

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 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	383.48	383.48	385.48	385.48	383.48	385.48	2.00	0.52%
Estimated Impact of HB 2*			(15.96)	(15.96)		(15.96)	(15.96)	
Net Estimated FTE*			369.52	369.52		369.52	(13.96)	
Personal Services	24,910,379	26,767,880	26,223,275	26,247,842	51,678,259	52,471,117	792,858	1.53%
Operating Expenses	21,054,758	27,281,233	28,908,523	28,253,833	48,335,991	57,162,356	8,826,365	18.26%
Equipment & Intangible Assets	60,755	118,872	101,740	101,740	179,627	203,480	23,853	13.28%
Grants	1,635,863	1,806,461	1,635,863	1,635,863	3,442,324	3,271,726	(170,598)	(4.96%)
Benefits & Claims	0	0	425,000	425,000	0	850,000	850,000	n/a
Transfers	32,398	30,332	32,398	32,398	62,730	64,796	2,066	3.29%
Total Costs	\$47,694,153	\$56,004,778	\$57,326,799	\$56,696,676	\$103,698,931	\$114,023,475	\$10,324,544	9.96%
General Fund	5,162,636	5,287,921	5,222,831	5,225,695	10,450,557	10,448,526	(2,031)	(0.02%)
State Special	24,657,802	29,342,925	32,198,162	31,523,051	54,000,727	63,721,213	9,720,486	18.00%
Federal Special	17,873,715	21,373,932	19,905,806	19,947,930	39,247,647	39,853,736	606,089	1.54%
Total Funds	\$47,694,153	\$56,004,778	\$57,326,799	\$56,696,676	\$103,698,931	\$114,023,475	\$10,324,544	9.96%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Mission Statement: To protect, promote, and improve a clean and healthful environment to benefit present and future generations.

The department is responsible for regulating air quality, water quality, underground storage tanks, automobile wrecking facilities, hazardous waste facilities, solid waste management systems, and mining operations; and for the siting and needs analyses of large-scale energy facilities. In addition, the department is the lead agency for reclamation and cleanup activities related to the federal and state superfund programs and leaking underground storage tanks; and regulation and permitting of mining conducted on private, state, and federal lands. This work is completed through five divisions - Central Management, Planning Prevention and Assistance, Enforcement, Remediation, and Permitting and Compliance. The Petroleum Tank Compensation Board is also attached for administrative purposes.

The department works in partnership with the federal Environmental Protection Agency (EPA). Congress gave the EPA the initial responsibility for development and implementation of environmental protection, but many federal statutes contain preference for delegation of the program to the states when the state can demonstrate capacity to carry it out. This arrangement establishes state-federal environmental goals and priorities with the funding and flexibility to achieve desired results. These joint activities become the basis of future agreements and long-term strategic planning. Given this unique relationship, the federal government dictates many of the department's activities.

Agency Highlights

Department of Environmental Quality Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Significant adjustments made by the legislature include: <ul style="list-style-type: none"> • \$6.6 million in operating adjustments to bring spending authority back to the previously appropriated amount in FY 2012 • \$850,000 for the orphan share claims feasibility study • Hard rock reclamation projects and operating expenses amounting to \$6.1 million • Funding for pay increases given in FY 2012 that amounted to approximately \$255,700 for the biennium • \$400,000 one-time-only funding from state special revenue for leaking underground storage tank recovery expenditures 	

Summary of Legislative Action

The legislature approved a biennial budget of \$114.0 million, of which 52.5% is derived from state special revenue. The budget includes \$3.6 million in statewide present law adjustments, \$14.7 million in present law adjustments and an increase of \$291,000 from the adoption of new proposals.

Major biennial budget items include:

- \$6.6 million in base adjustments department wide
- \$1.9 million for the Orphan Share Program
- \$6.1 million of hard rock reclamation funds for maintenance at the Zortman- Landusky site

The below chart displays the department wide base adjustments. These adjustments were made to add funds to the level appropriated by the 2011 Legislature, primarily due to American Recovery and Reinvestment Act (ARRA) funding in the base year that reduced expenditures for ongoing projects and base expenditures that were low because of extensive work done on the Yellowstone oil spill, the costs for which were reimbursed by Exxon Mobile.

Common Decision Packages 2015 Biennium		
Division	FY 2014	FY 2015
Central Services (DP 1005)	\$199,242	\$198,725
Planning, Prevention and Assistance (DP 2001)	1,595,569	1,595,569
Enforcement (DP 3001 and 3002)	(1,326)	(2,487)
Remediation (DP 4001)	175,774	176,574
Permitting and Compliance (DP 5001)	1,272,458	1,271,020
Petro Board (DP 9001)	<u>51,350</u>	<u>51,350</u>
Total	<u>\$3,293,067</u>	<u>\$3,290,751</u>

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 15.96 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

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

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$10,448,526	\$0	\$0	\$10,448,526	7.7%
State Special Total	63,721,213	-	7,963,076	71,684,289	52.5%
Federal Special Total	39,853,736	-	-	39,853,736	29.2%
Proprietary Total	-	14,515,841	-	14,515,841	10.6%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$114,023,475</u>	<u>\$14,515,841</u>	<u>\$7,963,076</u>	<u>\$136,502,392</u>	
Percent - Total All Sources	83.5%	10.6%	5.8%		

The department's largest source of funding at 52.5% is state special revenue. This revenue is derived from permitting fees, fines, and bonds proceeds utilized to support specific department functions such as permitting, enforcement, and remediation. The federal revenue is provided from the U.S. Environmental Protection Agency (EPA) performance partnership grant, the Superfund Program, and other federal grant resources. The partnership grant is a block grant to the state to provide funding the EPA had previously made through individual grants. Federal grants have varying match requirements. Wetland grants require a 25% match, drinking water capital improvement requires a 20% match, and nonpoint source funding can require as much as a 40% match. General fund is utilized for personal services and related operating expenses such as travel, communications, and equipment.

The department receives appropriation authority from state special revenue accounts that receive resource indemnity trust interest and natural resource taxes. This collection of funds is often referred to as resource indemnity funding. The current status of these funds is shown in Figure 1. Impacts to these accounts include capital appropriations, fund transfers, and HB 2 appropriations. The groundwater and operations accounts have a negative balance at the end of the 2015 biennium.

The legislature chose to continue the matching appropriation in comparison to the statutory appropriation amount to the groundwater account in anticipation of higher than projected revenues for the amount delegated to the groundwater account from the RIT interest, which has been the same for the past 14 years.

The natural resources operations account is also estimated to have a negative balance at the end of the 2015 biennium. The legislature did not make any adjustments to the proposed appropriation from this account given that there is usually a carry forward from this account.

Related Funds	Resource Indemnity Funding									
	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02107 ECA	02162 EQPF	02216 Wa Sto	02289 GRW	02472 Orphan Share	02576 Operations	2577 Projects
Beginning FY2013 Fund Balance	\$389,398	\$1,265,466	\$569,528	\$697,712	\$5,386,454	\$950,000	\$0	\$10,040,797	\$1,775,947	\$6,795,909
RIT Interest		\$500,000	\$93,860		\$32,490		\$300,000		\$234,650	\$3,500,000
STIP	\$1,000		1,726		10,000	\$1,500				
RIGWA			386,961		386,961		366,000		386,961	773,922
Metal Mines Tax									1,339,000	
Oil and Gas Tax	50,000							\$3,204,839	2,194,500	2,346,594
Other Income	0				792,311	35,000			3,500	3,525
FY 2013 Total Revenues & Fund Balance	\$440,398	\$1,765,466	\$1,052,075	\$697,712	\$6,608,216	\$986,500	\$666,000	\$13,245,636	\$5,934,558	\$13,419,950
FY 2013 Appropriations	<u>(\$166,216)</u>		<u>(\$621,637)</u>	<u>(\$25,000)</u>	<u>(\$4,099,429)</u>	<u>(\$250,768)</u>	<u>(\$666,000)</u>	<u>(\$4,119,422)</u>	<u>(\$3,995,487)</u>	
FY 2013 Budget Amendment										
Transfers								(1,200,000)	(11,756)	
Reserved for Capital Appropriations										
HB 6 and HB 7 Appropriation		<u>(\$1,765,366)</u>						<u>(\$5,825,311)</u>	<u>(\$623,000)</u>	(12,191,663)
Project Line Item Veto Richland County HB 7										<u>\$293,000</u>
Projected Fund Balance Ending FY 2013	\$274,182	\$100	\$430,438	\$672,712	\$2,508,787	\$735,732	\$0	\$2,100,903	\$1,304,315	\$1,521,287
Revenues for 2015 Biennium										
RIT Interest - Direct		<u>\$985,521</u>	\$94,120		\$32,580	\$485,521	\$591,313		\$235,300	\$6,898,646
RIGWA			959,172		959,172		732,000			1,918,344
Anticipated reversions										
Short Term Investment Pool - Interest	<u>\$2,000</u>		<u>\$3,473</u>		20,000	3,000		\$45,000		
Admin Fees					1,553,586					
Metal Mines Tax									2,534,000	
Oil and Gas Tax								<u>\$6,385,568</u>	<u>\$4,372,491</u>	4,675,534
Agency Generated Revenues					7,530,000	<u>\$70,000</u>				31,000
Transfers - Other										<u>\$20,723,686</u>
Other Income					<u>\$1,036</u>					
Projected Fund Balance Beginning FY 2014	\$276,182	\$985,621	\$1,487,203	\$672,712	\$12,604,125	\$1,294,253	\$1,323,313	\$8,531,471	\$8,446,106	\$35,768,497
Appropriations for 2015 Biennium										
UM-Bureau of Mines								(\$1,332,000)		
DNRC - Centralized Services										(76,404)
DNRC - Conservation and Resource Devel. Division										(1,362,355)
DNRC-Water Resources Division										(415,867)
DNRC - Board of Oil & Gas										
DNRC - Forestry/Trust Lands										(187,314)
DEQ-Central Management										(266,566)
DEQ-Planning, Prevention & Assistance										0
DEQ-Enforcement										(12,550)
DEQ-Remediation										0
DEQ-Permitting & Compliance								<u>(\$1,922,529)</u>		(3,799,270)
Judiciary-Water Court										<u>(2,032,300)</u>
HB 6 and HB 7 Request										
Non-Budgeted Transfers									(2,400,000)	
Total Appropriations	\$0	\$0	<u>(\$1,082,670)</u>	\$0	<u>(\$7,597,018)</u>	\$0	<u>(\$1,332,000)</u>	<u>(\$4,322,529)</u>	<u>(\$8,504,398)</u>	<u>(\$35,696,963)</u>
Ending Fund Balance	\$276,182	\$985,621	\$404,533	\$672,712	\$5,007,107	\$1,294,253	(\$8,687)	\$4,208,942	(\$58,292)	\$71,534

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 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,162,636	5,162,636	10,325,272	98.82%	47,694,153	47,694,153	95,388,306	83.66%
Statewide PL Adjustments	91,581	93,616	185,197	1.77%	1,785,331	1,813,975	3,599,306	3.16%
Other PL Adjustments	(3,294)	(2,710)	(6,004)	(0.06%)	7,372,911	7,372,061	14,744,972	12.93%
New Proposals	(28,092)	(27,847)	(55,939)	(0.54%)	474,404	(183,513)	290,891	0.26%
Total Budget	\$5,222,831	\$5,225,695	\$10,448,526		\$57,326,799	\$56,696,676	\$114,023,475	

Other Legislation

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 256 - This bill requires the Department of Environmental Quality to provide written notice either in person or by first class mail disclosing the availability of a draft environmental review selecting the department's preferred alternative for a one-mile wide facility siting corridor to the owners of property within the corridor. The names and addresses of the property owners must be obtained from the property tax rolls of the county where the property is located. The agency estimates these activities will increase the time required for the permitting process such as staff time, mailing, travel, and other operating costs and estimates a cost of an additional \$35,456 in FY 2014 and \$32,470 in FY 2015. The legislature did not increase expenditure authority to account for the passage of this bill.

SB 410 – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	383.48	385.48	385.48	0.00	385.48	385.48	0.00	
Estimated Impact of HB 2*			(15.96)	(15.96)		(15.96)	(15.96)	
Net Estimated FTE*			369.52	(15.96)		369.52	(15.96)	
Personal Services	24,910,379	26,822,917	26,223,275	(599,642)	26,844,949	26,247,842	(597,107)	(1,196,749)
Operating Expenses	21,054,758	28,735,706	28,908,523	172,817	28,479,989	28,253,833	(226,156)	(53,339)
Equipment & Intangible Assets	60,755	101,740	101,740	0	101,740	101,740	0	0
Grants	1,635,863	1,635,863	1,635,863	0	1,635,863	1,635,863	0	0
Benefits & Claims	0	425,000	425,000	0	425,000	425,000	0	0
Transfers	32,398	32,398	32,398	0	32,398	32,398	0	0
Total Costs	\$47,694,153	\$57,753,624	\$57,326,799	(\$426,825)	\$57,519,939	\$56,696,676	(\$823,263)	(\$1,250,088)
General Fund	5,162,636	6,457,202	5,222,831	(1,234,371)	6,200,552	5,225,695	(974,857)	(2,209,228)
State/Other Special	24,657,802	31,164,648	32,198,162	1,033,514	31,135,556	31,523,051	387,495	1,421,009
Federal Special	17,873,715	20,131,774	19,905,806	(225,968)	20,183,831	19,947,930	(235,901)	(461,869)
Total Funds	\$47,694,153	\$57,753,624	\$57,326,799	(\$426,825)	\$57,519,939	\$56,696,676	(\$823,263)	(\$1,250,088)

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature approved a biennial budget \$1.3 million below the executive request.

Legislative adjustments include:

- Approving an additional \$400,000 from the orphan share account for leaking underground storage tank work
- \$50,600 in operations reductions from general fund in the Enforcement Division
- General fund to state special revenue funding switches:
 - \$150,000 for database development
 - \$250,000 for the county air program
 - \$100,000 for an opencut mining database
 - \$79,000 for a coal and opencut systems specialist
- An additional \$1.1 million reduction for a 2% additional agency-wide vacancy savings

The legislature did not approve the following biennial executive proposals:

- \$100,000 for legal challenges
- \$245,700 from general fund for operations adjustments
- \$83,000 from general fund for an opencut science specialist
- \$200,000 funding switch from general fund to state special revenue for the subdivisions sub-program

Language and Statutory Authority

The legislature approved the following language in HB 2.

"The Planning, Prevention, and Assistance Division is authorized to decrease federal special revenue and increase state special revenue in the drinking water and/or water pollution control revolving loan programs by a like amount within the administration account, when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes."

"Permitting and Compliance Division includes a reduction in general fund of \$33,957 in fiscal year 2014 and \$33,712 in fiscal year 2015, state special revenue of \$290,347 in fiscal year 2014 and \$281,120 in fiscal year 2015, and federal special revenue of \$232,124 in fiscal year 2014 and \$242,060 in fiscal year 2015. The reduction is the equivalent of an

additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.”

"If federal funds are received to help meet the annual shortfall in operating and maintenance costs at the Zortman-Landusky mine sites, this orphan share spending authority will be reduced by the same amount."

"The department is appropriated up to \$1,000,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2015 biennium for the purpose of paying contract expenses related to the recovery of funds."