

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 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	38.75	38.75	38.75	38.75	38.75	38.75	0.00	0.00%
Personal Services	1,538,063	1,785,633	1,856,284	1,858,636	3,323,696	3,714,920	391,224	11.77%
Operating Expenses	1,432,035	1,472,654	1,536,100	1,536,626	2,904,689	3,072,726	168,037	5.79%
Equipment & Intangible Assets	24,877	15,000	24,877	24,877	39,877	49,754	9,877	24.77%
Grants	1,645,161	1,570,027	1,729,410	1,729,410	3,215,188	3,458,820	243,632	7.58%
Transfers	217,232	264,797	217,232	217,232	482,029	434,464	(47,565)	(9.87%)
Total Costs	\$4,857,368	\$5,108,111	\$5,363,903	\$5,366,781	\$9,965,479	\$10,730,684	\$765,205	7.68%
General Fund	506,966	506,500	531,929	532,976	1,013,466	1,064,905	51,439	5.08%
State Special	3,989,159	4,128,851	4,360,870	4,363,138	8,118,010	8,724,008	605,998	7.46%
Federal Special	21,461	25,000	25,000	25,000	46,461	50,000	3,539	7.62%
Other	339,782	447,760	446,104	445,667	787,542	891,771	104,229	13.23%
Total Funds	\$4,857,368	\$5,108,111	\$5,363,903	\$5,366,781	\$9,965,479	\$10,730,684	\$765,205	7.68%

Program Description

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

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

The program has four councils:

- 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
- 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:

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

The division houses two proprietary programs:

- The Hail Insurance Program, managed by the Hail Insurance Board, providing low-cost hail insurance coverage for crops grown in Montana
- 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	
◆	The Governor’s proposed budget increases by 7.7% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources
◆	The executive requests \$76,151 each year of the biennium from the Coal Severance Tax Shared Account for increased grants and loans related to agricultural development

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Agriculture Funding by Source of Authority 2015 Biennium Budget - Agricultural Development Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,064,905	\$0	\$2,630,000	\$3,694,905	12.4%	15-35-108	Direct
State Special Total	\$8,724,008	\$0	\$1,321,276	\$10,045,284	33.7%		
02040 Wheat & Barley Research & Mktg	\$5,934,784	\$0	\$0	\$5,934,784	19.9%		
02066 Agriculture In Mt Schools Act.	\$35,550	\$0	\$0	\$35,550	0.1%		
02132 Gta Seed Capital Account	\$0	\$0	\$284,584	\$284,584	1.0%	90-9-301	Indirect
02178 Cherry Check-off	\$0	\$0	\$48,204	\$48,204	0.2%	80-11-518	Direct
02205 Pulse Crop Research & Mrktg	\$0	\$0	\$879,864	\$879,864	3.0%	80-11-518	Direct
02340 Coal Sev. Tax Shared Ssr	\$869,579	\$0	\$0	\$869,579	2.9%		
02453 Grain Services	\$1,790,604	\$0	\$0	\$1,790,604	6.0%		
02461 Alfalfa Seed Assessment	\$77,991	\$0	\$0	\$77,991	0.3%		
02582 Certified Natural Beef	\$15,500	\$0	\$0	\$15,500	0.1%		
02793 Potato Research & Marketing	\$0	\$0	\$108,624	\$108,624	0.4%	80-11-518	Direct
Federal Special Total	\$50,000	\$0	\$0	\$50,000	0.2%		
Proprietary Total	\$891,771	\$116,400	\$14,966,414	\$15,974,585	53.7%		
06016 Beginning Farm Loans	\$0	\$116,400	\$0	\$116,400	0.4%		
06052 Hail Insurance	\$891,771	\$0	\$14,966,414	\$15,858,185	53.3%	80-2-222	Indirect
Total All Funds	\$10,730,684	\$116,400	\$18,917,690	\$29,764,774	100.0%		
Percent - Total All Sources	36.1%	0.4%	63.6%				

The funding for the Agricultural Development Division is dominated by state special revenue (SSR), accounting for just over 80% of the program’s HB 2 total funding. The largest account, the wheat and barley research and marketing SSR

account, comprises 54% of the HB 2 budget request 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.

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	506,966	506,966	1,013,932	95.21%	4,857,368	4,857,368	9,714,736	90.53%
Statewide PL Adjustments	25,045	26,092	51,137	4.80%	340,929	343,807	684,736	6.38%
Other PL Adjustments	0	0	0	0.00%	86,613	86,613	173,226	1.61%
New Proposals	(82)	(82)	(164)	(0.02%)	78,993	78,993	157,986	1.47%
Total Budget	\$531,929	\$532,976	\$1,064,905		\$5,363,903	\$5,366,781	\$10,730,684	

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 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					395,234					397,691
Vacancy Savings					(77,013)					(77,118)
Inflation/Deflation					(1,731)					(660)
Fixed Costs					24,439					23,894
Total Statewide Present Law Adjustments		\$25,045	\$269,404	\$0	\$340,929*		\$26,092	\$271,672	\$0	\$343,807*
DP 5001 - Program 50 Operating Adjustment	0.00	0	23,232	3,539	86,613*	0.00	0	23,232	3,539	86,613*
Total Other Present Law Adjustments	0.00	\$0	\$23,232	\$3,539	\$86,613*	0.00	\$0	\$23,232	\$3,539	\$86,613*
Grand Total All Present Law Adjustments	0.00	\$25,045	\$292,636	\$3,539	\$427,542*	0.00	\$26,092	\$294,904	\$3,539	\$430,420*

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

DP 5001 - Program 50 base budget adjustments – The executive requests adjustments to base operations authority in the Agricultural Development Division (ADD). Actual expenditures in FY 2012 were lower than the level authorized by the 62nd Legislature due to the variable nature of agricultural activity. This authority will be used for research contracts and grants, supplies, travel, and meeting expenses in the alfalfa seed, hail insurance, marketing, and certified natural beef programs.

LFD COMMENT The department is requesting a return to the FY 2012 appropriated level to provide more grants, allow response to all hail claims, and in the event more producers decide to seek beef certification.

New Proposals

Program	Fiscal 2014					Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 5002 - Coal Severance Tax Shared Account	50	0.00	0	76,151	0	76,151	0.00	0	76,151	0	76,151
DP 5003 - Ag in Montana Schools Account	50	0.00	0	3,000	0	3,000	0.00	0	3,000	0	3,000
DP 6101 - Professional Development Center Fee Allocation	50	0.00	(82)	(76)	0	(158)	0.00	(82)	(76)	0	(158)
Total	0.00	(\$82)	\$79,075	\$0	\$78,993	0.00	(\$82)	\$79,075	\$0	\$78,993	

DP 5002 - Coal severance tax shared account - The executive requests funding at the 2011 biennium level for grants and loans related to agricultural development.

LFD COMMENT The coal tax shared account is shared by this department with the Montana State Library and the Department of Natural Resources and Conservation. The account is discussed in more detail in the summary section of this agency.

DP 5003 - Ag in Montana schools account - The executive requests state special revenue funding to match operating authority more closely to the revenues that are received through the voluntary check off. The additional funding would be used for supplies, printing, and travel to develop and deliver agriculture related curriculum to classroom teachers.

LFD COMMENT Including this request, the division would be expending approximately 60% of the fund's annual revenues.

DP 6101 - Professional development center training fee alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Program Overview

The Agricultural Development Division operates two proprietary programs: the Hail Insurance program and the Montana Beginning Farmer/Rancher Loan Program.

Hail Insurance Program (Proprietary Fund)

This 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. The report for the enterprise fund is available in the appendix.

The Hail Insurance program has been in operation since 1917. The function of the program provides the following:

- Provides low cost hail insurance coverage for crops grown in Montana
- Insures approximately 1.65 million acres of crops
- Coverage approaching \$77 million each year
- Statutorily appropriated under Title 80, Chapter 2, part 2, MCA

The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers, no changes have been made in services or fees. Using the agreed upon formula, the program must maintain \$1,321,552 in cash to maintain an ongoing operation. The Department of Revenue issues the insurance policies to producers.

Proprietary Revenues and Expenses

Expenses

- Supports 2.93 permanent FTE and 4.55 seasonal FTE
- Personal services and operating expenses other than the payment of insurance claims are budgeted by the agency in HB 2
- Annually transfers are 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

- Derived entirely from insurance policy premiums and investment earnings
- Dependent on the number of policies written for producers in a given year
- Statutorily limited, cannot exceed \$50 per acre for non-irrigated land and \$76 per acre for irrigated land

Farm and Ranch Loan Program (Proprietary Fund)

This 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. The report for the enterprise fund is available in the appendix.

The Montana Beginning Farmer/Rancher Loan Program is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher.

Proprietary Revenues and Expenses

Expenses

- 0.50 FTE and related operating expenses will be funded once there is revenue to support it
- Funds are only used to promote and administer the loan program

Revenues

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