Agency Biennium Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Agency Budget Comparison

Budget Item	Appropriated Budget 16-17	Requested Budget 18-19	Biennium Change	Biennium % Change
Personal Services	79,524,956	79,443,989	(80,967)	(0.10)%
Operating Expenses	40,174,151	35,482,372	(4,691,779)	(11.68)%
Equipment & Intangible Assets	2,723,531	2,706,132	(17,399)	(0.64)%
Capital Outlay	10,217	0	(10,217)	(100.00)%
Local Assistance	6,116,180	7,765,413	1,649,233	26.97 %
Grants	3,306,830	3,430,524	123,694	3.74 %
Benefits & Claims	400,000	400,000	0	0.00 %
Transfers	4,291,089	3,387,486	(903,603)	(21.06)%
Debt Service	1,513,686	1,570,682	56,996	3.77 %
Total Expenditures	**$138,060,640**	**$134,186,598**	**($3,874,042)**	**(2.81)%**
General Fund	60,311,556	31,042,650	(29,268,906)	(48.53)%
State/Other Special Rev. Funds	73,171,833	98,494,105	25,322,272	34.61 %
Federal Spec. Rev. Funds	4,577,251	4,649,843	72,592	1.59 %
Total Funds	**$138,060,640**	**$134,186,598**	**($3,874,042)**	**(2.81)%**
Total Ongoing	**$135,197,568**	**$134,002,599**	**($1,194,969)**	**(0.88)%**
Total OTO	**$2,863,072**	**$183,999**	**($2,679,073)**	**(93.57)%**

Mission Statement

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

There is additional, more detailed information about the department in the agency profile. The profile may be viewed at: http://leg.mt.gov/content/Publications/fiscal/Budget-Books/2019/Budget-Analysis/section_c/5706-00agency-profile.pdf

Agency Highlights

Department of Natural Resources and Conservation Major Budget Highlights
• General fund, operating expenses and transfers decline due to re-basing requests • Proposed fund switch in Forestry/Trust Lands brings down general fund expenditures to be filled by the fire suppression fund

Agency Actuals and Budget Comparison

The following table compares the 2017 biennium appropriated budget to the 2019 biennium requested budget by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Request Fiscal 2018	Request Fiscal 2019
FTE	524.36	524.36	524.36	527.36	527.36
Personal Services	36,532,840	39,299,113	40,225,843	39,658,066	39,785,923
Operating Expenses	15,578,041	19,961,831	20,212,320	17,774,906	17,707,466
Equipment & Intangible Assets	1,269,660	1,370,465	1,353,066	1,353,066	1,353,066
Capital Outlay	24,267	10,217	0	0	0
Local Assistance	1,461,653	3,058,090	3,058,090	3,874,477	3,890,936
Grants	1,677,208	1,666,568	1,640,262	1,715,262	1,715,262
Benefits & Claims	0	200,000	200,000	200,000	200,000
Transfers	2,989,651	2,807,346	1,483,743	1,683,743	1,703,743
Debt Service	705,853	728,345	785,341	785,341	785,341
Total Expenditures	**$60,239,173**	**$69,101,975**	**$68,958,665**	**$67,044,861**	**$67,141,737**
General Fund	28,183,273	29,861,515	30,450,041	15,555,138	15,487,512
State/Other Special Rev. Funds	29,940,926	37,010,066	36,161,767	49,166,577	49,327,528
Federal Spec. Rev. Funds	2,114,974	2,230,394	2,346,857	2,323,146	2,326,697
Total Funds	**$60,239,173**	**$69,101,975**	**$68,958,665**	**$67,044,861**	**$67,141,737**
Total Ongoing	**$59,663,565**	**$67,164,210**	**$68,033,358**	**$66,952,862**	**$67,049,737**
Total OTO	**$575,608**	**$1,937,765**	**$925,307**	**$91,999**	**$92,000**

Agency Discussion

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the appendix.

The Department of Natural Resources and Conservation (DNRC) has created a 5% reduction plan that eliminates $1.4 million in general fund and $1.1 million in state special revenue. The plan specifically reduces:

- Operating costs in the Director's Office and Conservation & Resource Development Division
- State water projects, stream-gauging network, and general operating expenses in the Water Resources Division
- Forestry personal services - 1.00 FTE for forestry assistance and 3.00 FTE in administration
- General fund, trust administration, historic right of way, land banking program expenditures in Trust Land Management Division

Comparison of FY 2017 Legislative Budget to FY 2017 Base

The following table demonstrates the beginning FY 2017 budget as adopted by the 2015 legislature, plus modifications done by the executive (and authorized in statute) during the interim, and the finalized 2017 Base Budget. The columns provide detail showing the changes that occurred over the course of the interim to reach the 2017 Base Budget. The 2017 Base Budget was agreed upon by the Legislative Finance Committee and the executive as a measuring point to start the 2019 biennium budgeting process.

Figure 1

FY 2017 Appropriation Transactions - Department of Natural Resources and Conservation

	Leg Approp	Allocations	Program Transfers	OP Changes	2017 Base	% Change from Legislative Approp	% Change from Approp + Allocations
21 Director's Office							
Personal Services	$4,517,595	$236,977	$112,370	$110,601	$4,977,543	10.2%	4.7%
Operating Expenses	1,836,716	1,900,000	(51,370)	(347,711)	3,337,635	81.7%	-10.7%
Equipment	31,511			31,043	62,554	98.5%	98.5%
Debt Service				21,700	21,700	100.0%	100.0%
Program Total	6,385,822	2,136,977	61,000	(184,367)	8,399,432	31.5%	-1.4%
22 Oil & Gas Conservation Div.							
Personal Services	1,545,602	68,676		(6,711)	1,607,567	4.0%	-0.4%
Operating Expenses	497,257		(26,810)	45,325	515,772	3.7%	3.7%
Equipment	56,550				56,550	0.0%	0.0%
Program Total	2,099,409	68,676	(26,810)	38,614	2,179,889	3.8%	0.5%
23 Conservation/Resource Dev Div							
Personal Services	2,096,025	92,059		189,605	2,377,689	13.4%	8.7%
Operating Expenses	2,384,009		(127,474)	185,205	2,441,740	2.4%	2.4%
Equipment	43,743			-	43,743	0.0%	0.0%
Local Assistance	3,058,090			-	3,058,090	0.0%	0.0%
Grants	1,798,001			(352,204)	1,445,797	-19.6%	-19.6%
Program Total	9,379,868	92,059	(127,474)	22,606	9,367,059	-0.1%	-1.1%
24 Water Resources Division							
Personal Services	10,020,917	466,066		70,108	10,557,091	5.4%	0.7%
Operating Expenses	4,951,924		239,026	62,017	5,252,967	6.1%	6.1%
Equipment	133,499			-	133,499	0.0%	0.0%
Transfers-out	21,591			-	21,591	0.0%	0.0%
Debt Service	738,704			-	738,704	0.0%	0.0%
Program Total	15,866,635	466,066	239,026	132,125	16,703,852	5.3%	2.3%

35 Forestry/Trust Lands Div.							
Personal Services	19,733,899	1,009,648		(196,260)	20,547,287	4.1%	-0.9%
Operating Expenses	8,062,128		(145,742)	181,179	8,097,565	0.4%	0.4%
Equipment	1,056,720			-	1,056,720	0.0%	0.0%
Grants	194,465			-	194,465	0.0%	0.0%
Transfers-out	1,456,049			6,103	1,462,152	0.4%	0.4%
Debt Service	24,937				24,937	0.0%	0.0%
Program Total	30,528,198	1,009,648	(145,742)	(8,978)	31,383,126	2.8%	-0.5%
Grand Total	$64,259,932	$3,773,426	$0	$0	$68,033,358	5.9%	0.0%

Leg Approp = Legislative Appropriations
Allocations = include Contingency Base & Pay Plan
OP = Operating Plan Changes

Significant budget changes adopted by the executive include:

- Movement of funds across DNRC to cover costs associated with sage grouse conservation and to allocate contingency base funds

Funding

The following table shows proposed agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives.

Total Natural Resources and Conservation Funding by Source of Authority
2019 Biennium Budget Request - Natural Resources and Conservation

Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	30,858,651	183,999	0	0	31,042,650	21.33 %
State Special Total	98,494,105	0	0	4,380,000	102,874,105	70.70 %
Federal Special Total	4,649,843	0	0	0	4,649,843	3.20 %
Proprietary Total	0	0	6,941,820	0	6,941,820	4.77 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	**$134,002,599**	**$183,999**	**$6,941,820**	**$4,380,000**	**$145,508,418**	
Percent - Total All Sources	**92.09 %**	**0.13 %**	**4.77 %**	**3.01 %**		

DNRC is primarily funded with the general fund and state special revenue funds. Federal revenue funds and proprietary funds associated with air operations and the state nursery make up the remainder of funding for DNRC.

Statutory Authority

DNRC has multiple statutory appropriations:

- Oil and gas production damage mitigation state special revenue fund is statutorily appropriated and under the authority of the Board of Oil and Gas. It receives $650,000 from the Resource Indemnity Trust interest each biennium for the reclamation of drill sites and production areas associated with oil and natural gas production. Over the past three fiscal years, DNRC has expended an average of $86,561 per year
- The trust land administration state special revenue fund which receives an $80,000 transfer each biennium from the general fund for the purposes of administering the Morrill Trust lands. Over the past three biennium, DNRC has expended an average of $63,280 per biennium

- The wildfire suppression state special revenue fund which pays for the state share of wildfire suppression. The fund receives revenue from the Governor's unspent emergency general fund appropriation and general fund reversions in excess of 0.5% of the state general fund budget. Historically, the 10 year average for state costs is $25.1 million
- The fire hazard reduction state special revenue fund which receives forfeited performance bonds on fire hazard reduction work and is used by DNRC to control timber debris. Over the past three fiscal years, DNRC has expended an average of $16,102 per year
- The federal fire reimbursement federal special revenue fund allows for DNRC to spend federal fire reimbursements. Over the past three fiscal years, DNRC has expended an average of $5.9 million per year

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	30,301,091	30,301,091	60,602,182	195.22 %	68,033,358	68,033,358	136,066,716	101.40 %
SWPL Adjustments	(62,527)	(83,387)	(145,914)	(0.47)%	(537,520)	(477,104)	(1,014,624)	(0.76)%
PL Adjustments	380,372	393,672	774,044	2.49 %	2,225,472	2,245,472	4,470,944	3.33 %
New Proposals	(15,063,798)	(15,123,864)	(30,187,662)	(97.25)%	(2,676,449)	(2,659,989)	(5,336,438)	(3.98)%
Total Budget	**$15,555,138**	**$15,487,512**	**$31,042,650**		**$67,044,861**	**$67,141,737**	**$134,186,598**	

Language and Statutory Authority -

The executive has requested the following language in HB 2:

"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 administration accounts when the amount of federal EPA CAP grant funds allocated for administration of the grant have 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."

"The department is appropriated up to $600,000 for the 2019 biennium from the loan loss reserve account of the private loan program established in 85-1-603 for the purchase of prior liens on property held as loan security as provided in 85-1-615."

LFD COMMENT The language proposed by the executive requires passage and approval of LC907. Without it, the language would conflict with 85-1-615, MCA which specifies that purchase of prior liens may come from either the natural resources operations account or legislatively-authorized renewable resource bonds. The legislature may wish to insert coordinating language.

"During the 2019 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 2019 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 2019 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."

"During the 2019 biennium, up to $1 million of funds currently in or to be deposited in the Contract Timber Harvest account is appropriated to the department for contract harvesting, a tool to improve forest health and generate revenue for trust beneficiaries."