

EXHIBIT 3
DATE 2-7-11
HB Section C

Agency Overview

The overall agency budget proposed by the Governor for the 2013 biennium increases 4.83% from the previous biennium. A statutory reduction of the appropriation for the Growth Through Agriculture program reduces funding available by \$625,000 when compared to the base year, in the total amount of coal severance tax distribution under 15-35-108, MCA. The majority of the requested funding for equipment purchases (\$375,000) is for two pieces of testing equipment to be used by the Agricultural Sciences Division. \$350,000 was authorized in the prior biennium, but not spent, while \$25,000 is added for an additional piece of equipment. Funding for this equipment purchases comes from four different State Special Revenue accounts. Also included in the executive budget is \$280,000 for the completion of a web-based agricultural product registration system.

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Decision Package 3002 authorizes an appropriation for a purchase that was also authorized by the last legislature for the current biennium. If the legislature chooses to approve this appropriation request, it may be appropriate to restrict this authorization, making it contingent upon the existing appropriation not being spent in FY 2011. Otherwise, the agency could theoretically spend the money prior to July 1, 2011, and still have outstanding authority to spend the money again in the coming biennium.

The executive has included a request for an additional \$667,000 in general fund on a one-time-only basis to fund the agency's activities under the Invasive Species Act of 2009. During the prior biennium the legislature approved the same amount for the same purpose.

Common Purpose Decision Packages

The executive has included three decision packages in the agency's budget that share a common purpose. These decision packages request base budget adjustments for expenditures that were not included in the adjusted base budget. The following discussion and issue are presented here so that the legislature can evaluate these decision packages and agency-wide impact as a whole.

Decision packages 0151, 3001 and 5001 request funding for expenditures that are not included in the statewide adjustments to the base budget for the upcoming biennium. They fall into three categories:

- o Adjustments to personal services. This includes a request to reinstate overtime expenses, as overtime is backed out of actual expenditures when the base is determined, and must be specifically requested in a decision package.
- o Grants to reflect anticipated state and federal grant levels.
- o An increase in operation expenses. The \$592,150, 8.7% biennial increase in operating expenditures is in addition to the statewide adjustments provided in these expenditure categories for inflation and fixed cost increases, and was included without detailed explanation from the agency.

The following table details the requested expenditures included in the combined base budget adjustment decision packages, the actual and expected amounts in the 2011 biennium, and the amount and percentage change from the base year and biennium for the 2013 biennium.

Total Biennial Impact of Proposed Agency Wide Base Budget Adjustment Decision Packages								
Subject Expenditures	Current Biennium			Combined Base Budget Adjustments Decision Packages		Change from Base		
	2010	2011 (Estimated)	2011 Biennium	2012	2013	Annual Percentage	2013 Biennium	Biennium Change
Personal Services								
Salaries	\$4,254,087			\$7,500	\$7,500	0.2%		
Hourly Wages	170,102			5,000	5,000	2.9%		
Other Compensation	12,900			500	500	3.9%		
Employee Benefits	<u>1,438,551</u>			<u>0</u>	<u>0</u>	<u>0.0%</u>		
Total Personal Services	\$5,875,640	\$6,460,622	\$12,336,262	\$13,000	\$13,000	0.2%	26,000	0.2%
Operating Expenses								
Other Services	\$761,314			58,075	58,075	7.6%		
Supplies & Materials	473,233			84,335	84,335	17.8%		
Communications	177,460			8,100	8,100	4.6%		
Travel	359,829			109,765	109,765	30.5%		
Rent	245,980			4,000	4,000	1.6%		
Utilities	8,104			0	0	0.0%		
Repair & Maintenance	124,228			7,200	7,200	5.8%		
Other Expenses	<u>942,130</u>			<u>24,600</u>	<u>24,600</u>	<u>2.6%</u>		
Total Operating Expenses	\$3,092,278	\$3,738,378	\$6,830,656	\$296,075	\$296,075	9.6%	592,150	8.7%
Grants								
From State Sources	\$3,661,947			\$135,000	\$135,000	3.7%		
From Federal Sources	<u>721,454</u>			<u>200,000</u>	<u>200,000</u>	<u>27.7%</u>		
Total Grants	4,383,401	5,968,385	10,351,786	335,000	335,000	7.6%	670,000	6.5%
Transfers	<u>326,489</u>	<u>280,000</u>	<u>606,489</u>	<u>14,150</u>	<u>14,150</u>	<u>4.3%</u>	<u>28,300</u>	<u>4.7%</u>
Total Subject Expenditures	<u>13,677,808</u>	<u>16,447,385</u>	<u>30,125,193</u>	<u>658,225</u>	<u>658,225</u>	<u>4.8%</u>	<u>1,316,450</u>	<u>4.4%</u>

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Large Base Operating Expense Adjustment Requested Without Detailed Justification

The executive has requested a \$592,150 or 8.7% biennial increase in operating expenditures for the agency. This request is contained in three separate, but related decision packages for base budget adjustments. The table above details a number of operating expense categories that are included in the decision packages. Although individually listed, there is little or no detail explaining what additional activities the agency is undertaking that require the additional operational expenditure funding.

The most prominent item is a \$219,530 or 30.5% increase in travel expenditures. Included in the statewide Present Law Adjustments are Gasoline increases of 14.03% in FY 2012 & 18.46% in FY 2013, so requests for additional gasoline expenses are in addition to those adjustments.