

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	207.14	207.14	209.14	209.14	207.14	209.14	2.00	0.97%
Personal Services	13,323,147	14,081,666	14,260,156	14,270,331	27,404,813	28,530,487	1,125,674	4.11%
Operating Expenses	8,441,458	11,112,640	13,045,131	12,938,519	19,554,098	25,983,650	6,429,552	32.88%
Equipment & Intangible Assets	60,755	90,872	101,740	101,740	151,627	203,480	51,853	34.20%
Grants	1,635,863	1,806,461	1,635,863	1,635,863	3,442,324	3,271,726	(170,598)	(4.96%)
Transfers	23,034	22,832	23,034	23,034	45,866	46,068	202	0.44%
Total Costs	\$23,484,257	\$27,114,471	\$29,065,924	\$28,969,487	\$50,598,728	\$58,035,411	\$7,436,683	14.70%
General Fund	1,736,659	1,742,085	2,604,764	2,497,459	3,478,744	5,102,223	1,623,479	46.67%
State Special	15,313,001	18,498,895	19,596,738	19,605,055	33,811,896	39,201,793	5,389,897	15.94%
Federal Special	6,434,597	6,873,491	6,864,422	6,866,973	13,308,088	13,731,395	423,307	3.18%
Total Funds	\$23,484,257	\$27,114,471	\$29,065,924	\$28,969,487	\$50,598,728	\$58,035,411	\$7,436,683	14.70%

Program Description

The Permitting and Compliance Division administers all DEQ permitting and compliance activities based on 25 state regulatory and 5 related federal authorities.

The division:

- Reviews and assesses environmental permit applications (coordinating with other state, local, and federal agencies) to determine control measures needed to ensure compliance with the law and to prevent land, water, and air conditions detrimental to public health, welfare, safety, and the environment
- Prepares supporting environmental documents under the Montana Environmental Policy Act and provides training and technical assistance when needed
- Inspects to determine compliance with permit conditions, laws, and rules
- Provides assistance to resolve the facility's compliance issues, and when necessary recommends formal enforcement actions to the Enforcement Division

Activities are organized into the Air Resources Management Bureau (air); Industrial and Energy Minerals Bureau (coal, uranium, and openpit mining); Environmental Management Bureau (hard rock and facility siting); Public Water and Subdivision Bureau (public water supply and subdivision); Water Protection Bureau (water discharge); and Waste and Underground Tank Management Bureau (solid waste, junk vehicles, septage pumpers, hazardous waste, asbestos, and underground storage tanks).

Program Highlights

Permitting and Compliance Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the division’s budget primarily due to: ◆ State wide present law adjustments and ◆ \$5.6 million for projects administered by the Hard Rock and Major Facility Siting Act (MFSA), authority which would be used for cost reimbursement projects ◆ An additional 2.0 FTE and funding for an systems specialist and an opencut science specialist ◆ The executive would expand the use of general fund in this division: <ul style="list-style-type: none"> • Provide grants to counties for air quality activities to replace federal funds that have not kept up with costs • Supplement funding for Zortman Landusky reclamation and water treatment operating costs, which surpass revenue from the relevant bonds • Provide ongoing funding for the Subdivision Review Program to supplement subdivision review fees

Funding

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

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Permitting & Compliance Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,122,931	\$0	\$0	\$5,122,931	8.8%		
State Special Total	\$39,122,267	\$0	\$0	\$39,122,267	67.5%		
02036 Opencut Fees	\$554,020	\$0	\$0	\$554,020	1.0%		
02054 Ust-installer Lic & Permit Acc	\$97,334	\$0	\$0	\$97,334	0.2%		
02070 Hazardous Waste-cercla	\$716,586	\$0	\$0	\$716,586	1.2%		
02075 Ust Leak Prevention Program	\$609,685	\$0	\$0	\$609,685	1.1%		
02096 Reclamation - Bond Forfeitures	\$108,092	\$0	\$0	\$108,092	0.2%		
02157 Solid Waste Management Fee	\$1,156,390	\$0	\$0	\$1,156,390	2.0%		
02201 Air Quality-operating Fees	\$7,935,741	\$0	\$0	\$7,935,741	13.7%		
02202 Asbestos Control	\$520,858	\$0	\$0	\$520,858	0.9%		
02204 Public Drinking Water	\$1,694,575	\$0	\$0	\$1,694,575	2.9%		
02278 Mpdes Permit Program	\$4,494,553	\$0	\$0	\$4,494,553	7.8%		
02418 Subdivision Plat Review	\$931,494	\$0	\$0	\$931,494	1.6%		
02420 Bd Of Cert For W&ww Op	\$293,437	\$0	\$0	\$293,437	0.5%		
02421 Hazardous Waste Fees	\$456,652	\$0	\$0	\$456,652	0.8%		
02428 Major Facility Siting	\$1,938,220	\$0	\$0	\$1,938,220	3.3%		
02521 Pegasus Bankruptcy/operations	\$1,462,642	\$0	\$0	\$1,462,642	2.5%		
02576 Natural Resources Operations Ssr Fu	\$3,796,414	\$0	\$0	\$3,796,414	6.5%		
02579 Coal & Uranium Mine Account	\$500,000	\$0	\$0	\$500,000	0.9%		
02845 Junk Vehicle Disposal	\$3,841,924	\$0	\$0	\$3,841,924	6.6%		
02954 Septage Fees	\$134,666	\$0	\$0	\$134,666	0.2%		
02988 Hard Rock Mining Reclamation	\$7,878,984	\$0	\$0	\$7,878,984	13.6%		
Federal Special Total	\$13,731,395	\$0	\$0	\$13,731,395	23.7%		
03028 Ust Energy Policy Act Prov	\$390,534	\$0	\$0	\$390,534	0.7%		
03067 Dsl Federal Reclamation Grant	\$1,465,503	\$0	\$0	\$1,465,503	2.5%		
03107 National Park Service - Yellowstone	\$43,200	\$0	\$0	\$43,200	0.1%		
03152 Dw Srf Fy15 Grant	\$511,524	\$0	\$0	\$511,524	0.9%		
03243 Blm-armb 9/30/16	\$91,414	\$0	\$0	\$91,414	0.2%		
03262 Epa Ppg	\$6,496,698	\$0	\$0	\$6,496,698	11.2%		
03309 Ust Leak Prevention Grant	\$390,578	\$0	\$0	\$390,578	0.7%		
03325 Pm 2.5 To 3/31/09	\$780,000	\$0	\$0	\$780,000	1.3%		
03326 Blm For Zortman & Landusky	\$744,926	\$0	\$0	\$744,926	1.3%		
03430 Dw Srf Fy14 Grant	\$810,274	\$0	\$0	\$810,274	1.4%		
03436 Nps 09 Staffing & Support	\$98,791	\$0	\$0	\$98,791	0.2%		
03438 Brownsfield State Response	\$21,387	\$0	\$0	\$21,387	0.0%		
03595 Dw Srf Fy13	\$299,846	\$0	\$0	\$299,846	0.5%		
03691 Non Pt Source Staffing/support	\$98,791	\$0	\$0	\$98,791	0.2%		
03816 Doi Osm A&e Grant	\$1,466,542	\$0	\$0	\$1,466,542	2.5%		
03973 Brownfields Grants	\$21,387	\$0	\$0	\$21,387	0.0%		
Total All Funds	\$57,976,593	\$0	\$0	\$57,976,593	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded with general fund and a variety of state and federal special revenue sources. The general fund supports operating expenses.

State special revenue consists of forfeited hard rock reclamation bonds, and fees collected for various activities such as air permits, junk vehicle fines, public water supply connections, and subdivision reviews. These funds are used to administer related permits and compliance operations in the division. The division also receives Resource Indemnity Trust (RIT) interest via the hazardous waste and natural resources operations funds.

Federal special revenue sources include the Environmental Protection Agency (EPA) and the Bureau of Land Management (BLM). Federal funds are directed toward specific sites or for primacy costs of the permitting programs.

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	1,736,659	1,736,659	3,473,318	67.80%	23,484,257	23,484,257	46,968,514	81.01%
Statewide PL Adjustments	8,157	8,625	16,782	0.33%	816,265	830,644	1,646,909	2.84%
Other PL Adjustments	151,892	152,343	304,235	5.94%	4,222,249	4,221,885	8,444,134	14.56%
New Proposals	718,557	610,039	1,328,596	25.93%	512,777	404,259	917,036	1.58%
Total Budget	\$2,615,265	\$2,507,666	\$5,122,931		\$29,035,548	\$28,941,045	\$57,976,593	

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					1,411,711					1,422,486
Vacancy Savings					(589,402)					(589,834)
Inflation/Deflation					(5,945)					(1,909)
Fixed Costs					(99)					(99)
Total Statewide Present Law Adjustments		\$8,157	\$636,033	\$172,075	\$816,265		\$8,625	\$647,564	\$174,455	\$830,644
DP 5001 - Permitting & Compliance Division Operations Adjust	0.00	24,947	990,640	256,871	1,272,458	0.00	24,947	989,202	256,871	1,271,020
DP 5002 - Hard Rock Reclamation/MFSA Projects (RST/BIEN)	0.00	0	2,812,946	0	2,812,946	0.00	0	2,812,946	0	2,812,946
DP 5003 - County Air Program Funding Increase	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 5004 - Permitting & Compliance Division Leased Vehicles	0.00	1,945	6,691	3,209	11,845	0.00	2,396	7,143	3,380	12,919
Total Other Present Law Adjustments	0.00	\$151,892	\$3,810,277	\$260,080	\$4,222,249	0.00	\$152,343	\$3,809,291	\$260,251	\$4,221,885
Grand Total All Present Law Adjustments	0.00	\$160,049	\$4,446,310	\$432,155	\$5,038,514	0.00	\$160,968	\$4,456,855	\$434,706	\$5,052,529

DP 5001 - Permitting & Compliance Division Operations Adjust – The executive requests to increase spending authority to the appropriated level. Reduced base year expenditures are primarily due to staff vacancies, which led to reduced operating expenditures for activities including inspections, compliance work and permit review. Additionally, several staff were assigned to the Yellowstone oil spill response and charged their time there, the costs of which were reimbursed by Exxon Mobile.

DP 5002 - Hard Rock Reclamation/MFSA Projects (RST/BIEN) – The executive requests restricted biennial funding for projects administered by the Hard Rock and Major Facility Siting Act Programs (MFSA). Hard rock mining reclamation authority would be used for operation and maintenance of the Zortman/Landusky mine site and the funding would come from the hard rock mining reclamation fund. MFSA budget authority would be used for cost reimbursement projects for MFSA analysis of project applications that arise during the 2015 biennium. Bond forfeitures and settlements over the course of the biennium would be used for reclamation of specific mine sites and would be funded by settlement agreements or by forfeitures of various reclamation surety bonds.

LFD COMMENT The 2011 legislature approved a biennial, restricted request for \$1,750,000 per year in state special revenue for projects administered by the the Hard Rock and MFSA programs. Hard Rock mining reclamation accounted for \$3,000,000 over the biennium used for operation and maintenance of the Zortman Landusky mine site and the funding came from the hard rock mining reclamation fund for the 2013 biennium.

DP 5003 - County Air Program Funding Increase – The executive requests funding for county air quality programs. The funds are requested to keep pace with inflation as well as for increased workload related to air quality within the division. County air quality programs conduct monitoring, permitting, and/or compliance activities either on behalf of or in lieu of the department. Federal grant funding, which is typically passed through to counties, has not increased, nor has it kept up with inflation and workload. County air quality programs have not received an increase in state assistance since the year 2000.

LFD COMMENT Although the air quality fund could absorb this request during the 2015 biennium, it would not be able to sustain the expenditure. As shown in the figure below, the fund is not fiscally stable as expenditures exceed revenues.

Air Quality Operating Fee Fund				
	FY 2012	FY 2013	FY 2014	FY 2015
	Actuals	Approp.	Request	Request
Beginning Balance	\$1,733,342	\$2,317,811	\$1,490,860	\$1,144,416
Expenditures	3,670,512	4,811,186	4,250,994	4,253,369
Revenue	<u>4,188,230</u>	<u>3,984,235</u>	<u>3,904,550</u>	<u>3,826,459</u>
Ending Balance	<u>\$2,251,060</u>	<u>\$1,490,860</u>	<u>\$1,144,416</u>	<u>\$717,506</u>

DP 5004 - Permitting & Compliance Division Leased Vehicles – The executive is requesting funding to permanently lease vehicles from the MDT motor pool, including 1) five SUVs; 2) two sedans to replace currently rented vehicles; and 3) three additional SUV’s to replace three 1990 era SUVs with excessive miles and wear. Daily lease from the MDT motor pool is not an option due to location and continuing to rent vehicles is not an option due to availability.

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 5005 - Zortman/Landusky Additional Funding (OTO/RST/BIEN)	50	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 5006 - Opencut Mining Program Database (OTO/REST/BIEN)	50	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 5007 - IEMB (Coal and Opencut) Systems Specialist	50	1.00	40,876	40,877	0	81,753	1.00	38,649	38,649	0	77,298
DP 5008 - Opencut Science Specialist	50	1.00	86,428	0	0	86,428	1.00	80,431	0	0	80,431
DP 5009 - IEMB FileNet Data Storage	50	0.00	31,200	0	0	31,200	0.00	31,200	0	0	31,200
DP 5010 - Subdivisions Base Program (Funding Switch)	50	0.00	200,000	(200,000)	0	0	0.00	200,000	(200,000)	0	0
DP 6101 - Professional Development Center Fee Allocation	50	0.00	(448)	(3,450)	(2,330)	(6,228)	0.00	(448)	(3,450)	(2,330)	(6,228)
Total	2.00	\$708,056	(\$162,573)	(\$2,330)	\$543,153	2.00	\$599,832	(\$164,801)	(\$2,330)	\$432,701	

DP 5005 - Zortman/Landusky Additional Funding (OTO/RST/BIEN) – The executive requests one-time-only, restricted biennial funding for site reclamation and water treatment projects at the Zortman and Landusky mine sites. Annual site operating costs are approximately \$2.5 million dollars, over double the amount of the water treatment bond that is available annually. Costs also have increased substantially due to weather patterns and increasing costs of water treatment inputs such as lime, fuel, electricity, and labor.

LFD COMMENT	<p>The executive requests DP 5005 because the current income for operating costs, such as the power expenses, is \$2.5 million. Currently, the department receives 1) \$731,000 annually from the Pegasus settlement, which is set to expire in FY 2017; 2) \$1.5-2.0 million from the bond reclamation fund; and 3) \$2-500,000 from the Bureau of Land Management (BLM), which is expected to be less for the 2015 biennium since the BLM is no longer giving a set amount of funding, but rather whatever they have remaining at the end of the year.</p> <p>These expenses are dependent upon the weather (the more precipitation, the higher the costs). Depending upon actual weather conditions the amount utilized could be less than the request.</p>
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DP 5006 - Opencut Mining Program Database (OTO/REST/BIEN) – The executive requests one-time-only funding to replace an existing Access 2003 database to better support the programs business processes. In 2014, Access 2003 will no longer be supported by Microsoft.

DP 5007 - IEMB (Coal and Opencut) Systems Specialist – The executive requests 1.0 FTE to support the development and maintenance of system tools in support of coal and open cut mining regulatory programs.

LFD COMMENT	<p>The coal and uranium account has a balance that could support DP 5007 and DP 5009 for the 2015 biennium. The department did not respond when asked for their input on this option.</p>
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DP 5008 - Opencut Science Specialist - The executive requests 1.0 FTE to perform permit review, compliance assistance, inspections and bond release for the opencut mining program.

**LFD
COMMENT**

The department is requesting funding to transform a program acquired from the state of Colorado for a coal database into an opencut mining database and 1.0 FTE to support it, as well as 1.0 FTE to support additional permit applications. Applications received by the opencut mining program have increased by 136, or 80%, since 2008.

DP 5009 - IEMB FileNet Data Storage – The executive requests funding to cover additional costs of FileNet data storage. Storage charges have increased 600% in this program due to increased use and an eroding rate base for FileNet among state agencies.

DP 5010 - Subdivisions Base Program (Funding Switch) – The executive requests a funding switch of \$200,000 per year from state special to general fund in order to provide stable core funding for the Subdivision Review Program. The executive states part of the goal is to “preserve the ability to deal with sudden increases in activity.”

**LFD
COMMENT**

The subdivision account will not be structurally balanced in the 2015 biennium at the requested level of expenditure. The revenues declined 82% from FY 2007 to FY 2011 due to the economic decline, with a slight increase in FY 2012.

Historically, the revenue from large lot (100 – 500) subdivisions supplemented the program and review of the small lot subdivisions. Since the economic decline in 2008, the large lot subdivisions have become insubstantial and the majority of the work is on small lot subdivisions, which includes a lot of family transfers. Without the revenue from the large lot subdivisions, the department doesn’t have adequate revenue to cover the rest of the program activities such as administration, up front consultation, and training.

There has also been an increase in work due to the oil boom and significant housing issues in Eastern Montana. The department estimates the percentage of time employees are on Eastern Montana issues in the public water program is approximately equal to 0.52 FTE. The division has also reduced personnel from 11.5 FTE prior to the downturn to 3.25 FTE currently.

DP 6101 - Professional Development Center Fee Allocation - 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.