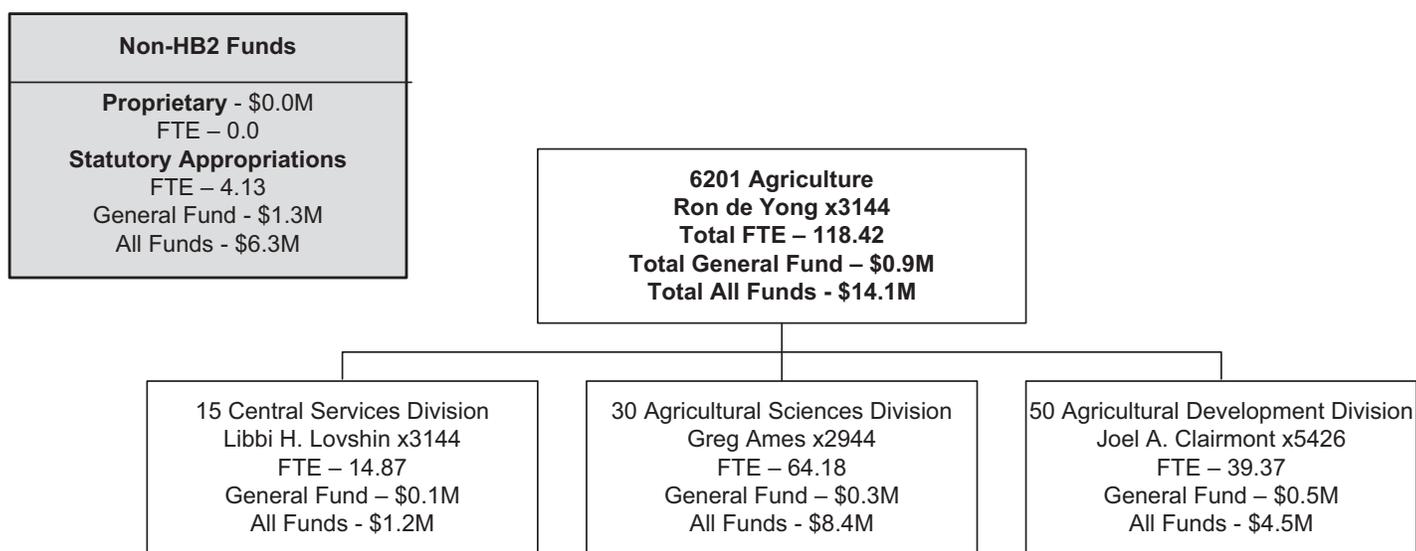


Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	118.42	118.42	120.40	120.40	118.42	120.40	1.98	1.67%
Personal Services	5,875,640	6,460,622	6,633,482	6,629,316	12,336,262	13,262,798	926,536	7.51%
Operating Expenses	3,092,278	3,738,378	3,471,749	3,436,902	6,830,656	6,908,651	77,995	1.14%
Equipment & Intangible Assets	375,624	287,276	1,032,624	377,624	662,900	1,410,248	747,348	112.74%
Grants	4,383,401	5,968,385	4,524,401	4,524,401	10,351,786	9,048,802	(1,302,984)	(12.59%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	326,489	280,000	396,489	396,489	606,489	792,978	186,489	30.75%
Debt Service	0	2,281	0	0	2,281	0	(2,281)	(100.00%)
Total Costs	\$14,053,432	\$16,736,942	\$16,058,745	\$15,364,732	\$30,790,374	\$31,423,477	\$633,103	2.06%
General Fund	880,007	1,020,580	1,324,381	1,276,028	1,900,587	2,600,409	699,822	36.82%
State Special	10,561,977	12,708,587	12,063,972	11,413,251	23,270,564	23,477,223	206,659	0.89%
Federal Special	2,111,490	2,390,235	2,098,452	2,099,165	4,501,725	4,197,617	(304,108)	(6.76%)
Other	499,958	617,540	571,940	576,288	1,117,498	1,148,228	30,730	2.75%
Total Funds	\$14,053,432	\$16,736,942	\$16,058,745	\$15,364,732	\$30,790,374	\$31,423,477	\$633,103	2.06%

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



Agency Description

Agency Mission: The mission of the Montana Department of Agriculture is to protect producers and consumers, and to enhance and develop agriculture and allied industries.

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, was established to encourage and promote the interests of agricultural and allied industries in Montana. To this end, the department:

- o Strengthens and diversifies the Montana agriculture industry through private-public partnerships
- o Collects and publishes agricultural production and marketing statistics relating to agricultural products
- o Assists, encourages, and promotes the organization of farmers institutes, agricultural societies, fairs, and other exhibitions of agriculture

- o Adopts standards for grade and other classifications of farm products
- o Coordinates the planning and maintenance of economical and efficient marketing distribution systems
- o Gathers and distributes marketing information concerning supply, demand, price, and movement of farm products
- o Regulates production and marketing of food and fiber products
- o Registers pesticides and fertilizers and enforces laws pertaining to them

Agency Highlights

Department of Agriculture Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive's proposed budget increases by 2.06% over the previous biennium. Major items contributing to this increase include: <ul style="list-style-type: none"> • Equipment purchases of \$655,000 for testing and web-based agriculture product registration • Requested base budget adjustments totaling just over \$0.5 million • One-time-only funding request of \$667,000 for invasive species activities ◆ The executive proposal includes the addition of a 2.6 FTE recycling truck driver funded entirely from federal funds <ul style="list-style-type: none"> • A part-time recycling truck driver • 2.0 FTE for invasive species management ◆ A proposed 4% personal services reduction in general funded personal services moves one position from full time to part time resulting in a general fund savings of \$55,558 over the biennium ◆ Funding for grants decreases by \$902,984 primarily due to a temporary reduction in coal severance tax distributions to the Growth Through Agriculture program ◆ A 5% reduction plan was submitted by the executive that includes the 4% personal services reduction in the proposed budget and \$70,238 in operating expenditure reductions that would result in a 1.5% reduction in general fund and 0.2% reduction in overall funding for the agency
Legislative Action Issues
<p>The request to fund the invasive species program lacks details</p> <ul style="list-style-type: none"> ◆ Invasive Species OTO ◆ Budgeted expenditures for legislative audit are funded entirely from the general fund instead of being allocated across all funding sources ◆ Requested \$592,150 base budget adjustment for operating expenses did not include adequate justification

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- o Goals, objectives and year-to-date outcomes from the 2011 biennium.

- o Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2011 Biennium Goals

The agency did not have any goals that were monitored by the legislature during the 2011 biennium

2013 Biennium Goals

There were no critical goals selected by the LFC during the interim for consideration by the legislature for monitoring.

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Labor Market Experience** - The size of the applicant pool and qualifications of applicants vary with the technical requirements of the position. The applicant pool for technical positions is limited; these positions more often have multiple recruitments. According to the Department of Administration's 2010 Employee Profile the agency has the second highest turnover rate for state agencies.
- o **Pay Philosophy** - The agency policy on entry market ratio for new to state government hires is 90% of the midpoint identified in the agency pay plan. Exceptions may be made for hard to recruit positions. Exceptions are determined on a case by case basis taking into account internal equity within the program and the agency. The agency does not currently have any specific employee groups under an exception or with special pay rates in the pay plan rules.
- o **Obstacles** - The agency faces difficulty attracting and retaining qualified agricultural specialists due to the specialized nature of the work, positions located in small field offices, and a limited applicant pool for technical positions. Pay rates provided by the agency are not competitive with pay for similar technical positions in the private sector or the federal government.

Agency Overview

The overall agency budget proposed by the Governor for the 2013 biennium increases 2.06% from the previous biennium. A \$902,984 decrease in grant funding due to a reduction in the total amount of coal severance tax distribution under 15-35-108, MCA to the agency for the Growth Through Agriculture program is off-set and eclipsed by increased funding requests for equipment purchases and operating costs. 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 that were requested in the prior biennium, but were not approved by the legislature. Also included is \$280,000 for the completion of a web-base agricultural product registration system.

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 two 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 and 5001 request funding for expenditures that are not included in the adjusted base budget for the upcoming biennium. They fall into three categories:

- o Adjustments to personal services for staff overtime. Overtime is backed out of actual expenditures when the base is determined, and must be specifically requested in a decision package. The amounts requested are 50% compared to FY 2010 actual expenditures.

- Grants to reflect anticipated state and federal grant levels.
- An increase in operation expenses. The \$248,900, 3.6% 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			0	0	0.0%		
Other Compensation	12,900			0	0	0.0%		
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	\$7,500	\$7,500	0.1%	15,000	0.1%
Operating Expenses								
Other Services	\$761,314			14,800	14,800	1.9%		
Supplies & Materials	473,233			32,085	32,085	6.8%		
Communications	177,460			2,300	2,300	1.3%		
Travel	359,829			64,765	64,765	18.0%		
Rent	245,980			0	0	0.0%		
Utilities	8,104			0	0	0.0%		
Repair & Maintenance	124,228			0	0	0.0%		
Other Expenses	<u>942,130</u>			10,500	10,500	<u>1.1%</u>		
Total Operating Expenses	\$3,092,278	\$3,738,378	\$6,830,656	\$124,450	\$124,450	4.0%	248,900	3.6%
Grants								
From State Sources	\$3,661,947			\$135,000	\$135,000	3.7%		
From Federal Sources	<u>721,454</u>			<u>0</u>	<u>0</u>	<u>0.0%</u>		
Total Grants	4,383,401	5,968,385	10,351,786	135,000	135,000	3.1%	270,000	2.6%
Transfers	<u>326,489</u>	<u>280,000</u>	<u>606,489</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>
Total Subject Expenditures	<u>13,677,808</u>	<u>16,447,385</u>	<u>30,125,193</u>	<u>266,950</u>	<u>266,950</u>	<u>2.0%</u>	<u>533,900</u>	<u>1.8%</u>

LFD ISSUE

Large Base Operating Expense Adjustment Requested Without Detailed Justification

The executive has requested a \$248,900 or 3.6% 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 \$129,520 or 18% increase in travel expenditures. During the 2011 biennium the Governor applied a \$26,000 base year reduction in travel expenditures to the agency's budget, but the amount requested is over twice that reduction amount on an annual basis.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Total 5% Reduction Plan Identified by Agencies, By Division Included and Not Included in Executive Budget 2013 Biennium					
Program/DP Number/Description	FTE	General Fund	% Of Total	State Special Revenue	% Of Total
Agricultural Sciences Division					
<i>Not Included in Executive Budget</i>					
95131 5% Plan Operating Expense Reduction		\$8,388	9.9%	\$3,498	8.5%
Total Agricultural Sciences Division		<u>\$8,388</u>	9.9%	<u>\$3,498</u>	8.5%
Agricultural Development Division					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	0.62	\$55,588	65.7%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95151 5% Plan Operating Expense Reduction		\$20,676	24.4%	\$37,736	91.5%
Total Agricultural Development Division		<u>\$76,264</u>	90.1%	<u>\$37,736</u>	91.5%
Total Reduction Plan					
Included in Executive Budget		\$55,588	65.7%	\$0	0.0%
Not Included in Executive Budget		<u>29,064</u>	34.3%	<u>41,234</u>	100.0%
Total Agency Reduction Plan		<u>\$84,652</u>		<u>\$41,234</u>	

Narrative Discussion

The majority of the general fund reduction included in the agency's 5% reduction plan is captured in the Governor's proposed budget as a 4% personal services reduction applied to the Agricultural Development Division, which is detailed in the program section. The remaining reduction plan proposes general operating expense reductions in the Agricultural Sciences and Development divisions. There were no reductions put forth for the Centralized Services program.

Funding

The Department of Agriculture is funded from general fund, state special revenue, federal special revenue, and proprietary funds. State special revenue is the predominant funding source, comprising 73.8% of the total funding under HB 2 for the agency. State special revenue is primarily derived from fees charged for evaluation, promotion, and research or marketing of various agricultural products. Proprietary funds generally do not require an appropriation and are not included in HB2 or in the proposed budget table above. The proprietary funds in the funding table are for hail insurance administrative costs. The remaining proprietary funds are presented and discussed in the budget analysis in the Agricultural Development Division under "Proprietary Rates".

Total Agency Funding 2013 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
15 Centralized Services Division	\$ 247,663	\$ 1,617,680	\$ 253,550	\$ 251,816	\$ 2,370,709	7.54%
30 Agricultural Sciences Division	1,244,405	13,564,172	3,927,349	-	18,735,926	59.62%
50 Agricultural Development Division	<u>1,108,341</u>	<u>8,295,371</u>	<u>16,718</u>	<u>896,412</u>	<u>10,316,842</u>	<u>32.83%</u>
Grand Total	<u>\$ 2,600,409</u>	<u>\$ 23,477,223</u>	<u>\$ 4,197,617</u>	<u>\$ 1,148,228</u>	<u>\$ 31,423,477</u>	100.00%

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations Department of Agriculture					
Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
<i>No Direct Bearing on Agency Operations</i>					
Agricultural Seed Dispute Resolution	80-5-510	SSR	\$0	\$3,900	\$3,900
Agriculture Development & Research Grants	90-9-306	SSR	\$0	\$142,292	\$187,658
Hail Insurance Claims & Benefits	80-2-222	Proprietary	\$3,938,299	\$7,254,611	\$7,483,206
Administration of agricultural commodities	80-4-416	SSR	\$576,890	\$54,000	\$54,000
<i>Direct Bearing on Agency Operations</i>					
Agriculture Commodity Research and Market Development	80-11-518	SSR	\$534,435	\$534,500	\$534,447
Implementation of the Growth Through Agriculture Act	15-35-108	GF	\$1,234,247	\$690,000	\$690,000

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	880,007	880,007	1,760,014	67.68%	14,053,432	14,053,432	28,106,864	89.45%
Statewide PL Adjustments	102,465	54,118	156,583	6.02%	755,283	716,320	1,471,603	4.68%
Other PL Adjustments	36,200	36,200	72,400	2.78%	641,950	266,950	908,900	2.89%
New Proposals	305,709	305,703	611,412	23.51%	608,080	328,030	936,110	2.98%
Total Budget	\$1,324,381	\$1,276,028	\$2,600,409		\$16,058,745	\$15,364,732	\$31,423,477	

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	14.87	14.87	14.87	14.87	14.87	14.87	0.00	0.00%
Personal Services	977,749	982,589	987,463	988,037	1,960,338	1,975,500	15,162	0.77%
Operating Expenses	184,301	204,104	219,073	176,136	388,405	395,209	6,804	1.75%
Total Costs	\$1,162,050	\$1,186,693	\$1,206,536	\$1,164,173	\$2,348,743	\$2,370,709	\$21,966	0.94%
General Fund	125,228	130,061	147,646	100,017	255,289	247,663	(7,626)	(2.99%)
State Special	747,596	764,959	808,827	808,853	1,512,555	1,617,680	105,125	6.95%
Federal Special	146,259	147,439	126,775	126,775	293,698	253,550	(40,148)	(13.67%)
Other	142,967	144,234	123,288	128,528	287,201	251,816	(35,385)	(12.32%)
Total Funds	\$1,162,050	\$1,186,693	\$1,206,536	\$1,164,173	\$2,348,743	\$2,370,709	\$21,966	0.94%

Program Description

The Centralized Services Division (CSD) performs technical, fiscal, and administrative support functions for the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, human resources, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, public information, and legal support to all programs within the department. Included in this division is the Director's Office, which provides overall policy development for the department.

Program Highlights

Centralized Services Division Major Budget Highlights	
◆	The Governor's proposed budget increases by 0.94% from the previous biennium due to requested increases in base budget
Major LFD Issues	
◆	Budgeted expenditures for legislative audit are funded entirely from the general fund instead of being allocated across all funding sources

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Centralized Services Division							
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	\$ 125,228	10.8%	\$ 147,646	12.2%	\$ 100,017	8.6%
	01000 General Fund	125,228	10.8%	147,646	12.2%	100,017	8.6%
02000	Total State Special Funds	747,596	64.3%	808,827	67.0%	808,853	69.5%
	02000 State/Other Special Rev. Funds	747,596	64.3%	808,827	67.0%	808,853	69.5%
03000	Total Federal Special Funds	146,259	12.6%	126,775	10.5%	126,775	10.9%
	03000 Federal Spec. Rev. Funds	146,259	12.6%	126,775	10.5%	126,775	10.9%
06000	Total Proprietary Funds	142,967	12.3%	123,288	10.2%	128,528	11.0%
	06000 Proprietary Funds	142,967	12.3%	123,288	10.2%	128,528	11.0%
Grand	Total	\$ 1,162,050	100.0%	\$ 1,206,536	100.0%	\$ 1,164,173	100.0%

The Central Services Division (CSD) is funded from derived calculations based on the expenditures of the two line divisions of the agency and their funding sources. A portion of the funding is an indirect cost reimbursement from federal grants administered by the agency. The division also uses an administrative assessment charged to the general fund, state special, and proprietary revenue accounts used by the divisions that are supported by CSD activities. General fund is used to account for any difference between the assessed amount and the budgeted expenditures for the CSD and for the costs of associated with the legislative audit.

**LFD
ISSUE**
Legislative Audit Costs Are Not Funded from All Sources Available

The legislative audit costs for this division are funded solely with general fund even though general fund provides just over 10% of the total funding for the division. Other state agencies with multiple funding sources allocate audit costs to all funds. According to statute (17-2-108, MCA), appropriated non-general fund should be expended before general fund.

The total budgeted legislative audit costs for the 2013 biennium are \$44,532. Allocating the budgeted costs of the agency's legislative audit in accord with their total funding distribution would result in a \$39,900 reduction in general fund and allow the agency to comply with state law.

The legislature may want to direct staff to fund the legislative audit in accord with the total funding for the program - 10.4% from general fund and 89.6% from other sources

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	125,228	125,228	250,456	101.13%	1,162,050	1,162,050	2,324,100	98.03%
Statewide PL Adjustments	22,418	(25,211)	(2,793)	(1.13%)	16,486	(25,877)	(9,391)	(0.40%)
Other PL Adjustments	0	0	0	0.00%	28,000	28,000	56,000	2.36%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$147,646	\$100,017	\$247,663		\$1,206,536	\$1,164,173	\$2,370,709	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					50,859					51,455
Vacancy Savings					(41,145)					(41,167)
Inflation/Deflation					24					42
Fixed Costs					6,748					(36,207)
Total Statewide Present Law Adjustments		\$22,418	\$61,231	(\$47,484)	\$16,486*		(\$25,211)	\$61,257	(\$47,484)	(\$25,877)*
DP 151 - Program 15 Base Budget Adjustments	0.00	0	0	28,000	28,000	0.00	0	0	28,000	28,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$28,000	\$28,000	0.00	\$0	\$0	\$28,000	\$28,000
Grand Total All Present Law Adjustments	0.00	\$22,418	\$61,231	(\$19,484)	\$44,486*	0.00	(\$25,211)	\$61,257	(\$19,484)	\$2,123*

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

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The program is not the subject of an exception from the agency pay plan rules.
- o **Program Specific Obstacles** – The program has not experienced program specific obstacles and has been able to attract qualified workers to assist in achieving its mission.
- o **Vacancy** – The program has not experienced any long-term or frequent vacancies. Vacancies within the program have temporarily increased the workload of remaining employees as assistance was provided on projects to meet priorities and goals and objectives during the recruitment process.
- o **Legislatively Applied Vacancy Savings** - The program used carry forward funds and shifted funding from other operational areas to meet the 7% applied vacancy savings rate.
- o **Pay/Position Changes** – No changes were reported by the program.
- o **Retirements** - One employee within the Central Services Division will be eligible for full retirement during the 2013 biennium. If the employee chooses to retire in the 2013 biennium the cost to the program is estimated at \$11,285 in compensated absence liabilities.

DP 151 - Program 15 Base Budget Adjustments - The executive requests federal funds for additional supplies and travel.

LFD ISSUE

Please see the discussion of the base budget adjustments throughout the agency in the Agency Summary section of this narrative.

LFD COMMENT

The agency has requested base budget adjustments for each of the divisions. These decision packages request increased funding for several of the same expenditure classifications in each program, particularly within the operating expenditure category. Due to the similar content and purpose of these decision packages, a summary analysis is presented in the agency summary section to illustrate the agency-wide impact of these proposals.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	64.18	64.18	66.78	66.78	64.18	66.78	2.60	4.05%
Personal Services	3,466,481	3,682,047	3,848,230	3,847,357	7,148,528	7,695,587	547,059	7.65%
Operating Expenses	1,541,910	1,529,808	1,759,480	1,765,215	3,071,718	3,524,695	452,977	14.75%
Equipment & Intangible Assets	360,624	217,276	1,017,624	362,624	577,900	1,380,248	802,348	138.84%
Grants	2,930,006	3,735,632	2,936,006	2,936,006	6,665,638	5,872,012	(793,626)	(11.91%)
Transfers	61,692	80,000	131,692	131,692	141,692	263,384	121,692	85.88%
Debt Service	0	2,281	0	0	2,281	0	(2,281)	(100.00%)
Total Costs	\$8,360,713	\$9,247,044	\$9,693,032	\$9,042,894	\$17,607,757	\$18,735,926	\$1,128,169	6.41%
General Fund	289,370	309,536	622,221	622,184	598,906	1,244,405	645,499	107.78%
State Special	6,114,471	6,734,971	7,107,493	6,456,679	12,849,442	13,564,172	714,730	5.56%
Federal Special	1,956,872	2,202,537	1,963,318	1,964,031	4,159,409	3,927,349	(232,060)	(5.58%)
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$8,360,713	\$9,247,044	\$9,693,032	\$9,042,894	\$17,607,757	\$18,735,926	\$1,128,169	6.41%

Program Description

The Agricultural Sciences Division (ASD) administers, manages, coordinates, and evaluates the major activities of: 1) pesticide management; 2) pest management; 3) analytical laboratory services; 4) noxious weed management; 5) agricultural chemical groundwater program; 6) seed, feed and fertilizer program; 7) organic certification; 8) nursery program; 9) apiary program; 10) commodity programs; and 11) invasive species. Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The program provides support to the Montana Noxious Weed Management Advisory Council, Noxious Weed Seed Free Forage Advisory Council, Montana Noxious Weed Summit Advisory Council, Montana Organic Commodity Advisory Council, and the Montana Mint Committee.

The Agricultural Sciences Division (ASD) administers, manages, coordinates, and evaluates the following major activities and programs:

- o Pesticide management
- o Pest management
- o Analytical laboratory services
- o Noxious weed management
- o Agricultural chemical groundwater program
- o Seed, feed, and fertilizer program
- o Organic certification
- o Nursery program
- o Apiary program
- o Commodity programs
- o Invasive species

Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The division provides support to the Montana Noxious Weed Management Advisory Council, Noxious Weed Seed Free Forage Advisory Council, Montana Noxious Weed Summit Advisory Council, Montana Organic Commodity Advisory Council, and the Montana Mint Committee.

Program Highlights

Agricultural Sciences Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases by 6.4% from the prior biennium due generally to: <ul style="list-style-type: none"> • Present law adjustments related primarily to personal services • Increased operating expenditures related to invasive species management • Increased equipment purchases resulting from decision packages for lab equipment and web-based licensing systems ◆ The agency has submitted a 5% reduction plan item for the program that contains \$11,886 in biennial reductions not included in the executive's proposed budget ◆ The executive proposal includes the addition of a 2.6 FTE <ul style="list-style-type: none"> • A part-time recycling truck driver funded entirely from federal funds • 2.0 FTE to manage the invasive species program ◆ The Governor's proposed budget more than doubles the amount of funding from the general fund from the previous biennium and increases the percentage of funding from the general fund in relation to total program funding by about 3.1%
Major LFD Issues
<ul style="list-style-type: none"> ◆ The request for invasive species funding is lacking in detail

Program Narrative

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The 5% reduction plan for the Agriculture Sciences Division includes operating expenditure reductions from the general fund and from the state special revenue account for manuals and training totaling \$11,886 over the biennium. The agency plan states that an \$8,388 reduction in general fund would impair the their ability to ensure that domestic and imported feeds are free from prohibited materials that can lead to the spread of bovine spongiform encephalopathy (BSE), but this impact may be mitigated by finding increased efficiencies and lowering operational costs. A \$3,498 biennial reduction in state special revenue funding from the manuals and training account would reduce the number of specialized, targeted training opportunities for pesticide applicators, but the program may be able to mitigate the impact by providing more general training.

The items included in the 5% reduction plan for the program are not included in the Governor's budget, and would result in a 1.4% reduction in general fund and a 0.03% reduction in state special revenue from the previous biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 289,370	3.5%	\$ 622,221	6.4%	\$ 622,184	6.9%
01100 General Fund	289,370	3.5%	622,221	6.4%	622,184	6.9%
02000 Total State Special Funds	6,114,471	73.1%	7,107,493	73.3%	6,456,679	71.4%
02037 Mint Committee	2,500	0.0%	2,500	0.0%	2,500	0.0%
02068 Noxious Weed Admin Account	2,588,129	31.0%	2,585,873	26.7%	2,587,345	28.6%
02071 Anhydrous Ammonia Account	28,748	0.3%	25,624	0.3%	25,442	0.3%
02072 Manuals & Training Account	34,976	0.4%	36,978	0.4%	36,978	0.4%
02093 Alfalfa Leaf Cutting Bee	1,099	0.0%	1,322	0.0%	1,317	0.0%
02192 Pesticide Groundwater Account	880,838	10.5%	1,263,693	13.0%	948,745	10.5%
02193 Pesticide Account	1,008,323	12.1%	1,389,961	14.3%	1,075,016	11.9%
02198 Fert. Groundwater Account	17,541	0.2%	17,686	0.2%	17,610	0.2%
02264 Organic Certification	193,912	2.3%	212,490	2.2%	212,365	2.3%
02265 Fsi Produce	199,377	2.4%	276,063	2.8%	275,893	3.1%
02266 Commodity Dealer/Warehouse	65,559	0.8%	65,172	0.7%	64,792	0.7%
02267 Nursery Account	135,923	1.6%	174,981	1.8%	176,357	2.0%
02268 Produce Account	281,151	3.4%	267,404	2.8%	267,474	3.0%
02269 Seed Account	53,080	0.6%	70,871	0.7%	70,513	0.8%
02341 Weed Seed Free Forage Account	24,927	0.3%	26,949	0.3%	26,962	0.3%
02452 Commercial Fertilizer	251,052	3.0%	313,024	3.2%	301,975	3.3%
02454 Commercial Feed	305,653	3.7%	333,294	3.4%	322,001	3.6%
02792 Apiary Account	41,683	0.5%	43,608	0.4%	43,394	0.5%
03000 Total Federal Special Funds	1,956,872	23.4%	1,963,318	20.3%	1,964,031	21.7%
03118 Agriculture Asd Federal	1,956,872	23.4%	1,963,318	20.3%	1,964,031	21.7%
06000 Total Proprietary Funds	-	-	-	-	-	-
06011 Alfalfa Leaf Cutting Bee	-	-	-	-	-	-
Grand Total	<u>\$ 8,360,713</u>	<u>100.0%</u>	<u>\$ 9,693,032</u>	<u>100.0%</u>	<u>\$ 9,042,894</u>	<u>100.0%</u>

The Agricultural Sciences Division is funded with general fund, state special revenue, and federal special revenue. State special revenue is the prominent funding source; comprising 71% of the total program funding. During the previous legislative session the proprietary funded leaf cutting bee program was converted to a state special revenue funded program, so proprietary funding is no longer utilized by the division.

State special revenue is derived primarily from fees assessed for regulatory activities, product registration, and technical services. The largest funding sources are: the noxious weed administration account (29%), pesticide (12%), and pesticide groundwater (10.5%) accounts. The noxious weed administration account receives revenues from the interest earnings of the Noxious Weed Management Trust Fund and an annual transfer of \$100,000 from the highway non-restricted account.

Federal special revenue includes funding from the U.S. Forest Service, U.S. Department of Agriculture, and the Environmental Protection Agency. Federal funds support noxious weed mitigation and portions of the Bovine Spongiform Encephalopathy (BSE) feed sampling program.

General fund comprises just over 6.7% of the total program funding and supports the BSE feed sampling program, lab costs, and the Invasive Species Act.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	289,370	289,370	578,740	46.51%	8,360,713	8,360,713	16,721,426	89.25%
Statewide PL Adjustments	(649)	(686)	(1,335)	(0.11%)	321,448	326,354	647,802	3.46%
Other PL Adjustments	0	0	0	0.00%	375,000	0	375,000	2.00%
New Proposals	333,500	333,500	667,000	53.60%	635,871	355,827	991,698	5.29%
Total Budget	\$622,221	\$622,184	\$1,244,405		\$9,693,032	\$9,042,894	\$18,735,926	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					419,088					418,525
Vacancy Savings					(155,302)					(155,278)
Inflation/Deflation					6,421					8,423
Fixed Costs					51,241					54,684
Total Statewide Present Law Adjustments		(\$649)	\$338,022	(\$15,925)	\$321,448		(\$686)	\$342,208	(\$15,168)	\$326,354
DP 3002 - Analytical Lab Equipment (Bien - OTO)	0.00	0	375,000	0	375,000	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$0	\$375,000	\$0	\$375,000	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	(\$649)	\$713,022	(\$15,925)	\$696,448	0.00	(\$686)	\$342,208	(\$15,168)	\$326,354

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - This program is not currently the subject of an exception from the agency pay plan rules. However, the program reports that they are challenged to follow the pay plan because of an inability to progress employees to market as the established rates are not competitive with pay for similar technical positions in the private sector or the federal government.
- o **Program Specific Obstacles** - The program faces difficulty attracting and retaining qualified agricultural specialists due to the specialized nature of the work, positions located in small field offices, and a limited applicant pool.
- o **Vacancy** - The turnover rate remains a concern for the program, but there is no apparent trend based on a particular occupation. When vacancies occur within the program the workload is prioritized with lower priority work delayed until it becomes a priority.
- o **Legislatively Applied Vacancy Savings** - The program met the 7% applied vacancy savings rate through turnover and by holding some positions open.
- o **Pay/Position Changes** - The program reclassified one position during FY 2010 moving from auditor to compliance specialist.
- o **Retirements** - Fourteen employees within the Agricultural Sciences Division are eligible for full retirement during the 2013 biennium. If they choose to retire in the 2013 biennium, the cost to the program is estimated to

be \$179,292 in compensated absence liabilities. Any retirement impacts the program as a whole. To reduce the impact the program practices cross training and has develop standard internal control procedures to ensure a continuation of all program operations.

DP 3002 - Analytical Lab Equipment (Bien - OTO) - This request is for \$375,000 one-time-only biennial state special revenue funding to purchase a replacement Micromass Quattro Ultima LC/MS/MS instrument (\$350,000) and a replacement LECO FP-528 Nitrogen Combustion instrument (\$25,000). The Micromass Quattro Ultima LC/MS/MS instrument is used for testing metabolite residues in pesticide and groundwater samples for the Analytical Lab in Bozeman. The LECO FP-528 Nitrogen Combustion instrument is used in the Feed and Fertilizer programs to measure nitrogen in fertilizers, protein in feeds, and nitrogen in water. The agency states that current instrument was purchased in 2002 and is approaching the end of its useful life. The new instrument incorporates improvements in hardware and software that include more checks and balances for accurate instrument control, performance and troubleshooting.

LFD COMMENT	DP 3002 requests funding for two different pieces of equipment, and it is being funded through three different bureaus. The LECO FP-528 instrument would be used by the Feeds and Fertilizers bureau at the analytical lab in Bozeman and proposed funding is split evenly between the commercial fertilizer and commercial feed state special revenue accounts in the amount of \$12,500 each. The other instrument would be used by the Groundwater Management Bureau and proposed funding is split evenly between that bureau from the pesticide groundwater state special revenue account and the Agricultural Sciences Administration bureau from the pesticide state special revenue accounts in the amount of \$175,000 each.
--------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3006 - Web AG Product Registration System (Bien - OTO)	30	0.00	0	280,000	0	280,000	0.00	0	0	0	0
DP 3007 - Pesticide Recycling Truck Driver	30	0.60	0	0	22,371	22,371	0.60	0	0	22,327	22,327
DP 3008 - Invasive Species (OTO)	30	2.00	333,500	0	0	333,500	2.00	333,500	0	0	333,500
Total	2.60	\$333,500	\$280,000	\$22,371	\$635,871	2.60	\$333,500	\$0	\$22,327	\$355,827	

DP 3006 - Web AG Product Registration System (Bien - OTO) - This request is for \$280,000 biennial one-time-only state special revenue funding to continue upgrading an existing licensing and registration system to allow web based product and apiary registrations.

LFD COMMENT	Although the Legislative Finance Committee did not choose to recommend for legislative consideration any of the agency’s goals for monitoring in the upcoming biennium, if this request is funded the legislature may want to work with the agency to develop goals and measureable objectives This request for one-time-only funding would provide an opportunity for the agency and the legislature to directly follow the application of appropriated funds from request to project completion.
--------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

DP 3007 - Pesticide Recycling Truck Driver - Statute establishes a waste pesticide and pesticide container collection, disposal, and recycling program. This proposal would increase federal special revenue authority to hire a 0.60 FTE to drive the pesticide recycling truck.

DP 3008 - Invasive Species (OTO) - Invasive Species (OTO) - The executive requests 2.00 FTE and \$333,500 of one-time-only general fund each year of the 2013 biennium to continue operating the invasive species program. Invasive species program efforts include prevention, identification, response, and management of invasive species that threaten Montana. The department would focus on outreach and education, border check stations, management areas, response to invasive species detections, and management of invasive species under the strategic plan.

**LFD
ISSUE**Program Progress and Funding Details are Lacking

The executive is requesting funding to continue the invasive species program created in the 2009 Legislature with the passage and approval of SB343. The 2011 biennium budget included a biennial one-time appropriation of \$333,500 per year. The legislature conditioned the appropriation as biennial to determine base costs and allow the agency some flexibility in the first year of the program. The executive is requesting that this funding be granted again in the 2013 biennium and restricted as one-time-only.

There are two items for the legislature to consider when deliberating this decision package. One, the agency had specific goals for the 2011 biennium; progress towards those goals needs to be examined. And second, during FY 2010, the program expended \$229,921 (\$103,579 less than the requests.)

A key goal for the 2011 biennium was to complete a state strategic plan by December of 2010. Other activities were to include public education about the risk, prevention, and detection of invasive species and the coordination of activities across state agencies. As of this writing, a strategic plan has not been completed. The program, in conjunction with Fish, Wildlife and Parks did launch a public relations campaign and coordinated inspection activities. The legislature may wish to receive an update on these activities to determine progress toward the original goals, and determine if the goals of the program need to be realigned or redeveloped given the type of progress made in the 2011 biennium.

As stated above, the program expended \$229,921, (\$103,579 less than the request of \$333,500 per year.) The difference is attributed to \$23,458 to fully fund personal services and an additional \$80,035 for operations, or a 51% increase. The executive request does not provide adequate detail to explain the need for this increase in operations authority. The legislature may wish to acquire this information prior to deliberations on this issue.

**LFD
COMMENT**

A similar request for invasive species activities is included in the Fisheries Division of the Department of Fish, Wildlife and Parks. A related write-up is included in that program.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	39.37	39.37	38.75	38.75	39.37	38.75	(0.62)	(1.57%)
Personal Services	1,431,410	1,795,986	1,797,789	1,793,922	3,227,396	3,591,711	364,315	11.29%
Operating Expenses	1,366,067	2,004,466	1,493,196	1,495,551	3,370,533	2,988,747	(381,786)	(11.33%)
Equipment & Intangible Assets	15,000	70,000	15,000	15,000	85,000	30,000	(55,000)	(64.71%)
Grants	1,453,395	2,232,753	1,588,395	1,588,395	3,686,148	3,176,790	(509,358)	(13.82%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	264,797	200,000	264,797	264,797	464,797	529,594	64,797	13.94%
Total Costs	\$4,530,669	\$6,303,205	\$5,159,177	\$5,157,665	\$10,833,874	\$10,316,842	(\$517,032)	(4.77%)
General Fund	465,409	580,983	554,514	553,827	1,046,392	1,108,341	61,949	5.92%
State Special	3,699,910	5,208,657	4,147,652	4,147,719	8,908,567	8,295,371	(613,196)	(6.88%)
Federal Special	8,359	40,259	8,359	8,359	48,618	16,718	(31,900)	(65.61%)
Other	356,991	473,306	448,652	447,760	830,297	896,412	66,115	7.96%
Total Funds	\$4,530,669	\$6,303,205	\$5,159,177	\$5,157,665	\$10,833,874	\$10,316,842	(\$517,032)	(4.77%)

Program Description

The Agricultural Development Division (ADD) administers programs to promote Montana agriculture. The division is comprised of the following bureaus:

- o Rural Development
- o Wheat and Barley
- o Agriculture Marketing & Business Development
- o The State Grain Laboratory

The program has four councils:

- o The Montana Agriculture Development Council, which is allocated to the Department of Agriculture for administrative purposes, is composed of seven members appointed by the Governor for 3 year terms and oversees the Montana Growth through Agriculture Program
- o The Weed Advisory Councils:
 - Noxious Weed Management Advisory Council, comprised of eleven members appointed by the director of the department
 - Noxious Weed Summit Advisory Council
 - Noxious Weed Seed Free Forage Advisory Council, comprised of twelve members appointed by the director of the department

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

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

The division houses two proprietary programs:

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

The division also provides administrative support and shares an employee with the Ag in Montana Schools program.

Program Highlights

Agricultural Development Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive's proposed budget decreases by 4.8% from the previous biennium resulting primarily from budgeted grants for the upcoming biennium being over \$500,000 less than budgeted grants for the previous biennium ◆ A proposed 4% reduction in general funded personal services moves one position from full time to part time resulting in a general fund savings of \$55,558 over the biennium ◆ Base budget adjustment proposals were submitted for every program in the agency and are summarized in the agency section for an analysis of their agency-wide impact

Program Narrative

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The 5% reduction plan for the program includes the reduction in hours of an administrative assistant position and general operating expenditures totaling \$114,000 over the biennium.

The reduction from 1.0 FTE to 0.38 FTE in an administrative assistant position with the Agricultural Development Division's administration bureau results in a general fund savings of \$55,558 over the biennium. The agency reports that this reduction may result in work delays and additional workload for other staff.

The remaining reductions are for general operating expenses funded from both general fund and state special revenue. The agency's plan states that a \$20,676 biennial reduction in general fund would reduce services provided by the administrative bureau and the state grain lab, as well as result in decreased funding for agricultural statistics and for agricultural marketing. A \$37,376 biennial reduction in state special revenue is achieved through reduction in agribusiness grants from the Growth Through Agriculture program and the reduction of the Agriculture in Montana Schools program.

The portion not included in the Governor's proposed budget is an additional general fund reduction of about 2.0% and a state special revenue reduction of about 0.4% from the previous biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 465,409	10.3%	\$ 554,514	10.7%	\$ 553,827	10.7%
01100 General Fund	465,409	10.3%	554,514	10.7%	553,827	10.7%
02000 Total State Special Funds	3,699,910	81.7%	4,147,652	80.4%	4,147,719	80.4%
02040 Wheat & Barley Research & Mktg	2,818,060	62.2%	2,961,660	57.4%	2,962,545	57.4%
02066 Agriculture In Mt Schools Act.	10,001	0.2%	10,001	0.2%	10,001	0.2%
02268 Produce Account	511	0.0%	511	0.0%	511	0.0%
02340 Coal Sev. Tax Shared Ssr	384,330	8.5%	385,046	7.5%	384,999	7.5%
02453 Grain Services	463,257	10.2%	743,955	14.4%	743,184	14.4%
02461 Alfalfa Seed Assessment	23,751	0.5%	38,729	0.8%	38,729	0.8%
02582 Certified Natural Beef	-	-	7,750	0.2%	7,750	0.2%
03000 Total Federal Special Funds	8,359	0.2%	8,359	0.2%	8,359	0.2%
03225 Agriculture Add Federal	8,359	0.2%	8,359	0.2%	8,359	0.2%
06000 Total Proprietary Funds	356,991	7.9%	448,652	8.7%	447,760	8.7%
06052 Hail Insurance	356,991	7.9%	448,652	8.7%	447,760	8.7%
Grand Total	\$ 4,530,669	100.0%	\$ 5,159,177	100.0%	\$ 5,157,665	100.0%

The funding for the Agricultural Development Division is dominated by state special revenue (SSR), accounting for just over 80% of the program's total funding. The largest account, the wheat and barley research and marketing SSR account, comprises 57.4% of the budget for the program. This account receives revenues from assessments levied on the initial sale of each of the commodities. Additional SSR funding sources include a portion of the coal severance tax collections that supports the Growth Through Agriculture (GTA) program, grain testing fees, alfalfa seed assessments, income tax check offs for Agriculture in Montana Schools, and interest earnings from invested fund balances in various accounts. General fund supports division administration, agricultural marketing, agricultural statistics functions, and the state grain lab. Federal special revenue is from federal grants used to develop agriculture markets, marketing projects, and related operating costs.

Status of Coal Tax Shared Revenue Fund

The coal tax shared revenue fund is statutorily designated for libraries, conservation districts, and the Growth Through Agriculture program. The Growth Through Agriculture program funds grants and operations of the Agriculture Development Council, which is administratively attached to the Department of Agriculture. The figure below summarizes the condition of the fund.

	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Balance	\$1,333,774	\$1,046,233	\$987,547	\$626,610
<u>Expenditures</u>				
Montana State Library	629,975	630,007	549,975	549,975
Natural Resources & Conservation	1,635,089	1,686,398	2,283,916	2,280,538
Agriculture	434,565	575,281	385,046	385,046
Total Expenditures	2,699,629	2,891,686	3,218,937	3,215,559
Revenues	2,412,088	2,833,000	2,858,000	2,906,000
Ending Fund Balance	\$1,046,233	\$987,547	\$626,610	\$317,051

The executive is not requesting an increase in authority from this fund. The figure illustrates a decrease; this is based on expenditures that were made using statutory authority. In examining the entire fund, the executive has requested an additional \$600,000 from this fund for this program. This request is predominantly a funding switch for the Conservation District Program. The executive is proposing to increase appropriations from the coal tax shared revenue fund and decrease general fund by \$400,000 and the natural resources operations fund by \$177,642. This

action reduces the fund balance to \$372,000 at the end of the biennium. At that time, the balance must be transferred to the general fund. The executive would condition this switch on realization of revenues to the shared account.

The fund is not structurally balanced as the executive is utilizing the fund balance to offset general fund and other state

special revenue sources. However, in the 2015 biennium, the executive will not have the benefit of a fund balance and therefore could be creating a situation where reductions will be required in the next biennium for the fund to be structurally balanced.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	465,409	465,409	930,818	83.98%	4,530,669	4,530,669	9,061,338	87.83%
Statewide PL Adjustments	80,696	80,015	160,711	14.50%	417,349	415,843	833,192	8.08%
Other PL Adjustments	36,200	36,200	72,400	6.53%	238,950	238,950	477,900	4.63%
New Proposals	(27,791)	(27,797)	(55,588)	(5.02%)	(27,791)	(27,797)	(55,588)	(0.54%)
Total Budget	\$554,514	\$553,827	\$1,108,341		\$5,159,177	\$5,157,665	\$10,316,842	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					462,015					457,991
Vacancy Savings					(75,345)					(75,182)
Inflation/Deflation					709					1,290
Fixed Costs					29,970					31,744
Total Statewide Present Law Adjustments		\$80,696	\$284,992	\$0	\$417,349*		\$80,015	\$285,059	\$0	\$415,843*
DP 5001 - Program 50 Base Budget Adjustments	0.00	36,200	162,750	0	238,950*	0.00	36,200	162,750	0	238,950*
Total Other Present Law Adjustments	0.00	\$36,200	\$162,750	\$0	\$238,950*	0.00	\$36,200	\$162,750	\$0	\$238,950*
Grand Total All Present Law Adjustments	0.00	\$116,896	\$447,742	\$0	\$656,299*	0.00	\$116,215	\$447,809	\$0	\$654,793*

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

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The program is not the subject of an overall exception to the agency pay plan rules. However the individual exceptions are made due to the specialized nature of the work in some bureaus, particularly the state grain lab.
- o **Program Specific Obstacles** – The program faces difficulty attracting and retaining qualified agricultural specialists due to the specialized nature of the work and a limited applicant pool.
- o **Vacancy** – The turnover rate remains a concern for the program, but there is no apparent trend based on a particular occupation. The state grain lab maintains the highest vacancy rate in the program, using just over 54% of their budgeted hours during the base year.
- o **Legislatively Applied Vacancy Savings** – The program was able to achieve the legislatively applied vacancy savings by managing personnel to match variations in workload attributable to seasonal demands.

- o **Pay/Position Changes** –No pay or position adjustments were made outside of the pay plan with the exception of the reclassification of an administrative assistant position.
- o **Retirements** - Four employees within the Agricultural Development Division are eligible for full retirement during the 2013 biennium. If they choose to retire in the 2013 biennium, the cost to the program is estimated to be \$46,658 in compensated absence liabilities. To reduce the impact of retirements on the program, cross training and development of standard internal control procedures are used to ensure a continuation of all program operations.

DP 5001 - Program 50 Base Budget Adjustments - The executive requests funding to increase operations and equipment authority to appropriated levels in the Agricultural Development Division (ADD).

- o Agriculture Marketing - \$36,200 per year in general fund for overtime, travel, and meeting expenses
- o The Wheat & Barley Committee -\$140,000 state special revenue funding per year to restore the base budget authority for overtime, contracts, equipment, and grants
- o Alfalfa Seed Assessment \$15,000 - state special revenue funding each year for research grants
- o Hail Insurance - \$40,000 enterprise funding each year for supplies and travel
- o Certified Natural Beef Marketing - \$7,750 each year to establish base for contracts, printing, travel, meeting expenses, and grant assistance

The agency has requested base budget adjustments for each of the divisions. These decision packages request increased funding for several of the same expenditure classifications in each program, particularly within the operating expenditure category. Due to the similar content and purpose of these decision packages, a summary analysis is presented in the agency summary section to illustrate the agency-wide impact of these proposals.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Program	Fiscal 2012					Fiscal 2013					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 55400 - 4% Personal Services Reduction	50	(0.62)	(27,791)	0	0	(27,791)	(0.62)	(27,797)	0	0	(27,797)
Total	(0.62)	(\$27,791)	\$0	\$0	(\$27,791)	(0.62)	(\$27,797)	\$0	\$0	(\$27,797)	

DP 55400 - 4% Personal Services Reduction - The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. This decision package reduces the Agriculture Development Division by \$27,791 in FY 2012 and \$27,797 in FY 2013 to implement the budget reduction. The reduction includes the elimination of 0.62 FTE..

Proprietary Program Overview

The Agricultural Development Division operates two proprietary programs: the Hail Insurance program and the Montana Beginning Farmer/Rancher Loan Program. These programs are described separately along with a discussion of each program’s expenses, revenues, and rates being requested to finance the program.

Hail Insurance Program

Proprietary Proposed Budget

The 2013 Biennium Report on Internal Service and Enterprise Funds for fund 06052 shows the financial information for the fund from FY 2010 through 2013. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

2013 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06052	Hail Insurance	62010	Agriculture	Ag Development Division			
				Actual	Budgeted	Budgeted	Budgeted
				FYE 10	FY 11	FY 12	FY 13
Operating Expenses:							
Personal Services				397,613	459,739	440,386	444,631
Other Operating Expenses				<u>5,840,394</u>	<u>10,009,687</u>	<u>7,614,760</u>	<u>7,614,863</u>
Total Operating Expenses				6,238,007	10,469,426	8,055,146	8,059,494
Operating Revenues:							
Investment Earnings				32,270	36,000	50,000	50,000
Other Income				120	100	100	100
Securities Lending Income				4,938	0	0	0
Hail Insurance Premium				6,885,970	6,200,000	6,500,000	6,500,000
Hail Insurance Premium Penalty & Interest				<u>29,323</u>	<u>13,000</u>	<u>15,000</u>	<u>15,000</u>
Total Operating Revenue				6,952,621	6,249,100	6,565,100	6,565,100
Operating Income (Loss)				714,614	(4,220,326)	(1,490,046)	(1,494,394)
Operating Transfers Out				<u>(97,969)</u>	<u>(121,298)</u>	<u>(97,969)</u>	<u>(97,969)</u>
Change in net assets				616,645	(4,341,624)	(1,588,015)	(1,592,363)
Total Net Assets- July 1 (Beginning of Year)				11,947,071	12,563,716	8,222,092	6,634,077
Change in net assets				616,645	(4,341,624)	(1,588,015)	(1,592,363)
Cumulative effect of account change				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets- June 30				<u>12,563,716</u>	<u>8,222,092</u>	<u>6,634,077</u>	<u>5,041,714</u>

The Hail Insurance program has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for crops grown in Montana. The program insures approximately 1.9 million acres of crops with coverage exceeding \$85 million each year. A reserve is maintained at a level which is actuarially sound based on annual review by an accredited actuarial consultant. This ensures that adequate funds are available to pay any losses, even if a catastrophic year should occur. The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers. The Department of Revenue issues the insurance policies to producers.

Proprietary Revenues and Expenses

Expenses

The program supports 3.17 permanent FTE and 4.55 seasonal FTE. Expenditures for both personal services and operating expenses other than the payment of insurance claims are budgeted by the agency in HB 2. The program annually transfers 3.5% of the gross annual fees imposed and collected: 2% to the Department of Revenue and 1.5% to the general fund at the end of the fiscal year.

Revenues

Revenues for the program are entirely derived from insurance policy premiums and investment earnings. Total revenue is dependent on the number of policies written for producers in a given year.

Funding Sources

The funding of the program is from private sources outside of state government.

*Proprietary Revenues and Expenses*Expenses

Operating expenses for the program are estimated since the program was not in operation during FY 2010. Personal services expenditures for the program are currently being absorbed by program operations funded under HB 2, but the program is estimated to require 0.5 FTE which will be funded from the program once operational and sustainable.

Revenues

Revenues for the program are derived from an application fee and a percentage fee levied against the outstanding loan amount.

Funding Sources

The funding of the program is from private sources outside of state government.

Proprietary Rate Explanation*Proprietary Rates*

The program's rates are \$50 per loan application and 1.5% of loan balance. The program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.