



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: February 10, 2006
TO: Legislative Finance Committee
FROM: Barbara Smith, Associate Fiscal Analyst
RE: DNRC Appropriations Transfers

In accordance with 17-7-301, MCA, the Governor has submitted two potential transfers of appropriations (supplemental appropriations) from FY 2007 to FY 2006 to the Legislative Finance Committee (LFC) for comment and report. It is the role of the LFC to report to the Governor whether, in the committee's view, the request meets statutory criteria and to raise any necessary compliance issues. If the LFC does not provide a report, the Governor (or other approving authority) can authorize the transfer 90 days after the date the request was forwarded to the committee. The LFC does not approve or deny the request.

Statute requires two things before a request to move authority from the second year of the biennium to the first can be made:

- 1) Expenditures must be for an unforeseen and unanticipated emergency" that cause the appropriation for the year to be insufficient for the operation and maintenance of the agency in that year; and
- 2) The requesting agency must present a plan for reducing expenditures in the second year of the biennium that "allows the agency to contain expenditures within appropriations." Several exceptions to this requirement exist, including an unforeseen and unanticipated emergency for fire suppression.

PROPOSED TRANSFERS

Fire Suppression Costs

There are two parts to this supplemental transfer. The first part involves the approval of a time sensitive program transfer. The LFD was notified on February 21, 2006 that the budget office intends to submit a time sensitive program transfer of \$2.0 million in general fund authority in FY 2007 from the Water Resources Division to the Forestry Division at the March LFC meeting. Once this program transfer is approved, the supplemental transfer can occur. The supplemental then transfers the same \$2.0 million in general fund FY 2007 authority in the Forestry Division to FY 2006. This is the appropriation transfer that must be commented upon by the LFC.

This \$2.0 million is in addition to the \$2.5 million supplemental transfer that occurred in December 2005 for the same purpose for a total of \$4.5 million. The department is anticipating \$5.6 million in total fire costs for the 2005 fire season, but is awaiting cost share reimbursement

from other parties. Therefore, an additional \$1.0 million may need to be transferred from FY 2007 to FY 2006 at a later date.

This supplemental appropriation occurs because fire suppression activities are not budgeted. As demonstrated with this transaction, the department utilizes its general fund authority within the department programs to pay for suppression, then must request the authority be restored by transferring authority from the second year of the biennium. The authority in the second year of the biennium will be restored when the department receives a supplemental appropriation from the 2007 Legislature.

Land Banking Program

The second proposal requests transfer authority within the Trust Land Management Division of the Department of Natural Resources and Conservation of \$100,000 of state special revenue from FY 2007 to FY 2006 for the Land Banking Program. This program is designed to temporarily hold proceeds from the sale of trust lands pending the purchase of other land, easements or improvements or the benefit of the beneficiaries of the respective trust.

Implementation of the program has caused the need for greater authority in the first year of the biennium. This authority would be utilized to complete land transactions by the end of FY 2006. Statute requires the department submit a plan to reduce expenditures in the second year of the biennium. However, the department is not forecasting any budget issues resulting with the reduced authority in FY 2007 that would result in total expenditures exceeding the biennial appropriation and did not submit a plan for expenditure reductions in FY 2007. This action does not provide assurance that the department will not seek a supplemental appropriation during the 2007 session to obtain additional authority for FY 2007 expenditures beyond \$53,000.

OPTIONS

The committee may take one of three actions for each of the transfers.

Fire Suppression Costs

- 1) Inform the Governor that the committee does not raise any issues of statutory compliance with the proposed transfer.
- 2) Inform the Governor of statutory compliance issues with the proposed transfer.
- 3) Take no action. The Governor cannot approve or deny the transfer for 90 days if the committee does not provide a formal report.

Land Banking Program

- 1) Inform the Governor that the committee does not raise any issues of statutory compliance with the proposed transfer.
- 2) Inform the Governor of statutory compliance issues with the proposed transfer within the land-banking program, as an expenditure reduction plan was not provided.
- 3) Take no action. The Governor cannot approve or deny the transfer for 90 days if the committee does not provide a formal report.