161,532	1.2%	161,531	1.2%
02576 Natural Resources Operations Ssr Fu	210,376	1.7%	226,067	1.7%	226,915	1.7%
02825 Water Well Contractors	46,279	0.4%	85,114	0.7%	85,422	0.7%
03000 Total Federal Special Funds	137,618	1.1%	167,767	1.3%	168,429	1.3%
03034 Yellowstone Groundwater Nps	29,474	0.2%	29,993	0.2%	29,992	0.2%
03094 Fema Federal Grants	108,144	0.9%	137,774	1.1%	138,437	1.1%
Grand Total	12,035,538	100.0%	12,934,920	100.0%	13,099,959	100.0%

The Water Resources Division is predominantly funded with general fund and state special revenue, with a minor amount of federal revenue. Sources and purposes of state special revenue include:

- The water storage account funded by direct allocation of RIT interest and revenue from water purchase contracts for the purpose of construction, operation, maintenance, and rehabilitation of state water storage projects
- Water rights fees derived from fees collected to record rights to support water rights management
- Funds set aside for water adjudication
- Income derived from state owned hydroelectric projects for repair and rehabilitation of state owned water projects
- Fees from water well contractors that support the Board of Water Well Contractors

General fund is utilized for personal services, general operating costs, and specific activities such as preparing for water litigation and map modernization. Federal funds are from Federal Emergency Management Agency (FEMA) grants and the Bureau of Reclamation.

### Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	7,518,992	7,518,992	15,037,984	92.40%	12,035,538	12,035,538	24,071,076	93.21%
Statewide PL Adjustments	588,204	607,585	1,195,789	7.35%	882,467	918,865	1,801,332	6.97%
Other PL Adjustments	46,205	93,182	139,387	0.86%	43,992	120,138	164,130	0.64%
New Proposals	(35,153)	(62,917)	(98,070)	(0.60%)	(79,107)	(131,750)	(210,857)	(0.82%)
<b>Total Budget</b>	<b>\$8,118,248</b>	<b>\$8,156,842</b>	<b>\$16,275,090</b>		<b>\$12,882,890</b>	<b>\$12,942,791</b>	<b>\$25,825,681</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,201,899					1,239,565
Vacancy Savings					(393,449)					(394,960)
Inflation/Deflation					40,965					45,522
Fixed Costs					33,052					28,738
Total Statewide Present Law Adjustments										
	\$588,204		\$311,969	(\$17,706)	\$882,467		\$607,585	\$328,962	(\$17,682)	\$918,865
DP 2402 - Water Resources Operating Adjustment										
	0.00	47,110	119,997	0	167,107	0.00	94,220	149,209	0	243,429
DP 2403 - Community Assistance Program Federal										
	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 2451 - Water Rights Adjustment										
	0.00	0	(171,924)	0	(171,924)	0.00	0	(171,924)	0	(171,924)
DP 7101 - Fuel Inflation Reduction										
	0.00	(905)	(279)	(7)	(1,191)	0.00	(1,038)	(321)	(8)	(1,367)
Total Other Present Law Adjustments										
	0.00	\$46,205	(\$52,206)	\$49,993	\$43,992	0.00	\$93,182	(\$23,036)	\$49,992	\$120,138
Grand Total All Present Law Adjustments										
	0.00	\$634,409	\$259,763	\$32,287	\$926,459	0.00	\$700,767	\$305,926	\$32,310	\$1,039,003

DP 2402 - Water Resources Operating Adjustment - The legislature approved \$167,107 in FY 2010 and \$243,429 in FY 2011 to restore funding for zero-based overtime, contract services, supplies, copier and computer replacements, debt service, rent increases, and other equipment replacement.

DP 2403 - Community Assistance Program Federal - The legislature approved federal special revenue of \$100,000 for the 2011 biennium for the annual award of funds from the Federal Emergency Management Agency (FEMA). The primary purpose of the award is to reduce the damage claims to the National Flood Insurance program through education and training.

DP 2451 - Water Rights Adjustment - The legislature reduced Water Rights Bureau funding by \$171,924 per year of state special revenue. The Water Rights Ownership Project was a one-time cost and does not need to be carried forward in the base budget.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.



**New Proposals**

New Proposals -----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2401 - State Water Projects Rehabilitation-BIEN-OTO										
24	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 2470 - Personal Services Reduction										
24	0.00	(26,452)	(6,616)	0	(33,068)	0.00	(26,465)	(6,616)	0	(33,081)
DP 2475 - Update State Water Plan (RST/OTO)										
24	1.00	154,735	0	0	154,735	1.00	152,085	0	0	152,085
DP 6013 - 2011 Biennium Pay Plan - HB 13										
24	0.00	32,370	19,254	406	52,030	0.00	97,924	58,005	1,239	157,168
DP 6014 - Pay Plan Lump Sum Payment - OTO										
24	0.00	23,659	24,162	188	48,009	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
24	0.00	6,305	0	0	6,305	0.00	5,466	0	0	5,466
DP 8101 - Increasing 4% Vacancy Savings to 7%										
24	0.00	(193,400)	(98,956)	(2,732)	(295,088)	0.00	(194,003)	(99,479)	(2,738)	(296,220)
<b>Total</b>	<b>1.00</b>	<b>(\$2,783)</b>	<b>(\$22,156)</b>	<b>(\$2,138)</b>	<b>(\$27,077)</b>	<b>1.00</b>	<b>\$35,007</b>	<b>(\$8,090)</b>	<b>(\$1,499)</b>	<b>\$25,418</b>

DP 2401 - State Water Projects Rehabilitation-BIEN-OTO - The legislature approved a one-time-only biennial appropriation of \$80,000 for ongoing repairs at the Broadwater-Toston Dam.

DP 2470 - Personal Services Reduction - The legislature reduced personal services in an amount equal to the value of 0.5 FTE that has been vacant for more than 12 months as of January 2, 2009.

DP 2475 - Update State Water Plan (RST/OTO) - The legislature approved funding for the department to update the state water plan for the Missouri, Yellowstone and Clark Fork basins. The update is due to the 2015 legislature. The funding is one-time-only to allow the legislature to receive an update on the progress of the water plan at the 2011 session.

DP6013 – 2011 Biennium Pay Plan – HB 13 – The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month in CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment - OTO - This DP funds this program's cost of providing one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - This adds an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

**Language and Statutory Authority**

The legislature added the following language to HB 2:

“During the 2011 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 2011 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 2011 biennium, up to \$500,000 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, and up to \$70,000 may be used for the support of the Upper Clark Fork Steering Committee or the Clark Fork River Task Force.”

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	7.50	7.50	6.00	6.00	7.50	6.00	(1.50)	(20.00%)
Personal Services	588,760	413,199	462,453	469,089	1,001,959	931,542	(70,417)	(7.03%)
Operating Expenses	129,537	53,850	130,849	131,108	183,387	261,957	78,570	42.84%
<b>Total Costs</b>	<b>\$718,297</b>	<b>\$467,049</b>	<b>\$593,302</b>	<b>\$600,197</b>	<b>\$1,185,346</b>	<b>\$1,193,499</b>	<b>\$8,153</b>	<b>0.69%</b>
General Fund	718,297	467,049	593,302	600,197	1,185,346	1,193,499	8,153	0.69%
<b>Total Funds</b>	<b>\$718,297</b>	<b>\$467,049</b>	<b>\$593,302</b>	<b>\$600,197</b>	<b>\$1,185,346</b>	<b>\$1,193,499</b>	<b>\$8,153</b>	<b>0.69%</b>

### Program Description

The Montana Reserved Water Rights Compact Commission (RWCC) was created by the legislature in 1979 as part of the state-wide water rights adjudication effort. 85-2-701 et seq. It consists of four members appointed by the Governor, two by the President of the Senate, two by the Speaker of the House of Representatives, and one by the Attorney General. Members serve for four years. The commission negotiates water rights with the Indian tribes and federal agencies, which claim federal reserved water rights within the state, to establish a formal agreement (compact) on the amount of water to be allocated to each interest. The Commission is scheduled to sunset on July 1, 2009. After the sunset, any compacts that are not complete will be litigated.

### Program Highlights

Reserved Water Rights Compact Commission HB 2 Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The budget increases by less than 1 percent from the previous biennial budget, primarily due to present law adjustments</li> <li>◆ The legislature approved an extension of the commission, but reduced the staff by 1.5 FTE</li> <li>◆ The commission does not have staff that qualifies for the lump sum payment, therefore there is not an appropriation for this purpose in the budget</li> </ul>	
HB 645 Highlights	
<ul style="list-style-type: none"> <li>◆ The commission received general fund authority for the following :               <ul style="list-style-type: none"> <li>• \$4.0 million to the Blackfeet Tribe water rights compact infrastructure account</li> <li>• \$1.0 million to the Peoples Creek minimum flow account to meet the terms of the Fort Belknap Water Compact</li> </ul> </li> </ul>	

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Reserved Water Rights Comp Com						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 718,297	100.0%	\$ 593,302	100.0%	\$ 600,197	100.0%
01100 General Fund	718,297	100.0%	593,302	100.0%	600,197	100.0%
Grand Total	\$ 718,297	100.0%	\$ 593,302	100.0%	\$ 600,197	100.0%

The commission is funded with general fund.

### Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	718,297	718,297	1,436,594	120.37%	718,297	718,297	1,436,594	120.37%
Statewide PL Adjustments	3,022	7,400	10,422	0.87%	3,022	7,400	10,422	0.87%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(128,017)	(125,500)	(253,517)	(21.24%)	(128,017)	(125,500)	(253,517)	(21.24%)
<b>Total Budget</b>	<b>\$593,302</b>	<b>\$600,197</b>	<b>\$1,193,499</b>		<b>\$593,302</b>	<b>\$600,197</b>	<b>\$1,193,499</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					26,314					30,603
Vacancy Savings					(24,604)					(24,774)
Inflation/Deflation					1,312					1,571
<b>Total Statewide Present Law Adjustments</b>		<b>\$3,022</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,022</b>		<b>\$7,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,400</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,022</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,022</b>	<b>0.00</b>	<b>\$7,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,400</b>

### New Proposals

New Proposals										
Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2550 - RWRCC Staff Reduction (OTO)										
25	(1.50)	(129,937)	0	0	(129,937)	(1.50)	(131,308)	0	0	(131,308)
DP 6013 - 2011 Biennium Pay Plan - HB 13										
25	0.00	1,920	0	0	1,920	0.00	5,808	0	0	5,808
<b>Total</b>	<b>(1.50)</b>	<b>(\$128,017)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$128,017)</b>	<b>(1.50)</b>	<b>(\$125,500)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$125,500)</b>

**DP 2550 - RWRCC Staff Reduction (OTO)** - The legislature approved a reduction of 1.5 FTE from commission's base budget. This adjustment provides the budget authority needed to staff the commission with 6.0 FTE for two more years.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	293.37	293.37	306.19	306.19	293.37	306.19	12.82	4.37%
Personal Services	15,415,265	16,531,333	16,935,530	17,097,616	31,946,598	34,033,146	2,086,548	6.53%
Operating Expenses	6,768,623	7,519,652	12,727,978	12,775,208	14,288,275	25,503,186	11,214,911	78.49%
Equipment & Intangible Assets	1,014,138	989,435	1,071,448	1,071,107	2,003,573	2,142,555	138,982	6.94%
Capital Outlay	66,788	122,118	66,788	66,788	188,906	133,576	(55,330)	(29.29%)
Grants	184,491	184,491	784,491	184,491	368,982	968,982	600,000	162.61%
Transfers	959,895	977,351	1,218,390	1,228,444	1,937,246	2,446,834	509,588	26.30%
Debt Service	8,323	6,760	8,323	8,323	15,083	16,646	1,563	10.36%
<b>Total Costs</b>	<b>\$24,417,523</b>	<b>\$26,331,140</b>	<b>\$32,812,948</b>	<b>\$32,431,977</b>	<b>\$50,748,663</b>	<b>\$65,244,925</b>	<b>\$14,496,262</b>	<b>28.56%</b>
General Fund	8,864,201	9,236,242	10,111,483	10,214,747	18,100,443	20,326,230	2,225,787	12.30%
State Special	14,304,681	15,808,395	21,392,615	20,907,270	30,113,076	42,299,885	12,186,809	40.47%
Federal Special	1,248,641	1,286,503	1,308,850	1,309,960	2,535,144	2,618,810	83,666	3.30%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$24,417,523</b>	<b>\$26,331,140</b>	<b>\$32,812,948</b>	<b>\$32,431,977</b>	<b>\$50,748,663</b>	<b>\$65,244,925</b>	<b>\$14,496,262</b>	<b>28.56%</b>

### Program Description

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners. Specific programs include:

- Fire and Aviation Management - Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support
- Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana
- Administering Montana Fire Hazard Reduction Law - Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced
- Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses, and communities
- Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana

### Trust Land Management

The Trust Land Management Division is responsible for managing Montana's trust land resources to provide revenues to the trust beneficiaries while considering environmental factors and protecting future income generating capacity of the land. These lands currently total 5.2 million surface acres, 6.2 million mineral acres, and approximately 6,000 miles (40,000+ acres) of the beds of navigable waterways. The division provides this through four primary programs: 1) forest management; 2) agriculture and grazing management; 3) special use management; and 4) minerals management.

## Program Highlights

Forestry and Trust Land Administration Division	
HB 2 Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The budget increases by 28.5 percent from the previous biennium budget, primarily due to the \$9.6 million of appropriation authority for the state's share of cleanup up the KRY state superfund site</li> <li>◆ Statewide present law adjustments totaled \$3.5 million</li> <li>◆ Additional seasonal resources of \$1.0 million were approved to allow for the aviation and fire truck resources to be fully staffed during fire season</li> </ul>	
HB 645 Highlights	
<ul style="list-style-type: none"> <li>◆ The division received \$8.5 million in federal authority to complete fuel reduction projects, provide technical assistance to forested landowners and restore forest health.</li> </ul>	

## Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table							
Forestry/Trust Lands							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	\$ 8,864,201	36.3%	\$ 10,111,483	30.8%	\$ 10,214,747	31.5%
	01100 General Fund	8,864,201	36.3%	10,111,483	30.8%	10,214,747	31.5%
02000	Total State Special Funds	14,304,681	58.6%	21,392,615	65.2%	20,907,270	64.5%
	02039 Forestry-Fire Protection Taxes	3,191,531	13.1%	3,503,056	10.7%	3,541,671	10.9%
	02073 Forestry - Slash Disposal	75,275	0.3%	80,363	0.2%	85,040	0.3%
	02241 Dsl Recreational Use Account	45,619	0.2%	46,200	0.1%	46,369	0.1%
	02280 Forest Resources-Timber Sales	4,074,118	16.7%	4,909,786	15.0%	4,929,701	15.2%
	02324 State Land Bank	133,001	0.5%	255,001	0.8%	255,001	0.8%
	02449 Forest Resources-Forest Improv	1,893,326	7.8%	1,921,493	5.9%	1,926,924	5.9%
	02450 State Lands Res Dev	677,221	2.8%	741,357	2.3%	748,322	2.3%
	02472 Orphan Share Fund	-	-	5,100,000	15.5%	4,500,000	13.9%
	02576 Natural Resources Operations Ssr Fu	100,000	0.4%	99,889	0.3%	99,873	0.3%
	02681 Historic Right-Of-Way Acct	14,500	0.1%	14,500	0.0%	14,500	0.0%
	02836 Commercial Leases - Tlmd	40,000	0.2%	39,962	0.1%	39,957	0.1%
	02912 Tlmd Land Exchange Admin	45,500	0.2%	131,251	0.4%	131,200	0.4%
	02938 Tlmd - Administration	4,014,590	16.4%	4,549,757	13.9%	4,588,712	14.1%
03000	Total Federal Special Funds	1,248,641	5.1%	1,308,850	4.0%	1,309,960	4.0%
	03264 Consolidated Grant - Fy08	1,035,116	4.2%	1,060,571	3.2%	1,061,899	3.3%
	03265 Non-Consolidated Grant - Fy08	213,525	0.9%	248,279	0.8%	248,061	0.8%
Grand	Total	\$ 24,417,523	100.0%	\$ 32,812,948	100.0%	\$ 32,431,977	100.0%

The Forestry Division is supported with a mix of general fund, state special revenue, and federal funding. General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

State special revenue support comes from forest improvement fees and forest protection fees. Forest improvement fees consist of \$25 for each slash hazard reduction agreement, and \$.060 per thousand board feet sold, plus any forfeited fire hazard reduction bonds. Fees are established when timber sales are approved based upon the state's projected costs of slash disposal, road maintenance, and reforestation.

The department is also required to collect up to one-third of the state's fire protection appropriation from private landowners through a forest protection fee. The other two-thirds are funded with general fund. The department is required to levy the tax so that collections equal the amount appropriated by the legislature.

The Trust Land Management division is funded with trust fund revenue, timber sales, and forest resource fees. The remaining funding is from recreational use and resource development of state lands. Because funding for state lands is taken directly from revenues, any expenditure for administration of state lands is a direct reduction in trust income. General fund is utilized for personal services for the management of non-trust state lands

### Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	8,864,201	8,864,201	17,728,402	87.22%	24,417,523	24,417,523	48,835,046	74.85%
Statewide PL Adjustments	831,613	881,988	1,713,601	8.43%	1,716,636	1,819,872	3,536,508	5.42%
Other PL Adjustments	163,209	178,744	341,953	1.68%	1,165,766	1,265,208	2,430,974	3.73%
New Proposals	252,460	289,814	542,274	2.67%	5,513,023	4,929,374	10,442,397	16.00%
<b>Total Budget</b>	<b>\$10,111,483</b>	<b>\$10,214,747</b>	<b>\$20,326,230</b>		<b>\$32,812,948</b>	<b>\$32,431,977</b>	<b>\$65,244,925</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				2,116,552					2,180,228	
Vacancy Savings				(701,275)					(703,814)	
Inflation/Deflation				273,357					323,310	
Fixed Costs				28,002					20,148	
Total Statewide Present Law Adjustments										
	\$831,613	\$850,682	\$34,341	\$1,716,636		\$881,988	\$900,872	\$37,012	\$1,819,872	
DP 3501 - Forestry Operating Adjustment										
	0.00	224,759	108,901	34,310	367,970	0.00	249,520	128,542	33,969	412,031
DP 3521 - Trust Land Management Operating Adjustment										
	0.00	0	24,482	0	24,482	0.00	0	27,401	0	27,401
DP 3523 - Forest Improvement Projects and Monitoring										
	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 3552 - Restore Trust Land Mngmt Contract Harvesting Base										
	0.00	0	420,000	0	420,000	0.00	0	490,000	0	490,000
DP 3553 - Land Banking Base Restoration Private Funds - BIEN										
	0.00	0	122,000	0	122,000	0.00	0	122,000	0	122,000
DP 3554 - Land Exchange Base Restoration Private Funds										
	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 7101 - Fuel Inflation Reduction										
	0.00	(61,550)	(48,694)	(8,442)	(118,686)	0.00	(70,776)	(55,786)	(9,662)	(136,224)
Total Other Present Law Adjustments										
	0.00	\$163,209	\$976,689	\$25,868	\$1,165,766	0.00	\$178,744	\$1,062,157	\$24,307	\$1,265,208
Grand Total All Present Law Adjustments										
	0.00	\$994,822	\$1,827,371	\$60,209	\$2,882,402	0.00	\$1,060,732	\$1,963,029	\$61,319	\$3,085,080

DP 3501 - Forestry Operating Adjustment - The legislature approved an operating adjustment totaling \$367,970 in FY 2010 and \$412,031 in FY 2011. This will cover increases in rental expense, fire protection contracted services, fire



training, and equipment maintenance. The majority of the increase (\$258,495 in FY 2010 and \$268,549 in FY 2011) is for increased costs in the air operations program.

DP 3521 - Trust Land Management Operating Adjustment - The legislature approved restoring the base budget for weed control activities and for an increase in the operations budget for increased rent costs in Helena, Bozeman, Conrad, Dillon, Lewistown, Glasgow, Havre, Miles City, and the Billings offices. This state special revenue appropriation totals \$24,482 in FY 2010 and \$27,401 in FY 2011.

DP 3523 - Forest Improvement Projects and Monitoring - The legislature approved state special revenue for \$200,000 in both FY 2010 and FY 2011 to increase funding for forest improvement activities such as planting, thinning, slash control, and fire recovery due to increased wildfire activity, contractor costs, and higher harvest levels associated with the CY 2004 change in sustained yield. The goal of the increased funding is to reduce the backlog and improve the response when addressing wildfire recovery.

DP 3552 - Restore Trust Land Mngmt Contract Harvesting Base - The legislature approved a base adjustment for the Contract Harvesting Program. This would annualize program expenditures, as the FY 2008 base was limited due to the planned delay in program implementation.

DP 3553 - Land Banking Base Restoration Private Funds - BIEN - The legislature approved a biennial appropriation of \$244,000 state special revenue in the Land Banking Program. The preparation of the land for sale requires contracting for appraisals and archeological surveys. State law requires prospective purchasers to deposit funds for appraisals, archeological surveys, and advertising prior to the state incurring those costs.

DP 3554 - Land Exchange Base Restoration Private Funds - The legislature restored spending authority for private funds of \$150,000 each year in the land exchange program. State law requires prospective exchange agents to deposit funds for appraisals, archeological surveys, and advertising prior to the state incurring those costs. The legislature included \$50,000 each year from private fund authority to the Trust Administration Account to cover the costs of department initiated land exchange expenses.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories

## New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3503 - Engine Crew Extension										
35	7.00	161,422	80,721	0	242,143	7.00	161,473	80,737	0	242,210
DP 3504 - Aviation Crew Coverage Extension										
35	4.82	177,171	88,585	0	265,756	4.82	177,327	88,664	0	265,991
DP 3522 - Trust Land Management Database Upgrade - OTO/RST										
35	0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,000
DP 3524 - Forest Management Software Integration - OTO/RST										
35	0.00	0	83,000	0	83,000	0.00	0	0	0	0
DP 3550 - NC Rural Fire Coordinator - RST										
35	1.00	37,067	18,534	0	55,601	1.00	37,159	18,579	0	55,738
DP 3555 - Navigable Rivers										
35	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 3560 - Implementation of HB 674										
35	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 3565 - Reliance Refinery Cleanup										
35	0.00	0	5,100,000	0	5,100,000	0.00	0	4,500,000	0	4,500,000
DP 3570 - Personal Services Reduction										
35	0.00	(20,887)	(10,759)	0	(31,646)	0.00	(20,913)	(10,775)	0	(31,688)
DP 6013 - 2011 Biennium Pay Plan - HB 13										
35	0.00	43,817	60,315	0	104,132	0.00	132,374	182,187	0	314,561
DP 6014 - Pay Plan Lump Sum Payment - OTO										
35	0.00	49,888	58,084	0	107,972	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
35	0.00	6,903	5,132	0	12,035	0.00	5,986	4,451	0	10,437
DP 8101 - Increasing 4% Vacancy Savings to 7%										
35	0.00	(202,921)	(323,049)	0	(525,970)	0.00	(203,592)	(324,283)	0	(527,875)
<b>Total</b>	<b>12.82</b>	<b>\$252,460</b>	<b>\$5,260,563</b>	<b>\$0</b>	<b>\$5,513,023</b>	<b>12.82</b>	<b>\$289,814</b>	<b>\$4,639,560</b>	<b>\$0</b>	<b>\$4,929,374</b>

DP 3503 - Engine Crew Extension - The legislature approved an increase of DNRC seasonal engine crew staffing from 5 to 7 days per week coverage for the core portion of the fire season. This addition is projected to provide for increased initial attack success, and reduced overtime costs, and result in the probable prevention of two large (1,000+ acre) fires per year. The cost of this proposal is an increase of 7.00 FTE and \$242,143 in FY 2010 and \$242,210 in FY 2011 using two-thirds general fund and one-third fire protection fees.

DP 3504 - Aviation Crew Coverage Extension - The legislature approved an increase in seasonal pilots, helicopter managers, crew members, and fuel truck drivers to enable full utilization of the DNRC helicopter fleet during fire season. This proposal would allow seven day per week coverage for quick response every day during the fire season. The cost of this proposal is an increase of 4.82 FTE and \$265,756 in FY 2010 and \$265,991 in FY 2011 using two-thirds general fund and one-third state special revenue.

DP 3522 - Trust Land Management Database Upgrade - OTO/RST - The legislature approved a one-time-only addition of \$65,000 of state special revenue in both FY 2010 and FY 2011 to cover programming costs to upgrade the Trust Land Management System (TLMS) to interface with server upgrades due to incompatibility issues.

DP 3524 - Forest Management Software Integration - OTO/RST - The legislature approved a one-time-only addition of \$83,000 state special revenue request in FY 2010 for contracted services to develop a user-friendly interface into the Trust Land Management System (TLMS). This interface will improve user access and integrate forest management software into TLMS.

DP 3550 - NC Rural Fire Coordinator - RST - The legislature approved 1.0 FTE for a rural fire coordinator in NE Montana.

DP 3555 - Navigable Rivers - The legislature appropriated \$10,000 state special revenue each year of the biennium to provide authority for the new fees associated with SB 507.

DP 3560 - Implementation of HB 674 - The legislature approved \$25,000 state special revenue each year of the biennium to implement HB 674

DP 3565 - Reliance Refinery Cleanup - The legislature approved \$4.5 million of state special revenue each year of the biennium as the state's share of the cleanup of the Reliance Refinery state Superfund site. The legislature provided an additional \$600,000 of state special revenue for grants to community partners to expedite cleanup or rehabilitation of the site.

DP 3570 - Personal Services Reduction - The legislature reduced personal services in an amount equal to the value of 0.73 FTE that have been vacant for more than 12 months as of January 2, 2009.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - This request would add an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

#### **Language and Statutory Authority**

The legislature added the following language to HB2:

"The department may use up to \$600,000 of Reliance Refinery Cleanup funds for grants to community partners for the purpose of furthering or expediting remediation or redevelopment activities."

#### **Proprietary Rates**

#### **Proprietary Program Description**

##### *Air Operations*

The Air Operation Program manages six medium helicopters, one light helicopter, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. This revenue is also deposited in the proprietary account.

The Air Operations Program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged for the use of the aircraft and general fund and fire protection tax revenue for fixed costs.

#### **Funding**

The air operations program is funded with HB 2 appropriations transferred to the fund to cover fixed costs and with hourly charges for aviation services. The appropriations within agency budgets provide the funding for non-fire mission events. Fire mission events are paid by the direct protection agency responsible for managing the fire, or the general fund. This funding matrix is difficult to project as a large portion of it is dependent on fire activity.

## Program Narrative

### *Revenues*

The primary source of revenue is in the collection of aircraft rental charges. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DNRC, other state agencies, federal agencies, and the state's wildfire suppression efforts.

Fixed costs are paid by the general fund and the fire protection tax revenues since they must be paid regardless of the number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the Legislature and transferred to and spent from the proprietary account.

### *Expenses*

The cost driver for the aircraft rates is the recovery of actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wild fires on state and federal ground. This includes all costs associated with the maintenance and operation of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance and fluctuations in fuel and parts, and length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs of major cost drivers.

Air Operations Rates Per Hour				
Service	Actual 2008	Actual 2009	Approved 2010	Approved 2011
Bell UH-1/H Helicopters	1,075.00	1,075.00	1,210.00	1,210.00
Jet Ranger Helicopter	475.00	475.00	515.00	515.00
Cessna 180 Airplane	150.00	150.00	170.00	170.00

## Proprietary Rates

### *Conservation Seedling Nursery*

The Montana Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization, and other conservation uses. The program mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of one million seedlings annually on 110 acres of state land and in 9,000 square feet of greenhouse space. Sixty-seven plant species are currently in production. In FY 2006, 895 landowners purchased seedlings. The nursery program is funded solely from the nursery proprietary account.

## Funding

The Conservation Seedling Nursery is funded entirely by revenues obtained from the sale of nursery stock.

## Program Narrative

### *Revenues*

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and the sale of products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, the Conservation Reserve Program (CRP), tribal agencies, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two- to three-year production time needed for each seedling type. This

can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

#### *Expenses*

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement, or for unforeseen expenses such as weather-related crop losses. Since the nursery is funded primarily by seedling sales, all personal services, operating, and capital equipment cost is included when setting prices.

#### **Proprietary Rates**

The price of each seedling type is set at the end of the previous fiscal year. Prices are based on the actual production costs for each seedling type. The variables involved in seedling production include seedling stock type (bareroot vs. container), seed cost, propagation difficulty, cull rates, seedling age class, quantity produced, equipment costs, labor costs, and overhead charges. Given these variables, each of the 125-plus seedling types can have a different price, and the price must be adjusted annually to account for changes in fixed and variable costs.