

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	108.72	0.83	1.00	110.55	0.83	1.00	110.55	110.55
Personal Services	3,512,414	641,815	56,394	4,210,623	665,104	56,592	4,234,110	8,444,733
Operating Expenses	2,176,271	323,591	212,918	2,712,780	236,964	112,260	2,525,495	5,238,275
Equipment	214,512	60,810	25,000	300,322	(2,696)	42,000	253,816	554,138
Grants	2,868,758	(198,116)	0	2,670,642	(193,295)	0	2,675,463	5,346,105
Transfers	80,000	0	0	80,000	0	0	80,000	160,000
Debt Service	1,308	0	0	1,308	0	0	1,308	2,616
<b>Total Costs</b>	<b>\$8,853,263</b>	<b>\$828,100</b>	<b>\$294,312</b>	<b>\$9,975,675</b>	<b>\$706,077</b>	<b>\$210,852</b>	<b>\$9,770,192</b>	<b>\$19,745,867</b>
General Fund	608,714	136,143	17,864	762,721	129,878	17,864	756,456	1,519,177
State/Other Special	7,451,196	640,794	120,946	8,212,936	524,292	69,550	8,045,038	16,257,974
Federal Special	518,056	13,295	108,898	640,249	14,579	108,884	641,519	1,281,768
Proprietary	275,297	37,868	46,604	359,769	37,328	14,554	327,179	686,948
<b>Total Funds</b>	<b>\$8,853,263</b>	<b>\$828,100</b>	<b>\$294,312</b>	<b>\$9,975,675</b>	<b>\$706,077</b>	<b>\$210,852</b>	<b>\$9,770,192</b>	<b>\$19,745,867</b>

**Agency Description**

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:

- 1) Strengthens and diversifies the Montana agriculture industry through private-public partnerships;
- 2) Collects and publishes agricultural production and marketing statistics relating to agricultural products;
- 3) Assists, encourages, and promotes the organization of farmers institutes, agricultural societies, fairs, and other exhibition of agriculture;
- 4) Adopts standards for grade and other classifications of farm products;
- 5) Coordinates the planning and maintenance of economical and efficient marketing distribution systems;
- 6) Gathers and distributes marketing information concerning supply, demand, price, and movement of farm products;
- 7) Regulates production and marketing of food and fiber products; and
- 8) Registers pesticides and fertilizers and enforces laws pertaining to them.

**Supplemental Appropriation Description**

The executive requests a supplemental appropriation of \$23,154 general fund and \$23,154 state special revenue for the Department of Agriculture.

In fiscal 2001, there exists the potential for a change in the department directorship, subject to the wishes of the newly-elected Governor. It is likely that these costs will be amended during the course of deliberations on the regular supplemental appropriations bill.

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The legislature should consider this supplemental appropriation proposal in light of three issues:

- 1) The Director of the Department of Agriculture is not an elected position, and therefore there will be no personal staff replacements should the director's position see a change in personnel;
- 2) These expenditures should have been anticipated and accommodated within the department's budget to avoid a supplemental appropriation; and;
- 3) An expenditure of this size represents 3 percent of the Department of Agriculture's general fund budget and 0.3 percent of the department's state special revenue budget for fiscal 2000. Depending on the amount eventually requested, the legislature may wish to consider requiring the department to absorb the cost.

**Agency Discussion**

The Department of Agriculture is funded with a mixture of general fund, state and federal special revenues, and proprietary funds. The 2003 biennium budget request sees most programs continuing current operations and contains issues the legislature has seen in previous biennia. Major proposals and significant changes addressed in the 2003 biennium request include:

- 1) Increases in general fund, and state and federal special revenues to accommodate the formulation and implementation of a department-wide electronic commerce strategic plan to address the potential increase of on-line transactions within the department, including filing, licensing, and registration processes.
- 2) An increase in general fund to provide start-up funding for the Organic Certification Program;
- 3) Reestablishment of federal Environmental Protection Agency funding at a reduced level for special state pesticide programs;
- 4) Reestablishment of state special revenue authority for biennial funding of Rail Transportation Technical Assistance Services.

The department also manages the Growth Through Agriculture Program. This program is statutorily appropriated and is not addressed in HB 2.

More information on these proposals can be found in the appropriate program narratives.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	109.55	1.00	110.55	109.55	1.00	110.55	0.00	110.55
Personal Services	4,154,229	56,394	4,210,623	4,177,518	56,592	4,234,110	7,644,350	8,444,733
Operating Expenses	2,499,862	212,918	2,712,780	2,413,235	112,260	2,525,495	4,671,438	5,238,275
Equipment	275,322	25,000	300,322	211,816	42,000	253,816	653,064	554,138
Grants	2,670,642	0	2,670,642	2,675,463	0	2,675,463	6,735,296	5,346,105
Transfers	80,000	0	80,000	80,000	0	80,000	160,000	160,000
Debt Service	1,308	0	1,308	1,308	0	1,308	2,877	2,616
<b>Total Costs</b>	<b>\$9,681,363</b>	<b>\$294,312</b>	<b>\$9,975,675</b>	<b>\$9,559,340</b>	<b>\$210,852</b>	<b>\$9,770,192</b>	<b>\$19,867,025</b>	<b>\$19,745,867</b>
General Fund	744,857	17,864	762,721	738,592	17,864	756,456	1,128,293	1,519,177
State/Other Special	8,091,990	120,946	8,212,936	7,975,488	69,550	8,045,038	16,469,382	16,257,974
Federal Special	531,351	108,898	640,249	532,635	108,884	641,519	1,700,152	1,281,768
Proprietary	313,165	46,604	359,769	312,625	14,554	327,179	569,198	686,948
<b>Total Funds</b>	<b>\$9,681,363</b>	<b>\$294,312</b>	<b>\$9,975,675</b>	<b>\$9,559,340</b>	<b>\$210,852</b>	<b>\$9,770,192</b>	<b>\$19,867,025</b>	<b>\$19,745,867</b>

**New Proposals**

The table below summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Fund Switch-Acct Tech CMD										
15	0.00	0	22,059	(22,059)	0	0.00	0	22,059	(22,059)	0
DP 3 - Electronic Transactions Strategic P										
15	1.00	17,864	98,887	0	163,355*	1.00	17,864	47,491	0	79,909*
DP 4 - USDA Record Keeping Grant										
30	0.00	0	0	30,957	30,957	0.00	0	0	30,943	30,943
DP 5 - EPA Special Grants Funds										
30	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
<b>Total</b>	<b>1.00</b>	<b>\$17,864</b>	<b>\$120,946</b>	<b>\$108,898</b>	<b>\$294,312*</b>	<b>1.00</b>	<b>\$17,864</b>	<b>\$69,550</b>	<b>\$108,884</b>	<b>\$210,852*</b>

**Agency Issues**

Table 1 shows a fund balance analysis for four accounts within the department. As shown, the executive is proposing expenditures that exceed ongoing revenue. In three of these accounts, while the fund balances remain at levels that would not require increases in fees in this biennium, the accounts would go into a negative status in the 2005 biennium.

- 1) The Fertilizer Agriculture Chemical Ground Water Account receives revenues from an annual fertilizer registration fee. These revenues are used to monitor and sample ground water that may be impaired from commercial fertilizers. The revenues are also used for remediation efforts, which could include the development of specific groundwater management plans.
- 2) The Commodity Dealer/Public Warehouse Operator Account receives revenues from annual licensing fees for commodity dealers and public warehouse operators. The revenues from the licensing fees are used to conduct audits of warehouse facilities and provide for the travel and per diem costs associated with those audits. The auditor is also responsible for determining the correct insurance, bonding and net asset requirements for each public warehouse operator and commodity dealer prior to licensing.
- 3) The Commercial Feed Account receives revenues from pet food registration, distributor and manufacturer licenses, and tonnage fees. Revenues fund the inspection of commercial feeds and feed manufacturing facilities as well as laboratory analyses.
- 4) The Commercial Fertilizer Account receives revenues from product registration, distributor licenses, and tonnage fees. Revenues fund the inspection and analyses of commercial fertilizers. A portion of the tonnage fee is allocated to the Agricultural Experiment Station and to the Cooperative Extension Service for education and research of issues involving fertilizers.

Relative to the three accounts projected to dip to negative balances in the 2005 biennium, there are two available options:

- 1) reduce expenditures or functions funded from these accounts in the 2005 biennium; or
- 2) request fee increases through legislation or appropriate channels.

It should be noted that the department is aware of the fund balance issues with these accounts and will continue to monitor them. Revenue or expenditure changes will be addressed as necessary. The legislature may wish to provide input to the department relative to the desirability and/or necessity of future fee increases. The legislature may also wish to consider the short- and long-term status of the accounts when considering decision packages, particularly new proposals that expend funds from any of the accounts.

For further discussion of the proposed expenditures from each of the accounts, please see the relevant program narratives that follow.

Table 1 Department of Agriculture Accounting Entity Review Fiscal 2001-2003				
Fund	Fiscal 2001	Fiscal 2002	Fiscal 2003	Reduction Over Biennium
<u>Fertilizer Ag Chemical Ground Water AE 02198</u>				
Beg. Fund Balance	\$35,954	\$29,665	\$27,975	
Revenues	20,350	20,350	20,350	
Expenditures	(26,639)	(22,040)	(21,705)	
Ending Fund Balance	<u>\$29,665</u>	<u>\$27,975</u>	<u>\$26,620</u>	-26%
<u>Comm Dealer/Public Warehouse Op. AE 02266</u>				
Beg. Fund Balance	\$109,521	\$122,081	\$75,698	
Revenues	130,000	130,000	130,000	
Expenditures	(117,440)	(176,383)	(161,017)	
Ending Fund Balance	<u>\$122,081</u>	<u>\$75,698</u>	<u>\$44,681</u>	-59%
<u>Commercial Fertilizer AE 02452</u>				
Beg. Fund Balance	\$191,492	\$189,460	\$100,878	
Revenues	214,000	214,000	214,000	
Expenditures	(216,032)	(302,582)	(290,336)	
Ending Fund Balance	<u>\$189,460</u>	<u>\$100,878</u>	<u>\$24,542</u>	-87%
<u>Commercial Feed AE 02454</u>				
Beg. Fund Balance	\$239,230	\$237,747	\$130,725	
Revenues	214,550	214,550	214,550	
Expenditures	(216,033)	(321,572)	(300,424)	
Ending Fund Balance	<u>\$237,747</u>	<u>\$130,725</u>	<u>\$44,851</u>	-81%

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	12.00	0.00	1.00	13.00	0.00	1.00	13.00	13.00	
Personal Services	486,129	49,087	39,556	574,772	52,125	39,696	577,950	1,152,722	
Operating Expenses	176,207	13,228	123,799	313,234	(13,870)	40,213	202,550	515,784	
Equipment	13,603	0	0	13,603	0	0	13,603	27,206	
Grants	0	0	0	0	0	0	0	0	
<b>Total Costs</b>	<b>\$675,939</b>	<b>\$62,315</b>	<b>\$163,355</b>	<b>\$901,609</b>	<b>\$38,255</b>	<b>\$79,909</b>	<b>\$794,103</b>	<b>\$1,695,712</b>	
General Fund	230,062	16,302	17,864	264,228	5,052	17,864	252,978	517,206	
State/Other Special	319,055	40,193	120,946	480,194	28,407	69,550	417,012	897,206	
Federal Special	94,201	(3,329)	(22,059)	68,813	(3,487)	(22,059)	68,655	137,468	
Proprietary	32,621	9,149	46,604	88,374	8,283	14,554	55,458	143,832	
<b>Total Funds</b>	<b>\$675,939</b>	<b>\$62,315</b>	<b>\$163,355</b>	<b>\$901,609</b>	<b>\$38,255</b>	<b>\$79,909</b>	<b>\$794,103</b>	<b>\$1,695,712</b>	

**Program Description**

The Central Management Division (CMD) performs technical, fiscal, and administrative support functions for the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, personnel, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, and legal support to all programs within the department. This division also includes the director's office, which provides overall policy development for the department.

**Funding**

This program is funded with a mixture of general fund, state and federal special revenue, and proprietary funds. The CMD is funded by assessments on the programs it supports. Each program is assessed 20 percent of its personal services and 2.5 percent of grants in order to compensate CMD for its services. The Pesticide and Groundwater special revenue accounts are not charged. This method of assessment to the programs is consistent with how the CMD has assessed programs in the past.

	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					64,326					67,458
Vacancy Savings					(15,239)					(15,333)
Inflation/Deflation					37					246
Fixed Costs					6,646					(26,636)
<b>Total Statewide Present Law Adjustments</b>					<b>\$55,770</b>					<b>\$25,735</b>
DP 4 - Base Budget Adjustments	0.00	1,964	3,927	0	6,545 *	0.00	3,756	7,512	0	12,520 *
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,964</b>	<b>\$3,927</b>	<b>\$0</b>	<b>\$6,545</b>	<b>0.00</b>	<b>\$3,756</b>	<b>\$7,512</b>	<b>\$0</b>	<b>\$12,520</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$62,315</b>					<b>\$38,255</b>

**Executive Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - Base Budget Adjustments - The Executive Budget includes a request for an increase in general fund and state special revenue for anticipated administrative cost increases. These increases include travel expenses for the department director, information technology staff training, and dues to the National Association of State Departments of Agriculture.

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				-----Fiscal 2003-----				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 2 - Fund Switch-Acct Tech CMD										
15	0.00	0	22,059	(22,059)	0	0.00	0	22,059	(22,059)	0
DP 3 - Electronic Transactions Strategic P										
15	1.00	17,864	98,887	0	163,355 *	1.00	17,864	47,491	0	79,909 *
<b>Total</b>	<b>1.00</b>	<b>\$17,864</b>	<b>\$120,946</b>	<b>(\$22,059)</b>	<b>\$163,355</b>	<b>1.00</b>	<b>\$17,864</b>	<b>\$69,550</b>	<b>(\$22,059)</b>	<b>\$79,909</b>
					*					*

**New Proposals**

DP 2 - Fund Switch-Accounting Technician - This request proposes the reallocation of funding for an Accounting Technician position in the Central Management Division. The proposed funding shift would more accurately reflect the allocation of duties performed by the position. The revised funding would reduce federal EPA funds from 100% to 25% and increase state special accounts to 75%.

DP 3 - Electronic Transactions Strategic Planning - The Executive Budget includes requests for additional general fund and state and federal special revenue and proprietary authority in order to implement a comprehensive information technology plan for the department. This proposal would include 1.00 FTE and the funding necessary to convert a modified position to permanent, Funding would also be provided to develop and implement a strategic plan for electronic government transactions and communications, to incorporate IT projects for the Hail Insurance Program and the licensing programs, and upgrade a current IT position from grade 16 to grade 19. Programs included for database upgrades in this proposal include the Hail Insurance, Pesticide, Fertilizer, Apiary Registration, Feed, Seed, Produce, and the Ag Commodity Warehouse Operators and Commodity Dealers programs, as well as various licensing and registration programs

<b>LFD ISSUE</b>	The proposal contains \$127,166 for expenses that are not recurring, or that are not specifically defined for the next biennium. Therefore, the appropriation for that portion should be designated as one-time only.
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Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	56.84	0.83	0.00	57.67	0.83	0.00	57.67	57.67
Personal Services	2,013,766	145,428	16,838	2,176,032	157,562	16,896	2,188,224	4,364,256
Operating Expenses	878,847	105,139	89,119	1,073,105	86,076	72,047	1,036,970	2,110,075
Equipment	200,909	(33,990)	25,000	191,919	(40,996)	42,000	201,913	393,832
Grants	1,986,260	(276,878)	0	1,709,382	(276,878)	0	1,709,382	3,418,764
<b>Total Costs</b>	<b>\$5,079,782</b>	<b>(\$60,301)</b>	<b>\$130,957</b>	<b>\$5,150,438</b>	<b>(\$74,236)</b>	<b>\$130,943</b>	<b>\$5,136,489</b>	<b>\$10,286,927</b>
General Fund	51,204	87,954	0	139,158	90,035	0	141,239	280,397
State/Other Special	4,649,966	(164,412)	0	4,485,554	(181,870)	0	4,468,096	8,953,650
Federal Special	378,612	16,157	130,957	525,726	17,599	130,943	527,154	1,052,880
<b>Total Funds</b>	<b>\$5,079,782</b>	<b>(\$60,301)</b>	<b>\$130,957</b>	<b>\$5,150,438</b>	<b>(\$74,236)</b>	<b>\$130,943</b>	<b>\$5,136,489</b>	<b>\$10,286,927</b>

### Program Description

The Agricultural Sciences Division administers, manages, coordinates, and evaluates the major activities of:

- 1) pesticide and pest management;
- 2) analytical laboratory services;
- 3) noxious weed management;
- 4) agricultural chemical groundwater management; and
- 5) vertebrate pest management.

This program administers the Montana Pesticides Act, the Agricultural Chemical Groundwater Protection Act, the Crop Insect Detection Act, the Vertebrate Pest Management Act, the Noxious Weed Trust Fund Act, elements of the Weed Assistance Act, and the department's Chemical Analytical Laboratory. Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed within the state.

### Funding

The Agricultural Sciences Division's primary funding includes state special revenues collected from the \$1.50 noxious weed vehicle registration fee and the interest earned on the Noxious Weed Trust. Pesticide registration fees of \$150 per product are allocated at the \$80 level to the Groundwater State Special Revenue Account, with the remaining \$70 going to the Pesticide Management State Special Revenue Account. The Pesticide Management Account also receives revenue from pesticide dealers and commercial, governmental, and farm application fees. Other state special revenues come from commercial feed and fertilizer registration and inspection fees. These fees include mint assessments, fees for anhydrous ammonia and commodity inspection, testing and license fees, and commercial dealer and public-warehouse operator license fees. Federal funds are from the market services account, which completely funds the medicated feed program as well as portions of the pesticide and ground water programs supported by the EPA.

**LFD ISSUE** The department has proposed legislation to raise pesticide registration fees, which would increase revenues in the Pesticide Management and the Groundwater State Special Revenue accounts. The revenue estimates for these funds include assumed increases based on the proposed fee increases. Table 1 shows projections for both funds, based on fiscal 2000 revenues (no fee increases) and expenditures as proposed for the 2003 biennium.

The Groundwater Account is not sustainable at current expenditure levels. The department has proposed to lower expenditures, mainly in the area of contracts with the Bureau of Mines for the installation of water-monitoring wells. The decrease in expenditures would bring the fund from a negative balance at the end of fiscal 2001 to a balance of over \$100,000 at the end of fiscal 2003. Adding in proposed fee increases would create a projected fund balance of over \$150,000 at the end of fiscal 2003.

**LFD ISSUE  
CONTINUED**

The Pesticide Management Account is not sustainable at current levels of revenues and proposed expenditures. If fee increases are not approved, the department will have to:

- 1) Reduce expenditures to maintain a positive fund balance; or
- 2) Supplement the Pesticide Management Account funding with another state special revenue account.

The department has stated that they would transfer funding from several positions in fiscal 2001 to lower expenditures in this account, which would maintain an overall positive balance in the 2003 biennium. However, if fees are not increased, this account would enter a negative status in the 2005 biennium, prompting another review.

Table 1  
Department of Agriculture  
Accounting Entity Review  
Fiscal 2001-2003  
Based on fiscal 2000 revenues/proposed expenditures

Fund	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003
<u>Pesticide Ag Chemical Ground Water AE 02192</u>				
Beg. Fund Balance	\$82,225	\$34,868	(\$4,116)	\$67,860
Revenues	582,507	582,507	582,507	582,507
Expenditures	(630,810)	(621,491)	(510,531)	(548,531)
Adjustments	946	0	0	0
Ending Fund Balance	<u>\$34,868</u>	<u>(\$4,116)</u>	<u>\$67,860</u>	<u>\$101,836</u>
<u>Pesticide Management AE 02193</u>				
Beg. Fund Balance	\$407,783	\$334,000	\$254,704	\$116,194
Revenues	806,060	806,060	806,060	806,060
Expenditures	(880,789)	(885,356)	(944,570)	(930,089)
Adjustments	<u>946</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$334,000</u>	<u>\$254,704</u>	<u>\$116,194</u>	<u>(\$7,835)</u>

Present Law Adjustments	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					174,218					186,690
Vacancy Savings					(59,479)					(59,854)
Inflation/Deflation					514					1,348
Fixed Costs					29,776					31,911
<b>Total Statewide Present Law Adjustments</b>					<b>\$145,029</b>					<b>\$160,095</b>
DP 2 - Base Budget Adjustments	0.00	5,312	(290,733)	1,350	(284,071)	0.00	6,961	(311,496)	1,350	(303,185)
DP 6 - Increase Seasonal Potato Inspectors	0.33	0	10,674	0	10,674	0.33	0	10,674	0	10,674
DP 7 - Organic Certification Program	0.50	41,567	0	0	41,567	0.50	41,680	0	0	41,680
DP 8 - Alfalfa Seed Phytosanitary Inspection	0.00	0	4,000	0	4,000	0.00	0	4,000	0	4,000
DP 9 - Agriculture Commodities Contract	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 10 - Feed Study on Weed Seed Standards	0.00	0	10,000	0	10,000	0.00	0	0	0	0
DP 11 - Genetically Modified Organisms Trai	0.00	0	2,500	0	2,500	0.00	0	2,500	0	2,500
<b>Total Other Present Law Adjustments</b>	<b>0.83</b>	<b>\$46,879</b>	<b>(\$253,559)</b>	<b>\$1,350</b>	<b>(\$205,330)</b>	<b>0.83</b>	<b>\$48,641</b>	<b>(\$284,322)</b>	<b>\$1,350</b>	<b>(\$234,331)</b>
<b>Grand Total All Present Law Adjustments</b>					<b>(\$60,301)</b>					<b>(\$74,236)</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Base Budget Adjustments - This proposal includes adjustments to all programs, resulting in a net decrease over the biennium, thus keeping expenditures consistent with projected revenue. Decreases include contracted services for the installation of water-monitoring wells, vehicle replacement funding, and grant funding. Increases include contracted services to provide for anhydrous ammonia safety training, in-state lodging increases, equipment replacement funding, and the division's share of the department's cost allocation plan.

<b>LFD COMMENT</b>	Included in this proposal is a reduction in expenditures for grants from the Noxious Weed Administration Account. During the past two biennia, appropriations made were greater than revenues in order to decrease an inflated fund balance. The fund balance is currently at a sustainable level of approximately 10 percent of proposed annual expenditures. The Executive Budget shows adjustments to the base that bring expenditures into better alignment with revenues.
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DP 6 - Increase Seasonal Potato Inspectors - An increase in state special revenue authority is requested, with which to address the increased workload associated with the Seasonal Potato Inspection Program. The proposal would add 0.33 FTE and related funding each year of the biennium in order to increase the number of seasonal inspectors used by the department.

DP 7 - Organic Certification Program - A general fund appropriation is requested in support of continued implementation of the Organic Certification Program. The proposal would add 1.50 FTE and program-related funding for each year of the biennium.

**LFD  
COMMENT**

The Fifty-sixth Legislature passed Senate Bill 394, which established Montana's Organic Certification Program. At that time, the legislature also appropriated state special revenue from the account to fund program implementation. The department is currently working to develop a proposal that the Governor will present to the U.S. Department of Agriculture (USDA) for final approval. Upon final approval and concurrence of state organic interests, the department will be authorized to formally implement the program. The program would include adoption of state standards for organic certification, a state certification program, enforcement of certification and labeling standards, and technical support to organic producers, handlers, and processors. An organic commodity advisory council as set forth in 80-11-601, MCA, will advise the department on developing and managing the plan. The department projects that the Organic Certification Program will be self-sustaining during the 2005 biennium, using fees assessed on producers to certify products as organic.

**LFD  
ISSUE**

No expenditures were made in this program during the base year. Therefore, this request would fund all start-up costs for the program from the general fund. The legislature may wish to address the issue of whether the general fund should support program implementation. If approved, the legislature has two options:

- 1) Fund the start-up costs with a mixture of general fund and appropriate state special revenue, such as the Wheat and Barley Research and Marketing Account; and
- 2) Fund the start-up costs entirely with general fund.

If the legislature approves general fund for the proposal, the appropriation should be designated restricted and one-time-only, in light of the department's projection that the program will be self-sustaining in the 2005 biennium.

DP 8 - Alfalfa Seed Phytosanitary Inspection - An increase in state special revenue authority is requested in order to provide for alfalfa crop inspections.

**LFD  
COMMENT**

The inspections would facilitate the issuance of phytosanitary certifications, thus allowing seed to be exported internationally. The department has contracted with a Montana State University plant pathologist and a nematologist, who would survey alfalfa fields and collect samples for laboratory evaluations of pests. This proposal would continue that contract and reimburse the contractor for the cost of purchasing professional liability insurance.

DP 9 - Agriculture Commodities Contract - An increase in state revenue authority is requested in order to continue a pilot project to contract with the USDA for warehouse compliance inspections.

**LFD  
ISSUE**

During the 2001 biennium, the department entered into a pilot project with the USDA, through which the USDA accomplished state-level inspections concurrently with their own. The inspection results were to be passed to the Montana Department of Agriculture for record keeping and action, as necessary. This remains a pilot project. Although initial impressions within the department are favorable, the legislature may wish to ask the department for a current update on the program before approving this project for the 2003 biennium. If the legislature wishes to reevaluate after completion of the pilot project, this appropriation should be designated one-time-only.

DP 10 - Feed Study on Weed Seed Standards - The Executive Budget includes a request for an increase in state special revenue authority with which to contract with Montana State University feed-forage and weed specialists to: 1) conduct a study on weed seeds in feeds; and 2) recommend standards for the number of viable weed seeds in feeds. The proposal includes \$5,000 for a grant through which to conduct an international literature search on viable noxious weed seeds in feeds and \$15,000 for conducting research on the risk of weed seeds in the various forms of commercial feeds and the viability of weed seeds found in feeds.

DP 11 - Genetically Modified Organisms Training - An increase in state special revenue authority is requested in order to provide specialty training on genetically-modified organisms.

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				-----Fiscal 2003-----				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 4 - USDA Record Keeping Grant										
30	0.00	0	0	30,957	30,957	0.00	0	0	30,943	30,943
DP 5 - EPA Special Grants Funds										
30	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,957</b>	<b>\$130,957</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,943</b>	<b>\$130,943</b>

**New Proposals**

DP 4 - USDA Record Keeping Grant - Federal special revenue authority is requested to allow the department to contract with the USDA to conduct a federal program that ensures private applicators who purchase and use restricted-use pesticides maintain appropriate records. The proposal would fund an existing 0.5 FTE and related costs, so that inspections could be conducted for a negotiated number of applicators per year.

DP 5 - EPA Special Grants Funds - Federal special revenue authority is requested to expend EPA grant funds. The proposal includes grants for programs involving pesticide certification, enforcement, worker protection, endangered species and ground water.

<b>LFD ISSUE</b>	The Fifty-sixth Legislature designated the appropriation for these grants as one-time-only. The request is a \$50,000 decrease per year from the last biennium's request, due to an anticipated general decrease in discretionary EPA funds. If the legislature wants to control the appropriation due to the discretionary nature of the grants, the appropriation should be designated one-time-only.
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**Proprietary Rates**

**Program Description**

The Montana Agricultural Loan Authority (MALA) was established in 1983 to administer the Beginning Farm Loan Program enacted under 80-12-101 through 80-12-403, MCA. Although MALA has been inactive since 1985, a proprietary account is maintained to implement the tax deductions portion of the MALA, which remains in effect under 80-12-211, MCA. The program allows for a Montana income tax and/or capital gains deduction up to \$50,000 to the seller of agricultural land, if that land is sold to a qualifying beginning farmer or rancher. The parties involved must meet all qualifications of the program and must receive department approval.

The Alfalfa Leaf-cutting Bee Program was established in 1981. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program in cooperation with the department. Department personnel perform field and laboratory duties for the committee.

**LFD COMMENT**

The two proprietary funds are shown in combination. In fiscal 2000, the Alfalfa Leaf-cutting Bee Account received \$4,715 in revenues and expended \$3,902, for a fund balance increase of \$813.

**Revenues and Expenses**

Revenue for the Beginning Farm Loan Program comes from the \$25 application fee charged to sellers applying for the program.

Alfalfa Leaf-cutting Bee Account revenues are received from laboratory analyses of pathogens in larva and determinations of sex ratios. Expenditures include laboratory costs and the committee members' per diem. There are no FTE funded in the program. There are usually overtime payments to the entomologist funded by this account.

No revenue was collected for the Beginning Farm Loan Program.

**Rate Explanation**

Fees are charged for certification and registration of Alfalfa Leafcutter Bees in Montana and for laboratory expenses. The fees charged are set by rule.

Report on Internal Service & Enterprise Funds, 2003 Biennium									
Fund Number	Fund Name	Agency Number	Agency Name	Program Name					
06011	Alfalfa Leaf Cutting Bee	6201	Department of Agriculture						
6016	Beginning Farm Loans	6201	Department of Agriculture						
Fund Balance Information									
		<b>FY96</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>Estimated FY01</b>	<b>Estimated FY02</b>	<b>Estimated FY03</b>
Beginning Retained Earnings		(176,435)	(176,269)	(176,711)	(177,028)	(177,409)	9,201	9,226	9,251
Increases									
Fee Revenue		3,300	3,495	3,465	3,930	4,270	4,200	4,200	4,200
Investment Earnings		449	371	462	418	423	425	425	425
Transfers In		-	-	-	-	-	-	-	-
Miscellaneous, operating		-	-	-	5	3	-	-	-
Miscellaneous, other		-	-	-	-	-	-	-	-
<b>Total Increases</b>		<b>3,749</b>	<b>3,866</b>	<b>3,927</b>	<b>4,353</b>	<b>4,696</b>	<b>4,625</b>	<b>4,625</b>	<b>4,625</b>
(Decreases)									
Personal Services		1,500	1,756	3,032	3,197	2,998	2,700	3,200	3,200
Operations		2,083	2,305	1,158	1,511	930	1,900	1,400	1,400
Transfers Out		-	-	-	-	-	-	-	-
Miscellaneous, operating		-	23	20	26	-	-	-	-
Miscellaneous, other		-	-	-	-	-	-	-	-
<b>Total Decreases</b>		<b>3,583</b>	<b>4,084</b>	<b>4,210</b>	<b>4,734</b>	<b>3,928</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>
Adjustments to Beginning Retained Earnings									
Earnings		-	(224)	(34)	-	185,842	-	-	-
<b>Ending Retained Earnings</b>		<b>(176,269)</b>	<b>(176,711)</b>	<b>(177,028)</b>	<b>(177,409)</b>	<b>9,201</b>	<b>9,226</b>	<b>9,251</b>	<b>9,276</b>
Total Contributed Capital		186,149	186,149	186,149	186,149	-	-	-	-
<b>Total Fund Equity</b>		<b>9,880</b>	<b>9,438</b>	<b>9,121</b>	<b>8,740</b>	<b>9,201</b>	<b>9,226</b>	<b>9,251</b>	<b>9,276</b>
Unreserved Fund Balance									
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)		597	681	702	789	655	767	767	767

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	39.88	0.00	0.00	39.88	0.00	0.00	39.88	39.88
Personal Services	1,012,519	447,300	0	1,459,819	455,417	0	1,467,936	2,927,755
Operating Expenses	1,121,217	205,224	0	1,326,441	164,758	0	1,285,975	2,612,416
Equipment	0	94,800	0	94,800	38,300	0	38,300	133,100
Grants	882,498	78,762	0	961,260	83,583	0	966,081	1,927,341
Transfers	80,000	0	0	80,000	0	0	80,000	160,000
Debt Service	1,308	0	0	1,308	0	0	1,308	2,616
<b>Total Costs</b>	<b>\$3,097,542</b>	<b>\$826,086</b>	<b>\$0</b>	<b>\$3,923,628</b>	<b>\$742,058</b>	<b>\$0</b>	<b>\$3,839,600</b>	<b>\$7,763,228</b>
General Fund	327,448	31,887	0	359,335	34,791	0	362,239	721,574
State/Other Special	2,482,175	765,013	0	3,247,188	677,755	0	3,159,930	6,407,118
Federal Special	45,243	467	0	45,710	467	0	45,710	91,420
Proprietary	242,676	28,719	0	271,395	29,045	0	271,721	543,116
<b>Total Funds</b>	<b>\$3,097,542</b>	<b>\$826,086</b>	<b>\$0</b>	<b>\$3,923,628</b>	<b>\$742,058</b>	<b>\$0</b>	<b>\$3,839,600</b>	<b>\$7,763,228</b>

### Program Description

The Agricultural Development Division administers programs that promote Montana agriculture through market development and enhancement. Assistance is given in support of commercializing traditional and innovative agricultural products and processes. The program provides support to the Alfalfa Seed Committee, the Montana Wheat and Barley Committee, the Montana Agricultural Development Council, and the Board of Hail Insurance. The division is comprised of the Rural Development, Wheat and Barley, Agriculture Marketing and Business Development, and State Grain Laboratory bureaus. The State Grain Laboratory provides grades, protein determinations, malting barley germination, and falling number tests to establish contract settlement prices between buyers and sellers of grain crops in Montana.

### Funding

Non-general funds provide 91 percent of the Agricultural Development Division funding. State and other special revenues consist of wheat and barley sales taxes, grain testing fees, coal severance tax collections, alfalfa seed assessments, income-tax check-offs for Agriculture in Montana Schools, interest earnings, and private donations. The Growth Through Agriculture Program receives a share of 8.36 percent of Coal Severance Tax collections, which is used to fund grants in and operations of the Agriculture Development Council for the Montana Growth Through Agriculture Act. Proprietary funds come from Hail Insurance; expendable trust funds come from the Rural Development and Rehabilitation Program. Hail Insurance administrative expenses are appropriated in HB 2 per Title 80, Chapter 2, MCA. Rural Development and Rehabilitation Program funds are not appropriated in HB 2.

Present Law Adjustments	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					312,981					320,075
Vacancy Savings					(35,837)					(36,048)
Inflation/Deflation					2,433					3,607
Fixed Costs					34,976					33,882
<b>Total Statewide Present Law Adjustments</b>					<b>\$314,553</b>					<b>\$321,516</b>
DP 12 - Rail Transportation Technical Assis	0.00	0	50,000	0	50,000	0.00	0	0	0	0
DP 5005 - In-state lodging rate increase	0.00	1,000	2,390	467	6,361 *	0.00	1,000	2,390	467	6,361 *
DP 5006 - State Grain Laboratory Base Adjustment	0.00	0	238,255	0	238,255	0.00	0	210,900	0	210,900
DP 5007 - Wheat & Barley Base Adjustments	0.00	0	187,595	0	187,595	0.00	0	173,945	0	173,945
DP 5008 - Hail Insurance Program Base Adjustment	0.00	0	0	0	20,047 *	0.00	0	0	0	20,061 *
DP 5009 - Non-employee Per Diem Base Adjustment	0.00	0	2,775	0	2,775	0.00	0	2,775	0	2,775
DP 5010 - Agriculture in Montana Schools	0.00	0	6,500	0	6,500	0.00	0	6,500	0	6,500
DP 5012 - Vision 2005 Statutory Appropriation	0.00	0	0	0	0	0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,000</b>	<b>\$487,515</b>	<b>\$467</b>	<b>\$511,533</b>	<b>0.00</b>	<b>\$1,000</b>	<b>\$396,510</b>	<b>\$467</b>	<b>\$420,542</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$826,086</b>					<b>\$742,058</b>

### Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 12 - Rail Transportation Technical Assistance - The Executive Budget includes a request for an increase in state special revenue, which would be used to continue the department's efforts to monitor and address issues affecting the transportation of Montana's agricultural products. The proposal would provide funds to procure contracted services geared to providing oversight on mergers, deregulation, trade issues, commodity inspections, and Canadian transportation issues affecting Montana. The executive requests that the \$50,000 appropriation be made biennial; it would be funded entirely from the Wheat and Barley Research and Marketing Account.

**LFD ISSUE** This program is, in large part, reactionary to changes and issues affecting the rail transportation industry in Montana, primarily in terms of protecting the interests of the state's producers relative to the state's lack of variety among providers. The short-term focus and goals of this program are subject to frequent change. If the legislature wishes to appropriate funding only for issues affecting the rail transportation of Montana's agricultural products, the appropriation should be made on a restricted basis. The legislature may also wish to reevaluate the program annually to determine whether continuation is warranted. If so, the appropriation should be designated as one-time-only.

**LFD  
ISSUE**

This appropriation was designated restricted and one-time-only by the Fifty-sixth legislature. As a result, it should be considered under new proposals.

DP 5005 - In-state lodging rate increase - This proposal would increase general fund and state and federal special revenue authority to accommodate the anticipated increases of in-state lodging rates for the 2003 biennium. The proposal assumes an approximate 57 percent increase from June 1st through September 30th for each year of the biennium.

DP 5006 - State Grain Laboratory Base Adjustment - An increase in state special revenue authority is requested with which to adjust base-year expenditures in anticipation of increased workload in the 2003 biennium. This proposal would fund the State Grain Laboratory to operate at a level equal to that projected by a rolling 10-year average of workload and expenditures. This proposal would be funded entirely by the Grain Services Account.

DP 5007 - Wheat & Barley Base Adjustments - This proposal would cover increased the operating costs of the Montana Wheat and Barley Committee. Anticipated increases include overtime, committee member per diem, consulting services, server replacement, travel-related costs, rent, vehicle replacement, repair and maintenance, printing and postage, research, and market development. This increase is entirely funded by the Wheat and Barley Research and Marketing Account.

DP 5008 - Hail Insurance Program Base Adjustment - An increase in proprietary funds is requested in order to adjust for low expenditures resulting from the low workload experienced during the base year. The department projects an increase based on average workloads.

DP 5009 - Non-employee Per Diem Base Adjustment - An adjustment to fund per diem for non-state employee members of the Alfalfa Seed Committee and the Agriculture Development Council is proposed. This would provide per diem funding based on full member participation in an anticipated number of meetings.

**LFD  
COMMENT**

This proposal carries per diem expenditures over from the base year, and includes an increase for assumed full member participation and for more Alfalfa Seed Committee meetings.

DP 5010 - Agriculture in Montana Schools - An adjustment to base year expenditures is proposed in order to adjust for tax check-off funds that were not correctly transferred into the Agriculture in Montana Schools Fund, and subsequently were not expended.

DP 5012 - Vision 2005 Statutory Appropriation - The Department will ask the legislature for continued support for the Vision 2005 - Growth Through Agriculture statutory appropriation.

**LFD  
COMMENT**

During the May 2000 Special Session, the legislature passed HB 1, which statutorily appropriated \$1.25 million annually to the Growth through Agriculture Program in order to spur economic development in Montana's agricultural industry.

The agricultural economic development activities funded within House Bill 1 originated from the Governor's Vision 2005 Task Force on Agriculture, established in March 1998. The task force identified 26 major objectives, of which 10 were combined into three primary legislative initiatives. These initiatives, along with their corresponding outcome measures, were included in the Governor's Jobs and Income proposals, and introduced to the 56th Legislative Session. Consequently, funding for these proposals, including the Vision 2005 Task Force initiatives, were rolled into House Bill 260, which was later declared unconstitutional by Montana's Supreme Court. As a result, the special session was called and HB 1 was passed.

The Agricultural Seed Capital Account was established in 90-9-301, MCA. Principal and interest repayments of agricultural economic development loans from the Agriculture Development Council are deposited in the account; this is the only source of account revenue. The funds in the account are reinvested in new economic development loans. Applicants can apply for up to \$50,000, which is awarded in one of three categories: Investment Without Repayment, Return on Investment, or Loan. An applicant cannot be awarded funding twice in any nine-month period, and cannot receive more than \$150,000 from these funds.

To date, the Growth Through Agriculture Program has spent approximately \$450,000 of the \$1.25 million appropriation, with approximately \$103,000 spent on operations and approximately \$346,000 spent on grants. Awards have been made in amounts ranging from \$6,000 to \$50,000 to 20 applicants; 50 applications for funding have been received. Awardees include private corporations, the Montana Stockgrowers Association, the Montana Grain Growers Association, and the Montana Department of Agriculture. Department of Agriculture awards were given for Montana Food Month, Pacific Rim Trade Mission, and small agri-business education workshops.

The Agriculture Development Council, responsible for approving award of the grants, is administratively attached to the Department of Agriculture and is projected to meet four times a year.

Currently, operating costs make up 22 percent of overall program expenditures. Since the Growth Through Agriculture Program is statutorily appropriated, the legislature does not address the budget in HB 2. The legislature may wish to have the department provide an update on program and expenditure status.