

Agency Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	115.54	115.54	120.54	120.54	115.54	120.54	5.00	4.33%
Personal Services	5,137,987	6,156,419	6,618,581	6,631,948	11,294,406	13,250,529	1,956,123	17.32%
Operating Expenses	2,883,500	3,404,253	4,491,939	4,231,359	6,287,753	8,723,298	2,435,545	38.73%
Equipment & Intangible Assets	207,276	277,025	787,276	417,276	484,301	1,204,552	720,251	148.72%
Grants	4,482,273	4,659,119	6,166,485	6,170,235	9,141,392	12,336,720	3,195,328	34.95%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	2,281	2,282	2,281	2,281	4,563	4,562	(1)	(0.02%)
Total Costs	\$12,713,317	\$14,499,098	\$18,066,562	\$17,453,099	\$27,212,415	\$35,519,661	\$8,307,246	30.53%
General Fund	781,165	910,664	1,590,389	1,551,208	1,691,829	3,141,597	1,449,768	85.69%
State Special	9,343,877	10,489,602	13,448,502	12,880,875	19,833,479	26,329,377	6,495,898	32.75%
Federal Special	2,195,170	2,638,954	2,404,682	2,396,613	4,834,124	4,801,295	(32,829)	(0.68%)
Other	393,105	459,878	622,989	624,403	852,983	1,247,392	394,409	46.24%
Total Funds	\$12,713,317	\$14,499,098	\$18,066,562	\$17,453,099	\$27,212,415	\$35,519,661	\$8,307,246	30.53%

Agency Description

Agency Mission: The mission of the Montana Department of Agriculture is to protect producers and consumers, and to enhance and develop agriculture and allied industries.

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:

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

Agency Highlights

Department of Agriculture Major Budget Highlights	
◆	The executive proposed biennial budget is \$8.0 million or 30 percent higher than the previous biennium
◆	The increase includes \$1.8 million in one-time-only requests: <ul style="list-style-type: none"> • \$1.0 million for invasive species management • \$0.2 million for computer system enhancements • \$0.3 million for laboratory equipment • \$0.3 million for Growth Through Agriculture Grants
◆	Major on-going increases include: <ul style="list-style-type: none"> • Base adjustments of \$1.7 million • Expansion of the Wheat and Barley program of \$2.4 million

◆ Program level goals and objectives were submitted
Major LFD Issues
◆ Program submitted objectives are not measurable and therefore progress toward the goals can not be determined

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

2009 Biennium Major Goals

The following provides an update on the major goals during the 2009 interim.

- Increase the funding for noxious weed management, research and education projects to help reduce the overall infestation of weeds in Montana.

Results: The agency reported that the number of acres treated with noxious weed trust fund (NWTF) grants average 65,000 acres annually, and that 7.4 million acres of Montana's 94 million acres are infested with noxious weeds, making the percentage of the state's weed infected acres treated with NWTF grants 0.88 percent (65,000 divided by 7,400,000).

- Assist in increasing sales of Montana's agricultural products and the success and profitability of agricultural businesses and operations.

LFD COMMENT	A report on progress toward this goal will be available in December of 2008.
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2011 Biennium Major Goals

The agency provided summary goals for each division and corresponding objectives for each program mentioned in the goal. This is demonstrated by the submitted goal for the Agricultural Services Division:

- To provide agricultural producers and consumers, commodity and environmental protection through the administration of the Montana laws and rules in the areas of pesticides, groundwater monitoring, noxious weed control, feeds, fertilizers, seed, anhydrous ammonia, grain commodity dealers, public warehousemen, nurseries, produce, mint, honey bees, alfalfa leaf-cutting bees and other services including organic certification, pest management consulting, laboratory analysis, pest surveys, export certification and quarantines.

LFD ISSUE	The goal appears to be a listing of agency activities required by state law. This type of goal provides the reader with a summary of the purpose of the division, but not what the division is explicitly trying to accomplish. Statute may dictate what an agency needs to do, but it does not often provide the priority of the activities. This goal statement represents all activities as equal and that may not be what the legislature intended. The corresponding program objectives, such as the example below, are not specific, measurable or time oriented, which does not allow the evaluation of progress toward the stated goal.
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Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Agency Market** –
 - The agency's actual target market ratio was 91.79 percent relative to the FY 2006 market survey.
 - The agency received additional funding authority in the 2009 biennium to move all non-probationary employees to at least 90 percent of market.
 - The current market ratio is (2008 survey) 96 percent.
- **Obstacles** -
 - Challenges to moving all employees to at least 90 percent of market are financial. The agency funding source is largely fee based.
 - The agency has experienced recruiting and retention issues at the Analytical Laboratory in Bozeman due to competition for chemists and the high cost of living in the Bozeman area. The employees at the lab overall are closer to market than other employees in the agency. Agricultural specialists including hydrologists also challenge recruiting techniques.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
15 Centralized Services Division	\$ 318,190	\$ 1,769,999	\$ 308,477	\$ 292,182	\$ 2,688,848	7.57%
30 Agricultural Sciences Division	1,631,769	13,533,845	4,412,299	-	19,577,913	55.12%
50 Agricultural Development Division	1,191,638	11,025,533	80,519	955,210	13,252,900	37.31%
Grand Total	<u>\$ 3,141,597</u>	<u>\$ 26,329,377</u>	<u>\$ 4,801,295</u>	<u>\$ 1,247,392</u>	<u>\$ 35,519,661</u>	<u>100.00%</u>

The Department of Agriculture is funded from general fund, state special revenue, federal special revenue, and proprietary funds. State special revenue is primarily fees charged for evaluation, promotion, research or marketing of various agricultural products. Proprietary funds are excluded from the above agency proposed budget table and HB 2. However, proprietary funds are presented and discussed in the budget analysis in the various programs in the department that use proprietary funds.

Statutory Appropriations

The following figure shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The figure is provided so that the legislature can get a more complete picture of agency operations and associated policy.

Statutory Appropriations Department of Agriculture					
Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
<i>No Direct Bearing on Agency Operations</i>					
Agricultural Seed Dispute Resolution	80-5-510	SSR	\$0	\$3,900	\$3,900
Agriculture Development & Research Grants	90-9-306	SSR	\$0	\$200,000	\$20,000
Hail Insurance Claims & Benefits	80-2-222	Proprietary	\$9,973,184	\$9,973,184	\$9,973,184
Administration of agricultural commodities	80-4-416	SSR	\$54,000	\$54,000	\$54,000
<i>Direct Bearing on Agency Operations</i>					
Agriculture Commodity Research and Market Developer	80-11-518	SSR	\$400,774	\$539,500	\$539,500
Implementation of the Growth Through Agriculture Act	15-35-108	GF	\$1,283,610	\$1,315,000	\$1,315,000

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

**LFD
COMMENT**

The statutory appropriation for the hail program is for claims and benefits only. Administrative costs are funded through HB 2.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	781,165	781,165	1,562,330	49.73%	12,713,317	12,713,317	25,426,634	71.58%
Statewide PL Adjustments	101,606	62,559	164,165	5.23%	1,344,403	1,322,886	2,667,289	7.51%
Other PL Adjustments	27,000	27,000	54,000	1.72%	1,595,200	1,233,700	2,828,900	7.96%
New Proposals	680,618	680,484	1,361,102	43.33%	2,413,642	2,183,196	4,596,838	12.94%
Total Budget	\$1,590,389	\$1,551,208	\$3,141,597		\$18,066,562	\$17,453,099	\$35,519,661	

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	14.00	14.00	15.00	15.00	14.00	15.00	1.00	7.14%
Personal Services	818,469	833,004	994,210	997,552	1,651,473	1,991,762	340,289	20.61%
Operating Expenses	175,621	243,565	484,980	212,106	419,186	697,086	277,900	66.30%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Total Costs	\$994,090	\$1,076,569	\$1,479,190	\$1,209,658	\$2,070,659	\$2,688,848	\$618,189	29.85%
General Fund	94,194	141,744	179,043	139,147	235,938	318,190	82,252	34.86%
State Special	715,768	745,460	994,816	775,183	1,461,228	1,769,999	308,771	21.13%
Federal Special	96,144	97,152	159,239	149,238	193,296	308,477	115,181	59.59%
Other	87,984	92,213	146,092	146,090	180,197	292,182	111,985	62.15%
Total Funds	\$994,090	\$1,076,569	\$1,479,190	\$1,209,658	\$2,070,659	\$2,688,848	\$618,189	29.85%

Program Description

The Central Services Division (CSD) performs technical, fiscal, and administrative support functions for the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, human resources, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, public information, and legal support to all programs within the department. Included in this division is the Director's Office, which provides overall policy development for the department.

Program Highlights

Centralized Services Division Major Program Highlights	
<ul style="list-style-type: none"> ◆ The proposed biennial budget is 30 percent higher than the 2009 biennial budget, primarily due to statewide present law adjustments and various new proposals ◆ The executive request includes \$230,000 of state special revenue authority for one-time-only information technology needs 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The funding allocation for the legislative audit is not applied equally across all fund types ◆ The program submitted objectives are not measurable 	

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee did not select any goals to monitor during the 2009 interim

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

Assist management and staff of the Montana Department of Agriculture in meeting the department's mission by providing efficient, knowledgeable, and cost-effective customer service

- Develop, interpret and maintain policies and procedures that are response to the needs of the department and which comply with state and federal regulations
- Monitor recruitment and selection to ensure a professional, diverse, and responsible workforce
- Provide timely and accurate financial information consistent with Generally Accepted Accounting Principles (GAAP) and state accounting policy
- Provide systems analysis, programming, networking and data processing expertise and information necessary to meet current and future information technology needs and security needs

LFD COMMENT	The division provides support functions to the rest of the department. The objectives provide an idea of what they do, but do not contain a measure or time criteria. From these objectives it would difficult to determine if the division is making progress toward the stated goal. Timeliness and accuracy could be evaluated based on historical averages or error rates. The legislature may wish to discuss with the department objectives that can be used to evaluate progress toward goals.
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Funding

The Centralized Services Division (CSD) is funded from an indirect cost reimbursement from federal grants administered by the agency, from an administrative assessment charged to state special and proprietary revenues supporting the two line divisions of the agency, and from the state general fund. State general fund is used to account for any difference between the assessed amount and the budgeted expenditures for the CSD.

Program Funding Table Centralized Services Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 94,194	9.5%	\$ 179,043	12.1%	\$ 139,147	11.5%
01100 General Fund	94,194	9.5%	179,043	12.1%	139,147	11.5%
02000 Total State Special Funds	715,768	72.0%	994,816	67.3%	775,183	64.1%
02040 Wheat & Barley Research & Mktg	133,063	13.4%	144,260	9.8%	134,683	11.1%
02068 Noxious Weed Admin Account	91,625	9.2%	136,317	9.2%	106,316	8.8%
02071 Anhydrous Ammonia Account	3,697	0.4%	4,665	0.3%	4,665	0.4%
02192 Pesticide Groundwater Account	142,387	14.3%	212,063	14.3%	152,062	12.6%
02193 Pesticide Account	126,480	12.7%	194,460	13.1%	124,459	10.3%
02198 Fert. Groundwater Account	3,792	0.4%	4,504	0.3%	4,503	0.4%
02264 Organic Certification	9,630	1.0%	99	0.0%	87	0.0%
02265 Fsi Produce	31,903	3.2%	23,931	1.6%	23,930	2.0%
02266 Commodity Dealer/Warehouse	10,012	1.0%	8,517	0.6%	8,517	0.7%
02267 Nursery Account	19,100	1.9%	18,069	1.2%	18,069	1.5%
02268 Produce Account	47,705	4.8%	66,171	4.5%	66,170	5.5%
02269 Seed Account	8,197	0.8%	11,360	0.8%	11,360	0.9%
02340 Coal Sev. Tax Shared Ssr	-	-	43,100	2.9%	13,100	1.1%
02452 Commercial Fertilizer	33,213	3.3%	45,574	3.1%	35,574	2.9%
02453 Grain Services	264	0.0%	10,306	0.7%	10,268	0.8%
02454 Commercial Feed	48,858	4.9%	65,731	4.4%	55,731	4.6%
02792 Apiary Account	5,842	0.6%	5,689	0.4%	5,689	0.5%
03000 Total Federal Special Funds	96,144	9.7%	159,239	10.8%	149,238	12.3%
03120 Agriculture Cmd Federal	96,144	9.7%	159,239	10.8%	149,238	12.3%
06000 Total Proprietary Funds	87,984	8.9%	146,092	9.9%	146,090	12.1%
06052 Hail Insurance	87,984	8.9%	146,092	9.9%	146,090	12.1%
Grand Total	994,090	100.0%	1,479,190	100.0%	1,209,658	100.0%

**LFD
ISSUE**

Funding audit costs

The legislative audit for this division is funded with general fund even though general fund provides only nine percent of the total budget. Other state agencies with multiple funding sources allocate audit costs to all funds. According to statute (17-2-108, MCA), non-general fund should be expended before general fund.

Total legislative projected audit costs for the 2011 biennium for this agency are \$43,262. Allocating 91 percent of this cost to non-general fund would reduce the general fund obligation by \$39,368 have minimal impact on the agency's other funding sources and comply with state law.

Option: Fund audit costs with 9 percent general fund and 91 percent other funds, which would reduce general fund by \$39,368 over the biennium.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	94,194	94,194	188,388	59.21%	994,090	994,090	1,988,180	73.94%
Statewide PL Adjustments	29,231	(10,531)	18,700	5.88%	186,542	147,496	334,038	12.42%
Other PL Adjustments	0	0	0	0.00%	10,000	10,000	20,000	0.74%
New Proposals	55,618	55,484	111,102	34.92%	288,558	58,072	346,630	12.89%
Total Budget	\$179,043	\$139,147	\$318,190		\$1,479,190	\$1,209,658	\$2,688,848	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					165,111					168,574
Vacancy Savings					(39,344)					(39,482)
Inflation/Deflation					477					619
Fixed Costs					60,298					17,785
Total Statewide Present Law Adjustments					\$186,542 *					\$147,496 *
DP 1501 - Program 15 Base Budget Adjustments	0.00	0	0	10,000	10,000	0.00	0	0	10,000	10,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$10,000	\$10,000	0.00	\$0	\$0	\$10,000	\$10,000
Grand Total All Present Law Adjustments					\$196,542					\$157,496

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - The Central Services Division has an entry target market of 90 percent with exceptions provided as needed for difficult to fill positions such as accountants and computer specialists. The current market rate in relation to the 2008 market survey is 94 percent
- **Vacancy** – The division does not have any long term or frequent vacancies
- **Legislatively applied vacancy savings** – The division achieved 3.42 percent of the 4.0 percent legislatively applied vacancy savings. The difference was covered through carry-forward funds for the difference and for termination pay outs
- **Pay Changes** –In FY 2008 the department moved to the broadband pay plan and the following adjustments were made in accordance with MPEA negotiated pay plan rules outside of HB 13:
 - 01/05/08 – All employees received a strategic pay retention adjustment of 25 cents per hour.
 - 02/01/08 – All non-probationary employees were moved to 90 percent of market.
- **Retirements** – No employees within the Central Services Division are eligible for full retirement during the 2011 biennium. The program anticipates losing three employees to retirement during the 2009 biennium.

DP 1501 - Program 15 Base Budget Adjustments - This executive is requesting \$10,000 federal special revenue funding each year of the biennium to restore travel (\$7,000) and training (\$3,000) to base amounts due to vacancies in the Central Services Division.

New Proposals

Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1503 - Network Administrator	15	1.00	54,774	0	0	54,774	1.00	54,791	0	0	54,791
DP 1504 - Grant Application Management System - Bien - OTO	15	0.00	0	60,000	0	60,000	0.00	0	0	0	0
DP 1505 - Content Management System for AGR.MT.GOV -Bien-OTO	15	0.00	0	40,000	10,000	50,000	0.00	0	0	0	0
DP 1506 - Web Based AG Product Registration System-Bien- OTO	15	0.00	0	120,000	0	120,000	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation	15	0.00	844	2,412	283	3,784 *	0.00	693	2,123	250	3,281 *
Total	1.00	\$55,618	\$222,412	\$10,283	\$288,558 *	1.00	\$55,484	\$2,123	\$250	\$58,072 *	

DP 1503 - Network Administrator - The executive requests \$54,774 in FY2010 and \$54,791 in FY2011 general fund for 1.00 FTE and operating expenses for a network administrator position. The 2007 Legislature approved this position as a one-time-only for the 2009 biennium.

DP 1504 - Grant Application Management System - Bien - OTO - The executive requests a \$60,000 biennial one-time-only state special revenue appropriation for off the shelf grant application management software that would utilize information technology to improve the business processes within the Noxious Weed and Growth Through Agriculture programs. This request is funded equally with the noxious weed and coal tax shared revenue funds.

DP 1505 - Content Management System for AGR.MT.GOV -Bien-OTO - The executive requests a \$50,000 biennial one-time-only state special revenue (\$40,000) and federal special revenue (\$10,000) appropriation to implement a content management system to assist in updating information on the department's web site. This request is funded with wheat and barley research, pesticide and pesticide ground water funds as well as federal funding.

DP 1506 - Web Based AG Product Registration System-Bien- OTO - The executive requests a \$120,000 biennial one-time-only state special revenue appropriation for upgrading an existing licensing and registration system to allow web based product and apiary registrations. This request is funded with commercial fertilizer, commercial feed, and pesticide and pesticide ground water funds.

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

Program Budget Comparison

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Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	63.17	63.17	66.17	66.17	63.17	66.17	3.00	4.75%
Personal Services	3,079,773	3,533,944	3,809,917	3,816,970	6,613,717	7,626,887	1,013,170	15.32%
Operating Expenses	1,286,857	1,478,902	1,800,704	1,806,244	2,765,759	3,606,948	841,189	30.41%
Equipment & Intangible Assets	207,276	215,934	717,276	347,276	423,210	1,064,552	641,342	151.54%
Grants	3,219,520	3,608,848	3,637,482	3,637,482	6,828,368	7,274,964	446,596	6.54%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	2,281	2,282	2,281	2,281	4,563	4,562	(1)	(0.02%)
Total Costs	\$7,795,707	\$8,839,910	\$9,967,660	\$9,610,253	\$16,635,617	\$19,577,913	\$2,942,296	17.69%
General Fund	297,219	354,599	815,641	816,128	651,818	1,631,769	979,951	150.34%
State Special	5,414,738	5,968,637	6,946,836	6,587,009	11,383,375	13,533,845	2,150,470	18.89%
Federal Special	2,083,750	2,516,674	2,205,183	2,207,116	4,600,424	4,412,299	(188,125)	(4.09%)
Total Funds	\$7,795,707	\$8,839,910	\$9,967,660	\$9,610,253	\$16,635,617	\$19,577,913	\$2,942,296	17.69%

Program Description

The Agricultural Sciences Division (ASD) 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 program; 5) seed, feed and fertilizer program; 6) organic certification; 7) nursery program; 8) apiary program; and 9) commodity programs. Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The program provides support to the Montana Noxious Weed Management Advisory Council, Noxious Weed Seed Free Forage Advisory Council, Montana Noxious Weed Summit Advisory Council, Montana Organic Commodity Advisory Council, Montana Mint Committee, and the Cooperative Agricultural Pest Survey Advisory Council.

Program Highlights

Agricultural Services Division	
Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The budget increases by 18 percent over the 2009 biennium primarily due to statewide present law adjustments, base adjustments for increase operational expense and expansion of the noxious weed grants ◆ The executive seeks to establish an invasive species management program with a one-time only appropriation of \$1.0 million general fund ◆ The budget contains \$350,000 in one-time-only funding to address equipment and storage needs at the lab ◆ The division submitted one goal with multiple objectives 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Legislation is required to implement the invasive species management program ◆ The submitted objectives do not allow for further review 	

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee selected the following goal to monitor during the 2009 interim:

- Increase the funding for noxious weed management, research, and education projects to help reduce the overall infestation of weeds in Montana.
 - The number of grant applications received and the number of grant applications funded
 - The dollar amount of grant applications received and the dollar amount funded
 - Percent of state's weed infested acres treated with Noxious Weed Trust Fund grants
 - Summary of the coordinated activities of all parties included in the Montana Weed Management Plan

Results: The agency notes that the number of acres treated with NWTF grants averages 65,000 acres annually, and that 7.4 million acres of Montana's 94 million acres are infested with noxious weeds, making the percentage of the state's weed infested acres treated with NWTF grants 0.88 percent (65,000 divided by 7,400,000).

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim:

- To provide agricultural producers and consumers commodity and environmental protection through the administration of the Montana laws and rules in the areas of pesticides, groundwater monitoring, noxious weed control, feeds, fertilizers, seed, anhydrous ammonia, grain commodity dealers, public warehousemen, nurseries, produce, mint, honey bees, alfalfa leaf-cutting bees and other services including organic certification, pest management consulting, laboratory analysis, pest surveys, export certification and quarantines.

Noxious Weed Management Program

- Assist county weed districts, local governments, tribes and landowners in halting the spread of listed weeds through management of the Montana Noxious Weed Trust Fund and other weed funds.
- Provide technical expertise and general assistance on noxious weed information and noxious weed management techniques.
- Work with university researchers, educators and others to expand weed control options and coordinate biological weed control efforts.

LFD ISSUE	The program objectives are not specific, measurable or timely, and therefore do not allow for future program evaluation regarding progress toward the division's goal. Subsequently they do not provide the legislature the information needed to adequately align program resources. This is particularly critical as the executive is requesting an additional \$2.0 million for this program. The legislature may wish to discuss with the division how projects will be measured.
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Groundwater Management Program

- Protect groundwater and the environment from impairment or degradation from the use or misuse of agricultural chemicals.
- Provide for education and training of agricultural product applicators and the public regarding groundwater protection, agricultural chemical use, and the use of alternative agricultural methods

**LFD
ISSUE**

The objectives are not measurable or timely. Since the ground water protection program maintains a network of wells to monitor for degradation, objectives could be based on the data received from those wells to indicate whether degradation has occurred over a period of time. The legislature may wish to discuss with the agency the types of data they have available to provide more appropriate measures of success toward the division's goal.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 297,219	3.8%	\$ 815,641	8.2%	\$ 816,128	8.5%
01100 General Fund	297,219	3.8%	815,641	8.2%	816,128	8.5%
02000 Total State Special Funds	5,414,738	69.5%	6,946,836	69.7%	6,587,009	68.5%
02037 Mint Committee	5,309	0.1%	15,350	0.2%	15,350	0.2%
02068 Noxious Weed Admin Account	2,153,339	27.6%	2,665,654	26.7%	2,667,793	27.8%
02071 Anhydrous Ammonia Account	20,465	0.3%	35,063	0.4%	35,165	0.4%
02072 Manuals & Training Account	22,929	0.3%	25,015	0.3%	25,071	0.3%
02192 Pesticide Groundwater Account	886,531	11.4%	1,249,448	12.5%	1,077,241	11.2%
02193 Pesticide Account	810,346	10.4%	1,216,227	12.2%	1,022,013	10.6%
02198 Fert. Groundwater Account	22,094	0.3%	24,212	0.2%	24,289	0.3%
02264 Organic Certification	137,209	1.8%	197,607	2.0%	197,900	2.1%
02265 Fsi Produce	184,578	2.4%	184,036	1.8%	184,769	1.9%
02266 Commodity Dealer/Warehouse	55,153	0.7%	72,756	0.7%	72,954	0.8%
02267 Nursery Account	123,306	1.6%	141,647	1.4%	142,218	1.5%
02268 Produce Account	271,511	3.5%	288,869	2.9%	289,398	3.0%
02269 Seed Account	51,701	0.7%	74,305	0.7%	74,589	0.8%
02341 Weed Seed Free Forage Account	24,453	0.3%	26,401	0.3%	26,409	0.3%
02452 Commercial Fertilizer	256,371	3.3%	284,648	2.9%	285,215	3.0%
02454 Commercial Feed	343,713	4.4%	403,065	4.0%	403,998	4.2%
02792 Apiary Account	45,730	0.6%	42,533	0.4%	42,637	0.4%
03000 Total Federal Special Funds	2,083,750	26.7%	2,205,183	22.1%	2,207,116	23.0%
03118 Agriculture Asd Federal	2,083,750	26.7%	2,205,183	22.1%	2,207,116	23.0%
Grand Total	\$ 7,795,707	100.0%	\$ 9,967,660	100.0%	\$ 9,610,253	100.0%

The division (ASD) is funded from state general fund, state special revenue, federal funds, and proprietary funds. The proprietary funds are an enterprise account and do not receive a direct appropriation in this bill.

General fund is use to support the Bovine Spongiform Encephalopathy (BSE) feed sampling program, including laboratory costs.

State special revenue, the largest funding source for the division, is primarily fees assessed for regulatory activities, product registration and technical services. The comment in DP 3001 in this narrative provides a listing of the various state special revenue funds that support this division.

Federal special revenue includes funds from the US Forest Service, US Department of Agriculture, and the Environmental Protection Agency. Federal funds support noxious weed mitigation, and portions of the BSE feed sampling program.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	297,219	297,219	594,438	36.43%	7,795,707	7,795,707	15,591,414	79.64%
Statewide PL Adjustments	15,422	15,909	31,331	1.92%	650,312	662,881	1,313,193	6.71%
Other PL Adjustments	3,000	3,000	6,000	0.37%	601,100	231,100	832,200	4.25%
New Proposals	500,000	500,000	1,000,000	61.28%	920,541	920,565	1,841,106	9.40%
Total Budget	\$815,641	\$816,128	\$1,631,769		\$9,967,660	\$9,610,253	\$19,577,913	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					731,083					741,290
Vacancy Savings					(152,434)					(152,840)
Inflation/Deflation					13,422					15,356
Fixed Costs					58,241					59,075
Total Statewide Present Law Adjustments					\$650,312					\$662,881
DP 3001 - Program 30 Base Budget Adjustments	0.00	3,000	248,100	0	251,100	0.00	3,000	228,100	0	231,100
DP 3002 - Analytical Lab Equipment - Bien - OTO	0.00	0	350,000	0	350,000	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$3,000	\$598,100	\$0	\$601,100	0.00	\$3,000	\$228,100	\$0	\$231,100
Grand Total All Present Law Adjustments					\$1,251,412					\$893,981

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - The Agricultural Sciences Division has an entry target market of 90 percent with exceptions provided as needed for difficult to fill positions such as chemist, entomologists, and hydrologists. The current market rate in relation to the 2008 market survey is 96 percent
- **Vacancy** - The program is challenged to hire experienced, specialized agricultural specialists. The recruiting efforts are extensive and positions once vacant can be held open a number of months pending selection of the right candidate
- **Legislatively applied vacancy savings** - In FY 2008 the program realized 7.31 percent in vacancies savings due to difficulty hiring agricultural specialists, resignations, and the movement of employees within the agency
- **Pay Changes** - In FY 08 the agency moved to the broadband pay plan and the following adjustments were made in accordance with our MPEA negotiated pay plan rules outside of HB 13
 - 01/05/08 – All employees received a strategic pay retention adjustment of 25 cents per hour
 - Plant Science Specialist market adjustment for internal equity
 - 02/01/08 – All non-probationary employees were moved to 90 percent of market
 - Plant Science Specialists market adjustment for supervisor role
 - Chemical Technicians strategic pay retention adjustment

- Operations Manager strategic pay retention adjustment
- 03/15/08 – Plant Science Specialist market adjustment for lead worker role
- 06/07/08 – Auditor strategic pay retention adjustment
- **Retirements** - Four employees will be eligible for full retirement in the FY 2011 biennium with an unfunded liability of approximately \$90,000. The program does not anticipate any retirements during the 2009 biennium

DP 3001 - Program 30 Base Budget Adjustments - The executive budget includes \$251,100 FY 2010 and \$231,100 FY 2011 general, state special revenue and proprietary funds for base budget adjustments within the division as follows:

- BSE Inspections Program \$3,000 general fund per year increase for new office rent in Havre
- Mint Program revenues of \$10,350 for contract services/research and Mint Committee per diem
- Noxious Weed Management Program \$52,050 state special revenue to re-establish advisory council per diem and meeting costs, supplies, and travel
- Anhydrous Ammonia Program \$4,000 of assessment fees for field inspection supplies and travel
- Manual Training Program state special revenue of \$2,000 per year for printing training manuals
- Groundwater Program \$53,500 of product registration fees for contracted services, field supplies, printing services, MSU utilities for the Analytical Laboratory in Bozeman and a replacement vehicle
- Pesticide Program adjustments include \$89,000 of state special revenue for private pesticide applicator training, MSU utilities for the Analytical Laboratory in Bozeman, travel, field supplies and a replacement vehicle in FY 2010 only
- Commodity Warehouse Program \$6,000 for travel and new office rent in Forsyth
- Produce Program \$9,700 for printed forms, per diem, travel and field office rent
- Seed Program \$6,000 for MSU Seed Lab sample fees and travel
- Noxious Weed Seed Free Forage Program \$2,500 for twine and twine storage
- Fertilizer Program \$9,000 for field inspection supplies and travel
- Feed Program \$4,000 for field inspection supplies and travel

LFD COMMENT Large Base Adjustment - As presented the base adjustment does not allow the legislature to examine changes to any particular program without specifically segregating the program from the adjustment. In examining the detail of this adjustment no significant program issues were noted. The submitted detail of this decision package is summarized in the figure below.

Summary of Expenditures and Funding for DP 3001 Agricultural Services Division Base Budget Adjustment			
Category	FY 2010	FY 2011	Biennial
Expenditures			
61300 Other Compensation	\$5,600	\$5,600	\$11,200
62100 Other Services	71,500	71,500	143,000
62200 Supplies & Materials	33,000	33,000	66,000
62400 Travel	51,500	51,500	103,000
62500 Rent	9,500	9,500	19,000
62600 Utilities	50,000	50,000	100,000
63100 Equipment	<u>30,000</u>	<u>10,000</u>	<u>40,000</u>
Total Expenditures	<u>\$251,100</u>	<u>\$231,100</u>	<u>\$482,200</u>
Funding			
01100 General Fund	\$3,000	\$3,000	\$6,000
02037 Mint Committee	10,350	10,350	20,700
02068 Noxious Weed Admin Account	52,050	52,050	104,100
02071 Anhydrous Ammonia Account	4,000	4,000	8,000
02072 Manuals & Training Account	2,000	2,000	4,000
02192 Pesticide Groundwater Account	53,500	53,500	107,000
02193 Pesticide Account	89,000	69,000	158,000
02266 Commodity Dealer/Warehouse	6,000	6,000	12,000
02268 Produce Account	9,700	9,700	19,400
02269 Seed Account	6,000	6,000	12,000
02341 Weed Seed Free Forage Account	2,500	2,500	5,000
02452 Commercial Fertilizer	9,000	9,000	18,000
02454 Commercial Feed	<u>4,000</u>	<u>4,000</u>	<u>8,000</u>
Total Funds	<u>\$251,100</u>	<u>\$231,100</u>	<u>\$482,200</u>

DP 3002 - Analytical Lab Equipment - Bien - OTO - The executive requests \$350,000 one-time-only biennial state special revenue authority to purchase a replacement Micromass Quattro Ultima LC/MS/MS instrument used for testing metabolite residues in pesticide and groundwater samples for the Analytical Laboratory in Bozeman. This would expand the lab's ability to report on metabolite residues and which may result in lower pesticide reporting and providing more helpful information to program regulators for decision making.

New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3003 - Continue Noxious Weed Trust Fund Grants Increase										
30	1.00	0	420,541	0	420,541	1.00	0	420,565	0	420,565
DP 3005 - Invasive Species Advisory Council Bien/OTO (Requires Legislation)										
30	2.00	500,000	0	0	500,000	2.00	500,000	0	0	500,000
Total	3.00	\$500,000	\$420,541	\$0	\$920,541 *	3.00	\$500,000	\$420,565	\$0	\$920,565 *

DP 3003 - Continue Noxious Weed Trust Fund Grants Increase - The executive requests \$420,000 of state special revenue each year of the biennium to continue the Noxious Weed Trust Fund grants at levels established during the 2007 Legislature and approved as one-time-only. This includes funding for 1.00 FTE to assist in managing and monitoring grant projects and the increase in program costs attributed to the increase of the noxious weed trust fund by \$5 million.

DP 3005 - Invasive Species Advisory Council Bien/OTO (Requires Legislation) - The executive requests 1.0 FTE and \$500,000 general fund each year of the biennium to fund the Invasive Species Advisory Council and its efforts to stop the spread of invasive species in Montana. Funding is recommended as one-time-only and biennial and is contingent on passage and approval of LC 0424.

Justification

This proposal is submitted to provide authority to address the threat of invasive species, a mechanism to coordinate the state's efforts, and a state strategic plan. Agencies responsible for combating invasive species have identified areas of authority they lack to prevent the introduction and the ability to respond to the presence of these species. Existing state, federal, and private efforts could be enhanced and more effective if they were coordinated rather than limited (time, people, and funding) individual efforts. Development of the advisory council will serve as the infrastructure needed to coordinate the existing efforts and plan for future needs. A strategic plan is needed to identify and prioritize threats; determine appropriate plans of actions including public awareness, education, prevention, detection (surveying and monitoring), emergency response, management and control, and restoration; coordinate mechanisms; and coordinate resource needs (funding).

Project Outcomes

- Create an advisory council
- Grant additional authority needed to effectively prevent, respond to, control, and manage invasive species
- Provide a mechanism of collaboration and coordination of invasive species efforts in the state
- Develop a state invasive species strategic plan to guide the state's efforts
- Increase awareness and engage the public

Performance Criteria

Key progress points include the creation of an advisory council; successful recruitment of 2.00 FTE, an administrative specialist and an administrative assistant, and completion of a statewide invasive species strategic plan.

Progress may also be measured through:

- Administrative rulemaking undertaken
- Education/training efforts completed
- Awareness products produced, i.e., brochures, factsheets, website development, billboards
- Surveys conducted
- Inspections completed
- Check stations conducted
- Management areas designated
- Meetings attended (to coordinate, collaborate, and act as a liaison)
- Prevention of invasive species introductions
- Invasive species eradicated, controlled, or managed
- State agency actions completed, i.e., processing of requests such as petitions for noxious weed listing and exotic animal classification decisions

Milestones

- | | <i>Expected Completion Date</i> |
|-----------------------------------------------------------------------|---------------------------------|
| ○ Creation of the Montana Invasive Species Advisory Council | July 2009* |
| ○ Recruitment of administrative specialist and administrative support | July 2009 |
| ○ Identification of immediate threats | December 2009 |

- | | |
|--------------------------------|---------------------------|
| ○ Awareness/outreach strategy | March 2010 |
| ○ Statewide strategic plan | December 2010 |
| ○ Administrative rule making | June 2011, then as needed |
| ○ Check stations | On-going, seasonal |
| ○ Management area designations | On-going, as needed |
| ○ Coordination/collaboration | On-going |
| ○ Response to invasive species | On-going |

*Assumes an effective legislation date of July 1, 2009

FTE

The work will be completed by the newly formed Montana Invasive Species Advisory Council. The advisory council will be administratively attached to the MDA and staffed by an administrative specialist and administrative assistant whose primary responsibilities will be to accomplish the goals of the council.

Funding

The funding is proposed as a one-time-only general fund appropriation. It is estimated that the Invasive Species Advisory Council and staff functions will be ongoing. Costs in the 2013 biennium to the general fund are estimated to be \$500,000 each year.

Obstacles

Challenges to implementing this proposal include:

- Coordinating individuals, organizations, and agencies involved in invasive species within the state and the regional and national level
- Effectively educating and engaging the public
- Managing invasive species entry points into the state
- Adequately funding invasive species efforts, particularly those related to emergency response

Risk

If the proposal is not adopted, the infrastructure will not be established and a well coordinated effort will not be realized. The proposal includes the completion of an invasive species statewide strategic plan to guide the state. If the proposal is not adopted, a statewide strategic plan will not be completed. The proposal identifies the needed funding to accomplish the purpose of the proposal. If the proposal is not adopted, the funding will not be available.

**LFD
ISSUE****Multiple Issues Exist**

The department is requesting \$1.0 million one-time only general fund for a program that has not been defined in statute, does not have measureable objectives, and is on-going in nature.

General Fund is Only Funding Source Identified

It is unclear why general fund is the only fund source utilized for this purpose. The agency did not justify why any other funding source was appropriate in the expanded justification.

Statutory Definition

This proposal is contingent upon the passage and approval of LC 424. The assumption is being made that the legislation will provide guidance regarding the council and its responsibilities and how those responsibilities are to be carried out. Without the ability to review the proposed legislation, the legislature may not be able to appropriately align resources with statutory requirements. As of this writing, the drafting process for this legislation has not begun.

Objectives are not measurable

The justification for the program is to combat invasive species through the development of a strategic plan. If this is true, the objectives should address when a publicly approved plan should be completed. As written, the objectives are items that should be addressed in a strategic plan that has yet to be developed.

On-going program

The expanded justification clearly states that this proposal, if approved, would require support in the 2013 biennium. If the one-time only appropriation is to provide the funding to develop a strategic plan, the 2013 legislature would need to determine the validity of allocating resources to implement the plan. If the legislature intends to utilize the one-time only restriction in this manner, accompanying language in HB 2 may be necessary to further restrict the appropriation to the development of the plan.

Given the multiple issues with this proposal, legislature may wish to consider one or more of the following:

- Review the enabling legislation prior to taking action on the decision package and adjust the appropriation to align with the requirements of the enabling legislation
- Utilize language in HB 2 to clarify the intent of the one-time only appropriation
- Disapprove the decision package
- Discuss with the agency other potential funding sources

Proprietary Rates**Proprietary Program Description**

The Alfalfa Leaf-cutting Bee Program (fund 06011) was established in Title 80, Chapter 6 Part 11, MCA. 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 analysis.

LFD COMMENT	<p>Definition The Alfalfa Leafcutter Bee (<i>Megachile rotundata</i>) is a European species of bee that has been cultured in the United States for pollination purposes and has also become feral and widespread. It does not build colonies or store honey, but is a very efficient pollinator of alfalfa seed, and some other vegetables.</p>
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Funding

Fees are charged for certification and registration of alfalfa leaf-cutting bees in Montana and for laboratory expenses.

Program Narrative

Program expenses and expenditures are for laboratory and field testing activities performed by the department.

Proprietary Rate Explanation

Fees are charged for certification and registration of alfalfa leaf-cutting bees in Montana and for laboratory expenses. The fees are set by rule.

	Actual 2008	Budgeted 2009	Projected 2010	Projected 2011
Beginning Working Capital Balance	\$2,377	\$2,403	\$4,253	\$6,103
Operating Expenses	0	58,200	58,200	58,200
<u>Operating Revenues</u>				
Loan Fees	0	60,000	60,000	60,000
Investment Earnings	25	50	50	50
Other Revenues	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Revenues	26	60,050	60,050	60,050
Operating Gain (Loss)	26	1,850	1,850	1,850
Ending Working Capital Balance	<u>\$2,403</u>	<u>\$4,253</u>	<u>\$6,103</u>	<u>\$7,953</u>

LFD ISSUE	<p>Proprietary Fund Not Necessary</p> <p>The purpose of the Alfalfa Leaf Cutting Bee program is to provide services to protect and certify bee populations in Montana. In enacting the program the legislature clearly stated that the fees were to support this program and placed the funding into an enterprise fund. (80-6-1109, MCA) The legislature could meet the original intent of the program and appropriate the funds in HB 2 by eliminating the need for an enterprise fund and establishing a state special revenue fund for the same purpose. The legislature would then review this program as part of the department’s regular activities. To make this change the legislature would need to amend 80-6-1109, MCA.</p>
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Service	Actual 2008	Actual 2009	Proposed 2010	Proposed 2011
<u>A License</u>				
Sample Analysis	30.00	30.00	30.00	30.00
Sample Certification Fee	30.00	30.00	30.00	30.00
Sex Ratio Analysis	20.00	20.00	20.00	20.00
<u>B License</u>				
Owner Registration Fee	15.00	15.00	15.00	15.00

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	38.37	38.37	39.37	39.37	38.37	39.37	1.00	2.61%
Personal Services	1,239,745	1,789,471	1,814,454	1,817,426	3,029,216	3,631,880	602,664	19.90%
Operating Expenses	1,421,022	1,681,786	2,206,255	2,213,009	3,102,808	4,419,264	1,316,456	42.43%
Equipment & Intangible Assets	0	61,091	70,000	70,000	61,091	140,000	78,909	129.17%
Grants	1,262,753	1,050,271	2,529,003	2,532,753	2,313,024	5,061,756	2,748,732	118.84%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Total Costs	\$3,923,520	\$4,582,619	\$6,619,712	\$6,633,188	\$8,506,139	\$13,252,900	\$4,746,761	55.80%
General Fund	389,752	414,321	595,705	595,933	804,073	1,191,638	387,565	48.20%
State Special	3,213,371	3,775,505	5,506,850	5,518,683	6,988,876	11,025,533	4,036,657	57.76%
Federal Special	15,276	25,128	40,260	40,259	40,404	80,519	40,115	99.28%
Other	305,121	367,665	476,897	478,313	672,786	955,210	282,424	41.98%
Total Funds	\$3,923,520	\$4,582,619	\$6,619,712	\$6,633,188	\$8,506,139	\$13,252,900	\$4,746,761	55.80%

Program Description

The Agricultural Development Division (ADD) administers programs to promote Montana agriculture through market development and enhancement. Assistance is given toward commercialization of traditional as well as 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 following bureaus: Rural Development, Wheat and Barley, Agriculture Marketing & Business Development and the State Grain Laboratory. The State Grain Laboratory provides grades, protein determinations, malting barley germination, and falling number tests for contract settlement prices between buyers and sellers of grain crops in Montana.

Program Highlights

Agricultural Development Division Major Program Highlights	
<ul style="list-style-type: none"> ◆ The executive is requesting \$2.4 million in additional authority for increased wheat and barley commission activities ◆ The executive proposes to switch grain lab funds with general fund to stabilize lab funding ◆ The division submitted one goal with multiple objectives 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The funding switch from grain lab fees to general fund in the lab represents a major policy change ◆ A strategic plan for the wheat and barley increase should be reviewed ◆ The submitted objectives do not allow for further review 	

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee selected the following goal to monitor during the 2009 interim:

- Assist in increasing sales of Montana's agricultural products and the success and profitability of agricultural businesses and operations
 - Meet annually with at least 50 Montana companies, organizations and/or individuals to discuss marketing and business development activities and resources

LFD COMMENT

A report on progress toward this goal will be available in December of 2008

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim.

Division Goal: To enhance, expand and diversify Montana's agricultural economy, thereby improving the general economy of the state of Montana by providing services which include market and agri-business development, Growth Through Agriculture investments, wheat and barley research and marketing, agriculture loans, beginning farmer/rancher loans, hail insurance, grain grading and inspection, and administration of agricultural commodity research and market development programs.

State Grain Laboratory Bureau

Objectives:

- Provide timely, official, objective and accurate test results to buyers and sellers of Montana grain under standards set by the USDA Federal Grain Inspection Service
- Provide timely, official, sampling services and testing of other Montana commodities

LFD ISSUE

The objectives are written to support the on-going process of testing grain. The objectives do not provide a means to determine if the on-going process is successful. This could be determined by analyzing sample testing time, sample quality indicators, or the need to repeat samples. The executive is seeking an infusion of general fund into the lab's budget, and the legislature may wish to consider these objectives when aligning resources.

Wheat & Barley Bureau

Objectives:

- Provide support for the Montana Wheat and Barley Committee
- Develop marketing knowledge and markets
- Determine new uses for wheat and barley
- Develop alternative crops for rotation with wheat and barley
- Carry out all research and marketing contemplated by Title 80, Chapter 11, part 2

LFD ISSUE

The program objectives are not specific, measurable or timely, and therefore do not allow for future program evaluation regarding progress toward the division's goal. In addition, significant program expansion is being requested based upon these objectives. Please see the Wheat and Barley Adjustment issue in the Program Issues section.

Program Issue:

LFD ISSUE Wheat and Barley Adjustments
 The administratively attached Wheat and Barley Committee is responsible for conducting research into the production, marketing, and uses of wheat and barley. This activity is to be accomplished through contracting with units of the Montana University System or other local, state, or national organizations. Statute (80-11-205, MCA) prohibits this activity from being completed directly by department through hired researchers and scientific personnel. The funding for the program is from the annual assessment of 12.5 mills per bushel of wheat and 20 mills per hundredweight of barley. A mill is about one tenth of one cent.

The Committee has an adjusted base budget of \$2.1 million funded solely with assessments. The executive is proposing two adjustments to the committee’s budget, a present law adjustment of \$490,000 per year in DP 5001, and a program expansion of \$1.2 million per year in DP 5010. The net affect of the decision packages would raise the committee’s base budget to approximately \$3.8 million. This represents an 81 percent increase to the program. The figure below illustrates the combined impact of the two decision packages.

The legislature needs to examine this program as a whole in order to align the appropriation with the statutorily defined purpose of the committee. In the submitted goals and objectives, (as referenced below in *2011 Biennium Major Goals*) the committee’s objectives are not clear, nor can any progress made by the committee be measured. If the objective is to develop market knowledge and markets, what is the legislature approving for purchase? Is it a new market for wheat and/or barley or is it insight on the current market? And how will success be measured? As the executive has proposed this large of an increase, a discussion regarding how the funding will impact producers and ultimately how that impact will be measured is important. Therefore, the legislature may wish to review and discuss with the agency the strategic plan for the committee prior to taking any action.

Department of Agriculture Biennial Requests for the Wheat and Barley Commission			
Category	Present Law DP 5001	New Proposal DP 5010	Combined Request 2011 Biennium
Personal Services	\$0	\$109,102	\$109,102
Overtime	24,000	0	24,000
Per Diem	16,000	0	16,000
Consultation & Professional Services	300,000	390,000	690,000
Publications & Graphics	0	10,000	10,000
Out-of-State Transportation	0	40,000	40,000
Foreign Travel	0	100,000	100,000
Training	0	20,000	20,000
Autos & Trucks	40,000	40,000	80,000
Educational Grants	600,000	1,700,000	2,300,000
	<u>\$980,000</u>	<u>\$2,409,102</u>	<u>\$3,389,102</u>

To do this the legislature would need to:

- o Request the Wheat and Barley Committee provide a strategic plan, with goals and measureable objectives that support program expansion
- o Align resources to match that plan

The technical budget activities would include:

- o Segregating the present law adjustment for the Committee from DP 5001 by reducing the decision package by \$490,000 each year of the biennium
- o Create a new present law adjustment for the Committee to reflect the on-going costs of the program prior to any expansion
- o Evaluate DP 5010 base on the Committee’s strategic plan and provide appropriate resources to meet that plan

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Agricultural Development Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 389,752	9.9%	\$ 595,705	9.0%	\$ 595,933	9.0%
01100 General Fund	389,752	9.9%	595,705	9.0%	595,933	9.0%
02000 Total State Special Funds	3,213,371	81.9%	5,506,850	83.2%	5,518,683	83.2%
02040 Wheat & Barley Research & Mktg	2,223,435	56.7%	3,930,023	59.4%	3,930,979	59.3%
02066 Agriculture In Mt Schools Act.	8,235	0.2%	10,000	0.2%	10,000	0.2%
02268 Produce Account	4,062	0.1%	2,000	0.0%	2,000	0.0%
02340 Coal Sev. Tax Shared Ssr	489,599	12.5%	795,376	12.0%	796,394	12.0%
02453 Grain Services	477,040	12.2%	737,316	11.1%	738,675	11.1%
02461 Alfalfa Seed Assessment	9,566	0.2%	24,385	0.4%	24,385	0.4%
02466 Misc Ag Donations	1,434	0.0%	-	-	-	-
02582 Certified Natural Beef	-	-	7,750	0.1%	16,250	0.2%
03000 Total Federal Special Funds	15,276	0.4%	40,260	0.6%	40,259	0.6%
03225 Agriculture Add Federal	15,276	0.4%	40,260	0.6%	40,259	0.6%
06000 Total Proprietary Funds	305,121	7.8%	476,897	7.2%	478,313	7.2%
06052 Hail Insurance	305,121	7.8%	476,897	7.2%	478,313	7.2%
Grand Total	\$ 3,923,520	100.0%	\$ 6,619,712	100.0%	\$ 6,633,188	100.0%

General fund supports division administration, agricultural markets, and agriculture statistic functions. The Governor is proposing that general fund subsidize the grain lab in the 2011 biennium.

State and other special revenue consist of wheat and barley sales taxes, coal severance tax collections, grain testing fees, alfalfa seed assessments, private donations, income tax check offs for Agriculture in Montana Schools, and interest earnings. The Growth Through Agriculture (GTA) program receives a share of 5.46 percent of coal severance tax collections to fund grants and operations of the Agriculture Development Council for the Montana Growth Through Agriculture Act.

Federal special revenue is from federal grants used to develop agriculture markets, marketing projects, and related operating costs.

Proprietary funds are from hail insurance and are used to pay the administrative costs of the Hail Insurance Program.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	389,752	389,752	779,504	65.41%	3,923,520	3,923,520	7,847,040	59.21%
Statewide PL Adjustments	56,953	57,181	114,134	9.58%	507,549	512,509	1,020,058	7.70%
Other PL Adjustments	24,000	24,000	48,000	4.03%	984,100	992,600	1,976,700	14.92%
New Proposals	125,000	125,000	250,000	20.98%	1,204,543	1,204,559	2,409,102	18.18%
Total Budget	\$595,705	\$595,933	\$1,191,638		\$6,619,712	\$6,633,188	\$13,252,900	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					543,134					546,210
Vacancy Savings					(71,318)					(71,438)
Inflation/Deflation					3,498					3,901
Fixed Costs					32,235					33,836
Total Statewide Present Law Adjustments					\$507,549 *					\$512,509 *
DP 5001 - Program 50 Base Budget Adjustments	0.00	24,000	584,950	25,000	684,100 *	0.00	24,000	593,450	25,000	692,600 *
DP 5006 - GTA Act Coal Severance Tax -OTO	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
Total Other Present Law Adjustments	0.00	\$24,000	\$884,950	\$25,000	\$984,100 *	0.00	\$24,000	\$893,450	\$25,000	\$992,600 *
Grand Total All Present Law Adjustments					\$1,491,649 *					\$1,505,109 *

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - Agricultural Development Division has an entry target market of 90 percent with exceptions provided as needed for difficult to fill positions such as business development specialists. The current market rate in relation to the 2008 market survey is 90 percent.
- **Vacancy** - The program is challenged to hire part-time as needed hail adjustors and grain laboratory graders. The workload drives the recruiting efforts and as these are temporary skilled positions the pool is often limited.
- **Legislatively applied vacancy savings** - This year the program realized 34.28% in vacancy savings due to a reduced need for some part-time temporary staff and difficulties in recruiting and maintaining a skilled part-time temporary staff
- **Pay Changes** –
 - In FY 08 the agency moved to the broadband pay plan and the following adjustments were made in accordance with our MPEA negotiated pay plan rules outside of HB 13
 - 01/05/08 – All employees received a strategic pay retention adjustment of 25 cents per hour.
 - 01/19/08 – Operations Manager market adjustment for internal equity
 - 02/01/08 – All non-probationary employees were moved to 90 percent of market
 - Business Development Specialists market adjustment for supervisor role
 - Business Development Specialists market adjustment for lead role
 - Administrative Specialist market adjustment for supervisor role
 - Business Operations Supervisor strategic pay retention
 - Operations Manager strategic pay retention
 - The pay changes noted above were funded by vacancy savings and specific funding appropriated for the 2009 biennium
- **Retirements** – There are two employee eligible for full retirement with a unfunded compensation liability of \$36,400,

DP 5001 - Program 50 Base Budget Adjustments - The executive budget includes \$684,100 FY2010 and \$692,600 FY2011 general, state special revenue and proprietary funds for base budget adjustments within the division as follows:

- Agriculture Marketing; \$24,000 per year in general fund for overtime, travel, and meeting expenses, \$25,000 for federal grant assistance
- The Wheat & Barley Committee; \$490,000 state special revenue funding per year to restore the base budget authority for committee per diem, overtime, contracts, equipment, and grants
- Agricultural Statistics; \$16,000 state special revenue per year for printing and supplies
- Agriculture in Montana Schools; \$10,000 per year state special revenue funding for overtime and contracted temporary services
- The State Grain Laboratory (SGL); \$46,000 state special revenue funding each year of the biennium for overtime, supplies, travel, and equipment
- Alfalfa Seed Assessment; \$15,200 state special revenue funding each year to restore the Alfalfa Seed Committee member per diem and research grants
- Hail Insurance, \$50,150 enterprise funding each year to restore the Board of Hail Insurance per diem, supplies, and travel
- Certified Natural Beef Marketing; \$7,750 in FY 2010 and \$16,250 in FY 2011 to establish base for contracts, printing, travel, meeting expenses, and grant assistance

**LFD
COMMENT**

The figure below summarizes the base adjustment request.

Summary of Expenditures and Funding for DP 5001 Agricultural Development Division Base Budget Adjustment			
Category	FY 2010	FY 2011	Biennial
Expenditures			
61100 Salaries	\$37,000	\$37,000	\$74,000
61300 Other Compensation	8,350	8,350	16,700
62100 Other Services	167,750	170,500	338,250
62200 Supplies & Materials	23,250	23,250	46,500
62300 Communications	250	400	650
62400 Travel	78,250	79,100	157,350
62800 Other Expenses	3,000	4,000	7,000
63100 Equipment	50,000	50,000	100,000
66100 From State Sources	316,250	320,000	636,250
Total Expenditures	<u>\$684,100</u>	<u>\$692,600</u>	<u>\$1,376,700</u>
Funding			
01100 General Fund	\$24,000	\$ 24,000	\$ 48,000
02040 Wheat & Barley Research & Mktg	504,000	504,000	1,008,000
02066 Agriculture In Mt Schools Act.	10,000	10,000	20,000
02268 Produce Account	2,000	2,000	4,000
02453 Grain Services	46,000	46,000	92,000
02461 Alfalfa Seed Assessment	15,200	15,200	30,400
02582 Certified Natural Beef	7,750	16,250	24,000
03225 Agriculture Add Federal	25,000	25,000	50,000
06052 Hail Insurance	50,150	50,150	100,300
Total Funds	<u>\$684,100</u>	<u>\$692,600</u>	<u>\$1,376,700</u>

**LFD
ISSUE**

Wheat and Barley Adjustment should be segregated - See the Program Issue section of the narrative.

DP 5006 - GTA Act Coal Severance Tax -OTO - The executive requests \$300,000 in authority each year of the biennium from the coal severance tax shared state special revenue fund for the Montana Growth Through Agriculture program. This is one-time only funding.

LFD COMMENT The coal tax shared revenue fund is statutorily designated for libraries, conservation districts, and the Growth Through Agriculture program. The Growth Through Agriculture program funds grants and operations of the Agriculture Development Council which is administratively attached to the Department of Agriculture. The figure summarizes the condition of the fund.

Department of Agriculture Coal Tax Shared State Special Revenue				
	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Balance	\$251,805	\$942,933	\$1,708,969	\$1,001,284
Expenditures				
Montana State Library	550,007	550,007	750,007	750,007
Natural Resources & Conservation	866,781	866,779	1,760,936	1,810,409
Agriculture	371,742	614,368	838,476	809,494
Total Expenditures	1,788,530	2,031,154	3,349,419	3,369,910
Revenues	2,479,658	2,797,190	2,641,734	2,660,793
Ending Fund Balance	\$942,933	\$1,708,969	\$1,001,284	\$292,167

The executive has included \$1.4 million of one-time-only requests from this fund. These requests are for grants to local libraries, conservation districts, and programs within the university system, as well as a software purchase. These one-time-only requests will significantly reduce the fund balance in the account. The fund remains structurally balanced as the ongoing expenditures do not exceed the projected revenues.

New Proposals

Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5009 - State Grain Lab Funding Switch										
50	0.00	125,000	(125,000)	0	0	0.00	125,000	(125,000)	0	0
DP 5010 - Increase Wheat and Barley Authority										
50	1.00	0	1,204,543	0	1,204,543	1.00	0	1,204,559	0	1,204,559
Total	1.00	\$125,000	\$1,079,543	\$0	\$1,204,543 *	1.00	\$125,000	\$1,079,559	\$0	\$1,204,559 *

DP 5009 - State Grain Lab Funding Switch - The executive requests \$125,000 general fund each year of the biennium to support the State Grain Lab.

LFD ISSUE Funding Formulas
The department is required by statute to maintain an official protein testing laboratory. The state grain laboratory (lab) fulfills this purpose. The lab has been traditionally funded with fees for the services provided. A recent legislative performance audit by the Legislative Audit Division of the State Grain Lab determined that the lab is an important asset to the state, but has limited ability to control its primary revenue stream from samples inspected to maintain its viability. The audit recommended that the department seek additional or alternative funding sources to maintain the grain lab's viability. The executive proposes that the alternative funding source be general fund.

The funding matrix for the lab is a policy decision of the legislature. Approving this decision package would establish a new policy to provide on-going general fund support to the lab. This proposed policy supports the idea that the general public benefits from having a state grain lab. If the main objective of the lab is to provide timely, official, objective and accurate test results to buyers and sellers of Montana grain, then there may not be a direct correlation to the general public. However, if the lab inspects for disease, and keeps disease out of the food chain, there would be a public health benefit to the lab. In examining the goals and objectives of the lab, the latter seems to be implied but not explicitly stated.

The executive's proposal would create a funding matrix of 15 percent general fund and 85 percent lab fees. The fees for the lab are set in rule and at the control of the department. An increase to such fees is not considered in this proposal. This proposal makes the assumption that the grain lab is charging adequate rates, there are no other alternative sources of

state special revenue, and there is a public health benefit to having a grain lab. The legislature may wish to consider one or more of the following:

- Establish a statutory funding formula. This options would require a committee bill
- Do not establish a funding formula in statute, but establish a funding formula through appropriations that reflects legislative policy
 - Fund the executive request
 - Establish some other formula that reflects policy on how much the lab provides a general public benefit and how much the producers benefit with having a state lab
- Deny the decision package and request the department establish fees at a level to support the lab

DP 5010 - Increase Wheat and Barley Authority - The executive requests an increase in state special revenue funding of \$1,204,543 in FY 2010 and \$1,204,559 in FY 2011 to support wheat and barley production in Montana. This request includes converting 1.00 modified FTE to permanent, one vehicle replacement per year, increased travel, contracts and training as well as increased grant authority.

**LFD
ISSUE**

Wheat and Barley Adjustment – See the discussion in the Program Issue section

Proprietary Program Description

Hail Insurance

Program Proposed Budget

The following table summarizes the total executive budget proposal for the Hail Insurance Program by year.

Hail Insurance Fund (06052) - Proposed Budget					
	Base	FY2010 Adjustments	FY2010 Total	FY2011 Adjustments	FY2011 Total
FTE	7.72	0.00	7.72	0.00	7.72
61000 Personal Services	216,731	103,205	319,936	103,781	320,512
62000 Operating Expenses	88,390	68,571	156,961	69,411	157,801
Total Costs	\$305,121	\$171,776	\$476,897	\$173,192	\$478,313

Program Description

The Hail Insurance program (fund 06052) has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for crops grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.9 million acres of crops with coverage exceeding \$85 million each year. The program pays for 3.17 permanent FTE and 4.55 seasonal FTE to support program operations.

Funding

The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers. The Department of Revenue issues the insurance policies to producers.

Program Narrative

A reserve fund is maintained to provide security for the program's financial responsibilities. The fund is required to be maintained at a level which is actuarially sound based on annual review by an accredited actuarial consultant. This assures that adequate funds are available to pay any losses, even in a catastrophic year should it occur.

- Revenues
 - Revenues are dependent upon the number of policies written for producers in a given year and investment earnings.
- Expenditures
 - Cash obligations are determined by the ongoing administrative expenses of the program, end of the season hail board approved refunds to persons insured, and an annual transfer of 3.5 percent of the gross annual fees imposed and collected, 2 percent to the Department of Revenue and 1.5 percent to the general fund at fiscal year end.

The following figure shows historical and anticipated future sources and use of funds for the operation of the fund that finances this program.

	Actual 2008	Budgeted 2009	Projected 2010	Projected 2011
Beginning Working Capital Balance	\$12,117,911	\$9,078,421	\$9,774,911	\$6,378,821
Operating Expenses	11,063,715	7,182,878	11,240,152	11,241,581
Operating Revenues				
Hail Insurance Premium	7,717,879	7,500,000	7,500,000	7,500,000
Hail Insurance Premium Penalties	12,614	13,000	13,000	13,000
Investment Earnings	402,077	400,000	400,000	400,000
Other Revenues	<u>12,953</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total Operating Revenues	8,145,523	7,913,100	7,913,100	7,913,100
Operating Gain (Loss)	(2,918,192)	730,222	(3,327,052)	(3,328,481)
Transfers In (out)	<u>(121,298)</u>	<u>(33,732)</u>	<u>(69,038)</u>	<u>(69,038)</u>
Ending Working Capital Balance	<u>\$9,078,421</u>	<u>\$9,774,911</u>	<u>\$6,378,821</u>	<u>\$2,981,302</u>

Present Law Adjustments

New Proposals

Statute allows for the appropriation of this fund for effective and efficient administration of the hail insurance program. These changes are included in the HB 2 portion of this budget.

The remaining funds are statutorily appropriated to the board for claims and refunds.

Proprietary Rates

The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers. The Department of Revenue then issues the insurance policies to producers.

Farm and Ranch Loan Program

Program Proposed Budget

The following figure summarizes the total executive budget proposal for the Montana Beginning Farm/Ranch Loan Program by year.

Beginning Farm & Ranch Loan Program (06016) - Proposed Budget					
	Base	FY2010 Adjustments	FY2010 Total	FY2011 Adjustments	FY2011 Total
FTE	0.50	0.00	0.50	0.00	0.50
61000 Personal Services	0	0	0	0	0
62000 Operating Expenses	<u>0</u>	<u>58,200</u>	<u>58,200</u>	<u>58,200</u>	<u>58,200</u>
Total Costs	<u>\$0</u>	<u>\$58,200</u>	<u>\$58,200</u>	<u>\$58,200</u>	<u>\$58,200</u>

Program Description

The Montana Beginning Farm/Ranch Loan Program is a tax-exempt bond program designed to assist beginning farmers and ranchers in the state to acquire agricultural property at lower interest rates.

The program enables lenders, individuals, partnerships, corporations, and other entities (financial institutions) to receive federally tax-exempt interest with respect to a loan or contract sale made to a beginning farmer or rancher. The financial institution, after arranging the loan or sales contract, will obtain from the Montana Agriculture Loan Authority (the "Authority"), a federally tax-exempt bond in the amount of the loan or unpaid balance.

The loan and its collateral are assigned to the financial Institution as security for the bond. In the case of a contract sale, the Authority enters into the contract, and the financial institution receives the bond to evidence the Authority's obligations under the contract. The Authority's right, title and interest in the contract will then be assigned to the beginning farmer/rancher, who assumes payment obligations under the contract.

Once the program is operational, it will fund a 0.50 FTE and related operating expenses. The FTE will not be filled until revenue will support it.

Program Narrative

- Revenues
 - Funds are generated by the sale of bonds and investment earnings.
- Expenditures
 - The beginning farm/ranch program uses its funds to promote and administer the loan program and funds are only expended as needed. No loans were made in the last biennium.

The following figure shows historical and anticipated future sources and use of funds for the operation of the fund that finances this program.

2009 Biennium Report on Internal Services Funds				
	Actual 2008	Budgeted 2009	Projected 2010	Projected 2011
Beginning Working Capital Balance	\$2,377	\$2,403	\$4,253	\$6,103
Operating Expenses	0	58,200	58,200	58,200
<u>Operating Revenues</u>				
Loan Fees	0	60,000	60,000	60,000
Investment Earnings	25	50	50	50
Other Revenues	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Revenues	26	60,050	60,050	60,050
Operating Gain (Loss)	26	1,850	1,850	1,850
Ending Working Capital Balance	<u>\$2,403</u>	<u>\$4,253</u>	<u>\$6,103</u>	<u>\$7,953</u>

Proprietary Rates

Applicants pay a \$50 application fee and a loan participation fee of 1.5 percent of the value of the bond.