

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	557.69	557.69	544.78	544.78	557.69	544.78	(12.91)	(2.31%)
Personal Services	30,785,701	32,075,682	33,071,589	33,086,794	62,861,383	66,158,383	3,297,000	5.24%
Operating Expenses	13,570,700	14,810,173	15,591,566	15,613,424	28,380,873	31,204,990	2,824,117	9.95%
Equipment & Intangible Assets	1,096,462	1,361,495	945,497	945,497	2,457,957	1,890,994	(566,963)	(23.07%)
Capital Outlay	122,204	69,788	122,204	122,204	191,992	244,408	52,416	27.30%
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	1,376,647	1,397,342	1,576,647	1,576,647	2,773,989	3,153,294	379,305	13.67%
Benefits & Claims	0	0	200,000	200,000	0	400,000	400,000	n/a
Transfers	1,218,390	1,228,444	1,336,352	1,331,665	2,446,834	2,668,017	221,183	9.04%
Debt Service	383,275	473,419	473,418	473,418	856,694	946,836	90,142	10.52%
<b>Total Costs</b>	<b>\$48,553,379</b>	<b>\$51,416,343</b>	<b>\$53,317,273</b>	<b>\$53,349,649</b>	<b>\$99,969,722</b>	<b>\$106,666,922</b>	<b>\$6,697,200</b>	<b>6.70%</b>
General Fund	21,831,342	22,453,450	22,862,577	22,884,095	44,284,792	45,746,672	1,461,880	3.30%
State Special	24,837,687	26,886,999	28,405,216	28,412,000	51,724,686	56,817,216	5,092,530	9.85%
Federal Special	1,884,350	2,075,894	2,049,480	2,053,554	3,960,244	4,103,034	142,790	3.61%
<b>Total Funds</b>	<b>\$48,553,379</b>	<b>\$51,416,343</b>	<b>\$53,317,273</b>	<b>\$53,349,649</b>	<b>\$99,969,722</b>	<b>\$106,666,922</b>	<b>\$6,697,200</b>	<b>6.70%</b>

### Agency Description

Mission: To help ensure Montana's land and water resources provide benefits for present and future generations.

The department is responsible for managing state trust land; protecting Montana's natural resources from wildfire; promoting stewardship of state water, soil, forest, and rangeland resources; providing assistance to the conservation districts; providing natural resource conservation education; and providing support to the Reserved Water Rights Compact Commission and the Board of Oil and Gas Conservation.

The department consists of seven divisions with the following functions:

The Centralized Services Division (41.5 FTE) provides management and administrative services for the department. This includes such activities as accounting, budgeting human resources, department leadership, and legal services.

The Oil and Gas Conservation Division (21.5 FTE) is responsible for programs operated for the prevention of resource waste through regulation of oil and gas exploration and production. This division supports the quasi-judicial Board of Oil and Gas that is charged with regulation of the industry.

The Conservation and Resources Development Division (25.5 FTE) provides administrative, legal, and technical assistance and financial grants to the conservation districts and manages natural resource conservation and development grant and loan programs for local governments, state agencies, and private individuals.

The Water Resource Division (156.25 FTE) is responsible for the administration of all water use within the state, including: maintaining the database for all water rights, managing state water projects, investigating water use violations, ensuring dam safety compliance, and providing water adjudication support to the Water Court

The staff of the Reserved Water Rights Compact Commission (5.0 FTE) provide administrative and technical support to the members of the commission who are charged with negotiating water rights claims of Indian Tribes and federal agencies which claim federal reserved water rights within the state, to establish an out of court settlement regarding the amount of water to be allocated to each interest.

The Forestry Division (170.28 FTE) is responsible for planning and implementing forestry programs statewide.

Forestry responsibilities include protecting Montana's natural resources from wildfire; regulating forest practices, providing a variety of services to private forest landowners, enforcing streamside management zone regulations; administering Montana's Fire Hazard Reduction Law; providing technical forestry assistance to private landowners, businesses, and communities; and growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

The Trust Land Management division (137.66 FTE) is responsible for the management of the state trust land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land. This work is done under the direction of the Board of Land Commissioners (land board comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State), who are constitutionally charged to oversee trust resources. The department director is the chief administrative officer of the board.

### Agency Highlights

<b>Department of Natural Resources and Conservation Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The biennial budget increases by \$6.7 million or 6.7% from the previous biennium</li> <li>◆ General fund increases by 3.3% primarily due to statewide present law adjustments</li> <li>◆ State special revenue increases by 9.8% primarily due to increases for the education program operated by the Oil and Gas Conservation Program and statewide present law adjustments</li> <li>◆ Major initiatives in the executive budget are: <ul style="list-style-type: none"> <li>• General fund personal services reductions totaling \$1.3 million and 10.5 FTE</li> <li>• Transfer of 3.5 FTE to the water court</li> </ul> </li> </ul>

### Summary of Legislative Action

The legislature approved a biennial budget of \$106.7 million, of which 55% is derived from state special revenue. The total budget includes \$6.8 million in statewide present law adjustments, \$2.6 million in present law adjustments, and \$102,000 of new proposals.

Major biennial budget items include:

- \$3.0 million to fund the educational and research activities tied to the Board of Oil and Gas
- \$380,200 reduction of water adjudication fund authority which was subsequently budgeted to the Water Court to address changing work loads
- \$2.1 million in base reductions from the adoption of the agency's submitted plan to reduce general fund and certain state special revenue by 5%

### Agency Discussion

#### *FTE Impacts*

The legislature reduced the size of the agency by 12.91 FTE. These reductions, as summarized in Figure 1, are the result of the legislature generally implementing the 4% general fund personal services reduction requested by the Governor and the agency-submitted 5% reduction plan.

Figure 1  
Department of Natural Resources and Conservation  
Approved FTE Changes

DP #	Description	FTE	FY 12	FY 13
55400	4% General Fund Personal Services Reduction	(10.25)	(670,155)	(669,606)
2455	Transfer of Funds to Water Court	(1.50)	(55,111)	(54,976)
55247	Resource Allocation Transfer to Water Court	(2.00)	(90,250)	(90,036)
56553	Restore Forestry Position	0.84	70,515	70,515
	Total	<u>(12.91)</u>	<u>(\$745,001)</u>	<u>(\$744,103)</u>
	Biennium Total			<u>(\$1,489,104)</u>

*Fire Suppression Fund*

The legislature set aside funds to cover the cost of wildland fire suppression in the special session of September of 2007. With the passage and approval of HB 604, the legislature transferred \$3.0 million of this fund to the general fund. The status of the fire suppression fund is summarized in the figure.

Fire Suppression Fund <i>in Millions</i>	
FY 2010 Ending Balance	\$24.4
FY 2011 Costs to Date	2.8
Transfer to General Fund	<u>3.0</u>
Estimated Funds Remaining	<u>\$18.6</u>

**Funding**

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

Total Agency Funding 2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
21 Centralized Services	\$ 5,093,943	\$ 1,380,863	\$ 495,717	\$ 6,970,523	6.53%
22 Oil & Gas Conservation Div.	-	7,690,537	215,102	7,905,639	7.41%
23 Conservation/Resource Dev Div	1,970,873	7,899,702	630,356	10,500,931	9.84%
24 Water Resources Division	16,423,738	7,800,194	362,020	24,585,952	23.05%
25 Reserved Water Rights Comp Com	1,169,234	-	-	1,169,234	1.10%
35 Forestry/Trust Lands	21,088,884	32,045,920	2,399,839	55,534,643	52.06%
Grand Total	<u>45,746,672</u>	<u>56,817,216</u>	<u>4,103,034</u>	<u>106,666,922</u>	100.00%

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

**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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	21,831,342	21,831,342	43,662,684	95.44%	48,553,379	48,553,379	97,106,758	91.04%
Statewide PL Adjustments	2,378,611	2,364,267	4,742,878	10.37%	3,413,075	3,404,846	6,817,921	6.39%
Other PL Adjustments	90,060	125,434	215,494	0.47%	1,299,920	1,340,199	2,640,119	2.48%
New Proposals	(1,437,436)	(1,436,948)	(2,874,384)	(6.28%)	50,899	51,225	102,124	0.10%
<b>Total Budget</b>	<b>\$22,862,577</b>	<b>\$22,884,095</b>	<b>\$45,746,672</b>		<b>\$53,317,273</b>	<b>\$53,349,649</b>	<b>\$106,666,922</b>	

**Other Legislation**

HB 49 – This bill authorizes the sale of bonds to fund the Blackfeet water compact. The department may issue and sell \$16.0 million in general obligation bonds to pay the state's costs for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian reservation.

HB 58- This legislation revises the Fort Belknap People's Creek account and designates the Peoples Creek minimum flow account within the Fort Belknap-Montana compact as a state special revenue account.

HB 76 – This bill eliminates floodway obstruction removal fee assessed by DNRC. It relieves the agency of the power to remove obstructions in floodways and eliminates the obstruction permit fee and the floodway obstruction removal fund.

HB 79 – This bill establishes a statutory appropriation for certain interest and income in the Blackfeet water rights compact mitigation account to implement the water rights compact.

HB 93 – The legislation allows revenue from forfeited hazard reduction agreement performance bonds for timber slash removal to be deposited in a state special revenue fund and provides the DNRC with state special revenue fund spending authority for the completion of timber harvest clean-up activities.

HB 107 - This bill clarifies that royalties must be paid to the state under coal lease contracts and requires the payment of royalties on a coal lease be of the essence in a lease contract. Interest also must be paid on delinquent coal royalty payments.

HB 165 – This bill deposits certain trust land and river bed income to the guarantee account. It provides that income received from certain islands, abandoned riverbeds, riverbeds, and power sites be deposited in the guarantee account until July 1, 2014, at which time revenues would be deposited to the school facility and technology account.

SB 35 – This legislation clarifies laws related to the beds of navigable rivers and defines a "navigable river." It provides rulemaking authority to the Board of Land Commissioners to provide for leases, license, or easements to use the beds of navigable rivers and requires authorizations from the Board of Land Commissioners to use the beds of navigable rivers.

SB 38 – This bill revises laws related to the treatment of state trust land interest and income revenue. The term "state trust land" is also defined.

SB 87 - This bill authorizes forgiveness of loan principal and expenditure of funds to meet other federal incentives, conditions, and requirements in the Water Pollution Control and Drinking Water state revolving funds.

SB 409 – This legislation revises the method to establish rental fees and sale of state trust land cabin sites.

SB 410 – This bill expends PPL v. MT proceeds on higher producing land to benefit public schools. It requires that settlement received by the state of Montana from PPL from riverbed use litigation must be used to purchase higher-producing state lands while selling lower-producing state lands.

### Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg - Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg - Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	557.69	545.44	544.78	(0.66)	545.44	544.78	(0.66)	
Personal Services	30,785,701	33,172,302	33,071,589	(100,713)	33,187,369	33,086,794	(100,575)	(201,288)
Operating Expenses	13,570,700	15,007,359	15,591,566	584,207	15,032,295	15,613,424	581,129	1,165,336
Equipment & Intangible Assets	1,096,462	945,497	945,497	0	945,497	945,497	0	0
Capital Outlay	122,204	122,204	122,204	0	122,204	122,204	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	1,376,647	1,476,647	1,576,647	100,000	1,476,647	1,576,647	100,000	200,000
Benefits & Claims	0	200,000	200,000	0	200,000	200,000	0	0
Transfers	1,218,390	1,274,250	1,336,352	62,102	1,269,339	1,331,665	62,326	124,428
Debt Service	383,275	473,418	473,418	0	473,418	473,418	0	0
<b>Total Costs</b>	<b>\$48,553,379</b>	<b>\$52,671,677</b>	<b>\$53,317,273</b>	<b>\$645,596</b>	<b>\$52,706,769</b>	<b>\$53,349,649</b>	<b>\$642,880</b>	<b>\$1,288,476</b>
General Fund	21,831,342	23,133,278	22,862,577	(270,701)	23,155,910	22,884,095	(271,815)	(542,516)
State/Other Special	24,837,687	27,487,205	28,405,216	918,011	27,495,450	28,412,000	916,550	1,834,561
Federal Special	1,884,350	2,051,194	2,049,480	(1,714)	2,055,409	2,053,554	(1,855)	(3,569)
<b>Total Funds</b>	<b>\$48,553,379</b>	<b>\$52,671,677</b>	<b>\$53,317,273</b>	<b>\$645,596</b>	<b>\$52,706,769</b>	<b>\$53,349,649</b>	<b>\$642,880</b>	<b>\$1,288,476</b>

The legislature approved a biennial budget \$7.1 million higher than the executive request. This increase is attributable to appropriations made for the oil and gas education program, the development of additional fire equipment, and the extension of the jump start forest restoration program. Decreases of general fund were offset by increases in state special revenue.

### Language and Statutory Authority

The legislature included the following language in HB 2.

"Centralized Services includes a reduction in general fund money of \$54,015 in FY 2012 and \$53,788 in FY 2013. The agency may allocate this reduction in funding among programs when developing 2013 biennium operating plans."

"Education funding is restricted to the uses outlined in 82-11-111(7), MCA."

"The department is appropriated up to \$600,000 for the 2013 biennium from the natural resources operations account established in 15-38-301 for the purchase of prior liens on property held as loan security as provided by 85-1-615."

"The department is appropriated up to \$333,000 for the 2013 biennium from the coal bed methane protection account established in 76-15-904 for potential landowner or water right holder claims for emergency loss of water related to coal bed methane development."

"The department is authorized to decrease federal special revenue in the Pollution Control and/or Drinking Water Revolving Fund Loan programs and increase state special revenue by a like amount within administration accounts when the amount of federal EPA CAP grant funds allocated for administration of the grant have been expended or federal funds and bond proceeds will be used for other program purposes as authorized in law providing for the distribution of funds."

"During the 2013 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account is appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility."

"During the 2013 biennium, up to \$100,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project."

"During the 2013 biennium, up to \$500,000 of funds currently in or to be deposited in the state project hydropower earnings account is appropriated for the purpose of repairing, improving, or rehabilitating department state water projects."

"Lease Payments is restricted to reimbursing the veterans home trust for public use of the associated trust lands."

"The department is appropriated up to \$23 million of funds from the fire suppression account for the purpose of paying fire suppression costs."

The legislature approved the following language appropriation:

"If Senate Bill No. 410 is passed and approved, the department is appropriated up to \$60,885,000 for the 2013 biennium from the public land trust acquisition account for the purpose of carrying out the provisions of Senate Bill No. 410."

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	41.50	41.50	40.50	40.50	41.50	40.50	(1.00)	(2.41%)
Personal Services	2,567,203	2,615,571	2,616,281	2,619,222	5,182,774	5,235,503	52,729	1.02%
Operating Expenses	851,098	811,493	908,274	826,746	1,662,591	1,735,020	72,429	4.36%
<b>Total Costs</b>	<b>\$3,418,301</b>	<b>\$3,427,064</b>	<b>\$3,524,555</b>	<b>\$3,445,968</b>	<b>\$6,845,365</b>	<b>\$6,970,523</b>	<b>\$125,158</b>	<b>1.83%</b>
General Fund	2,489,938	2,663,621	2,592,553	2,501,390	5,153,559	5,093,943	(59,616)	(1.16%)
State Special	593,855	596,616	686,226	694,637	1,190,471	1,380,863	190,392	15.99%
Federal Special	334,508	166,827	245,776	249,941	501,335	495,717	(5,618)	(1.12%)
<b>Total Funds</b>	<b>\$3,418,301</b>	<b>\$3,427,064</b>	<b>\$3,524,555</b>	<b>\$3,445,968</b>	<b>\$6,845,365</b>	<b>\$6,970,523</b>	<b>\$125,158</b>	<b>1.83%</b>

### Program Description

The Centralized Services Division provides managerial and administrative support services to the department through: 1) the Director's Office, which includes the director, legal staff, and public information; and 2) support services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and the mail room. The division also coordinates the state's Restoration Program.

### Program Highlights

<b>Centralized Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The biennial budget increases by \$125,000 or 1.8% from the previous biennium</li> <li>◆ General fund decreases by 1.2% primarily due to the net of various reductions and increases for statewide present law adjustments</li> <li>◆ State special revenue funds increase by 16% due to statewide present law adjustments</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table							
Centralized Services							
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	\$ 2,489,938	72.8%	\$ 2,592,553	73.6%	\$ 2,501,390	72.6%
	01100 General Fund	2,489,938	72.8%	2,592,553	73.6%	2,501,390	72.6%
02000	Total State Special Funds	593,855	17.4%	686,226	19.5%	694,637	20.2%
	02039 Forestry-Fire Protection Taxes	74,995	2.2%	78,549	2.2%	79,586	2.3%
	02052 Rangeland Improvement Loans	14,999	0.4%	15,709	0.4%	15,917	0.5%
	02073 Forestry - Slash Disposal	5,000	0.1%	5,237	0.1%	5,306	0.2%
	02145 Broadwater O & M	9,699	0.3%	10,159	0.3%	10,293	0.3%
	02340 Coal Sev. Tax Shared Ssr	9,999	0.3%	-	-	-	-
	02430 Water Right Appropriation	35,496	1.0%	37,177	1.1%	37,670	1.1%
	02431 Water Adjudication	114,994	3.4%	145,345	4.1%	147,047	4.3%
	02432 Oil & Gas Era	69,939	2.0%	73,253	2.1%	74,221	2.2%
	02449 Forest Resources-Forest Improv	38,247	1.1%	-	-	-	-
	02576 Natural Resources Operations Ssr Ft	-	-	24,901	0.7%	25,011	0.7%
	02825 Water Well Contractors	5,000	0.1%	5,237	0.1%	5,306	0.2%
	02938 Tlmd - Administration	215,487	6.3%	290,659	8.2%	294,280	8.5%
03000	Total Federal Special Funds	334,508	9.8%	245,776	7.0%	249,941	7.3%
	03255 Csd Federal Indirect	334,508	9.8%	245,776	7.0%	249,941	7.3%
Grand	Total	\$ 3,418,301	100.0%	\$ 3,524,555	100.0%	\$ 3,445,968	100.0%

The division is funded from revenue sources used throughout the department on a shared basis. The state special revenue funds are allocated to cover the cost of services provided to other programs in the department. The federal revenue is a portion of the federal funds provided for overhead costs.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,489,938	2,489,938	4,979,876	97.76%	3,418,301	3,418,301	6,836,602	98.08%
Statewide PL Adjustments	276,789	185,469	462,258	9.07%	295,881	217,298	513,179	7.36%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(174,174)	(174,017)	(348,191)	(6.84%)	(189,627)	(189,631)	(379,258)	(5.44%)
<b>Total Budget</b>	<b>\$2,592,553</b>	<b>\$2,501,390</b>	<b>\$5,093,943</b>		<b>\$3,524,555</b>	<b>\$3,445,968</b>	<b>\$6,970,523</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted by the legislature. “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.

	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					283,611					286,266
Vacancy Savings					(114,031)					(114,140)
Inflation/Deflation					12					472
Fixed Costs					126,289					44,700
<b>Total Statewide Present Law Adjustments</b>		<b>\$276,789</b>	<b>\$107,824</b>	<b>(\$88,732)</b>	<b>\$295,881</b>		<b>\$185,469</b>	<b>\$116,396</b>	<b>(\$84,567)</b>	<b>\$217,298</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$276,789</b>	<b>\$107,824</b>	<b>(\$88,732)</b>	<b>\$295,881</b>	<b>0.00</b>	<b>\$185,469</b>	<b>\$116,396</b>	<b>(\$84,567)</b>	<b>\$217,298</b>

### New Proposals

Program	-----Fiscal 2012-----					-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 7501 - Reduction in SSR - Change in Revenue Allocation	21	0.00	0	(15,453)	0	(15,453)	0.00	0	(15,614)	0	(15,614)
DP 55400 - 4% General Fund Personal Services Reduction-CSD	21	(1.00)	(79,980)	0	0	(79,980)	(1.00)	(80,050)	0	0	(80,050)
DP 95100 - 5% Plan - Centralized Services	21	0.00	(40,179)	0	0	(40,179)	0.00	(40,179)	0	0	(40,179)
DP 97100 - Reduction in Workers Compensation Costs	21	0.00	(54,015)	0	0	(54,015)	0.00	(53,788)	0	0	(53,788)
<b>Total</b>	<b>(1.00)</b>	<b>(\$174,174)</b>	<b>(\$15,453)</b>	<b>\$0</b>	<b>(\$189,627)</b>	<b>(1.00)</b>	<b>(\$174,017)</b>	<b>(\$15,614)</b>	<b>\$0</b>	<b>(\$189,631)</b>	

DP 7501 - Reduction in SSR - The legislature approved a reduction in expenditures from the coal shared fund used to support the Centralized Services Division.

DP 55400 - 4% General Fund Personal Services Reduction-CSD - The legislature approved a 4% reduction in general fund personal services budgets as proposed by the Governor. This decision package reduces the Centralized Services Division (CSD) by \$79,980 in FY 2012 and \$80,050 in FY 2013. The reduction includes the elimination of 1.00 FTE. CSD will eliminate a restoration coordinator position and related operating costs associated with the position.

DP 95100 - 5% Plan - Centralized Services - The legislature approved a reduction in operating expenses for the Centralized Services Division. The agency included this in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 97100 - Reduction in Workers Compensation Costs - The legislature reduced general fund support for worker's compensation costs based upon the anticipated impact of HB 334. The agency may allocate this reduction in funding among programs.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	21.50	21.50	21.50	21.50	21.50	21.50	0.00	0.00%
Personal Services	1,062,138	1,286,593	1,314,604	1,315,899	2,348,731	2,630,503	281,772	12.00%
Operating Expenses	769,821	746,893	2,588,197	2,590,789	1,516,714	5,178,986	3,662,272	241.46%
Equipment & Intangible Assets	48,075	249,721	48,075	48,075	297,796	96,150	(201,646)	(67.71%)
Grants	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,880,034</b>	<b>\$2,283,207</b>	<b>\$3,950,876</b>	<b>\$3,954,763</b>	<b>\$4,163,241</b>	<b>\$7,905,639</b>	<b>\$3,742,398</b>	<b>89.89%</b>
State Special	1,772,483	2,148,265	3,843,325	3,847,212	3,920,748	7,690,537	3,769,789	96.15%
Federal Special	107,551	134,942	107,551	107,551	242,493	215,102	(27,391)	(11.30%)
<b>Total Funds</b>	<b>\$1,880,034</b>	<b>\$2,283,207</b>	<b>\$3,950,876</b>	<b>\$3,954,763</b>	<b>\$4,163,241</b>	<b>\$7,905,639</b>	<b>\$3,742,398</b>	<b>89.89%</b>

### Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) performs engineering studies; 7) determines incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects; 8) operates the underground injection control program; 9) plugs orphan wells; and 10) collects and maintains complete well data and production information.

### Program Highlights

Oil and Gas Conservation Division Major Budget Highlights	
◆	The biennial budget increases by \$3.7 million or 90% from the previous biennium
◆	The increase is attributed to statewide present law adjustments and the appropriation of \$3.0 million for the education and research program operated by the board
◆	The division does not receive any general fund

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table Oil & Gas Conservation Div.						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 1,772,483	94.3%	\$ 3,843,325	97.3%	\$ 3,847,212	97.3%
02432 Oil & Gas Era	1,772,483	94.3%	3,843,325	97.3%	3,847,212	97.3%
03000 Total Federal Special Funds	107,551	5.7%	107,551	2.7%	107,551	2.7%
03356 Oil & Gas Federal	107,551	5.7%	107,551	2.7%	107,551	2.7%
Grand Total	<u>\$ 1,880,034</u>	<u>100.0%</u>	<u>\$ 3,950,876</u>	<u>100.0%</u>	<u>\$ 3,954,763</u>	<u>100.0%</u>

The division is funded through taxes levied on oil and gas wells and the class II annual operating fee. By statute (15-36-331, MCA), a percentage of oil production taxes and natural gas taxes are deposited to the account for the board's use. The Board of Oil and Gas Conservation (BOGC) is authorized by statute (82-11-131, MCA) to set privilege and license taxes up to 3/10 of 1% of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-331, MCA. The privilege and license tax is currently set at 30% of the maximum allowed by statute. Section 82-11-137, MCA provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$200.

### 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	1,880,034	1,880,034	3,760,068	47.56%
Statewide PL Adjustments	0	0	0	0.00%	262,088	265,953	528,041	6.68%
Other PL Adjustments	0	0	0	0.00%	58,754	58,776	117,530	1.49%
New Proposals	0	0	0	0.00%	1,750,000	1,750,000	3,500,000	44.27%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$3,950,876</b>	<b>\$3,954,763</b>	<b>\$7,905,639</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature. "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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					306,939					308,286
Vacancy Savings					(54,473)					(54,525)
Inflation/Deflation					4,690					6,434
Fixed Costs					4,932					5,758
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$262,088</b>	<b>\$0</b>	<b>\$262,088</b>		<b>\$0</b>	<b>\$265,953</b>	<b>\$0</b>	<b>\$265,953</b>
DP 2203 - Regulatory Program Operating Adjustment	0.00	0	31,823	0	31,823	0.00	0	31,845	0	31,845
DP 2206 - UIC Program Operating Adjustment	0.00	0	26,931	0	26,931	0.00	0	26,931	0	26,931
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$58,754</b>	<b>\$0</b>	<b>\$58,754</b>	<b>0.00</b>	<b>\$0</b>	<b>\$58,776</b>	<b>\$0</b>	<b>\$58,776</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$320,842</b>	<b>\$0</b>	<b>\$320,842</b>	<b>0.00</b>	<b>\$0</b>	<b>\$324,729</b>	<b>\$0</b>	<b>\$324,729</b>

DP 2203 - Regulatory Program Operating Adjustment - The legislature approved an operational adjustment for:

- o Contracted legal services due to ongoing and anticipated litigation of \$16,400 per year
- o Billings office janitorial increase of \$15,173 per year
- o Helena office rent reduction offset by an increase in janitorial costs and inclusion of property taxes for \$812

DP 2206 - UIC Program Operating Adjustment - The legislature approved an operational adjustment for:

- o Engineering and legal services for the underground injection control program of \$23,600 per year
- o Billings office janitorial increase of \$6,662 per year

**New Proposals**

New Proposals										
-----Fiscal 2012-----						-----Fiscal 2013-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2250 - EPA Primacy for CO2 (RST/BIEN/OTO)										
22	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 2551 - Educational funding - RST - BIEN										
22	0.00	0	1,500,000	0	1,500,000	0.00	0	1,500,000	0	1,500,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,750,000</b>	<b>\$0</b>	<b>\$1,750,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,750,000</b>	<b>\$0</b>	<b>\$1,750,000</b>

DP 2250 - EPA Primacy for CO2 (RST/BIEN/OTO) - The legislature approved state special revenue authority for the purpose of covering the cost for Montana to obtain primacy of the coming EPA regulations for CO2 injections.

DP 2551 - Educational funding - RST - BIEN - The legislature approved a restricted biennial appropriation to fund educational and research activities of the Board of Oil and Gas per 82-11-111(7), (MCA)

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	25.50	25.50	25.15	25.15	25.50	25.15	(0.35)	(1.37%)
Personal Services	1,507,721	1,632,560	1,699,436	1,697,881	3,140,281	3,397,317	257,036	8.19%
Operating Expenses	2,024,943	2,007,325	2,029,198	2,038,860	4,032,268	4,068,058	35,790	0.89%
Equipment & Intangible Assets	25,622	45,141	25,622	25,622	70,763	51,244	(19,519)	(27.58%)
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	1,192,156	1,212,851	1,292,156	1,292,156	2,405,007	2,584,312	179,305	7.46%
Benefits & Claims	0	0	200,000	200,000	0	400,000	400,000	n/a
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$4,750,442</b>	<b>\$4,897,877</b>	<b>\$5,246,412</b>	<b>\$5,254,519</b>	<b>\$9,648,319</b>	<b>\$10,500,931</b>	<b>\$852,612</b>	<b>8.84%</b>
General Fund	1,386,521	1,439,057	982,461	988,412	2,825,578	1,970,873	(854,705)	(30.25%)
State Special	3,188,282	3,163,084	3,953,348	3,946,354	6,351,366	7,899,702	1,548,336	24.38%
Federal Special	175,639	295,736	310,603	319,753	471,375	630,356	158,981	33.73%
<b>Total Funds</b>	<b>\$4,750,442</b>	<b>\$4,897,877</b>	<b>\$5,246,412</b>	<b>\$5,254,519</b>	<b>\$9,648,319</b>	<b>\$10,500,931</b>	<b>\$852,612</b>	<b>8.84%</b>

### Program Description

The Conservation and Resource Development Division provides technical, administrative, financial and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The programs include the state revolving fund, which at the end of FY 2010 included \$472 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$33 million, and private loans for \$19.1 million. Grant programs administered by the division include the Reclamation and Development, Renewable Resource, and Conservation District grant programs.

### Program Highlights

<b>Conservation and Resource Development Division</b>	
<b>Major Budget Highlights</b>	
◆	The biennial budget increases by \$853,000 or 8.8% from the previous biennium.
◆	The general fund budget decreases by 30% due to a funding switch to state special revenue and personal services reductions
◆	State special revenue increases by 24% due to: <ul style="list-style-type: none"> <li>● Statewide present law adjustments</li> <li>● \$200,000 in increased support to the Conservation Districts</li> <li>● \$400,000 in drinking loan assistance to local communities</li> <li>● A funding switch from general fund</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table							
Conservation/Resource Dev Div							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013	
01000 Total General Fund	\$ 1,386,521	29.2%	\$ 982,461	18.7%	\$ 988,412	18.8%	
01100 General Fund	1,386,521	29.2%	982,461	18.7%	988,412	18.8%	
02000 Total State Special Funds	3,188,282	67.1%	3,953,348	75.4%	3,946,354	75.1%	
02015 Tsep Regional Water System	711,814	15.0%	674,500	12.9%	671,500	12.8%	
02052 Rangeland Improvement Loans	9,104	0.2%	9,104	0.2%	9,104	0.2%	
02152 Wtr Pol. Ctrl Revolv Loan Acct	-	-	-	-	-	-	
02223 Wastewater Srf Special Admin	116,664	2.5%	-	-	-	-	
02255 Srf Principal Sub Account	-	-	-	-	-	-	
02270 Treasure State Endowment	27,979	0.6%	-	-	-	-	
02316 Go94B/Ban 93D Admin	23,339	0.5%	25,039	0.5%	25,889	0.5%	
02340 Coal Sev. Tax Shared Ssr	1,544,836	32.5%	2,193,207	41.8%	2,189,650	41.7%	
02432 Oil & Gas Era	-	-	103,000	2.0%	103,000	2.0%	
02433 Grazing District Fees	24,325	0.5%	24,325	0.5%	24,325	0.5%	
02488 Drinking Water Loan Account	-	-	-	-	-	-	
02489 Drinking Water Principal Acct	-	-	-	-	-	-	
02490 Drinking Water Investment	-	-	200,000	3.8%	200,000	3.8%	
02491 Drinking Water Spec Admin Cost	-	-	-	-	-	-	
02499 Go 2010B Dw Refd Proc	-	-	-	-	-	-	
02532 Ww Ran Proceeds	-	-	-	-	-	-	
02533 Dw Ran Proceeds	-	-	-	-	-	-	
02576 Natural Resources Operations Ssr Ft	690,903	14.5%	549,173	10.5%	547,886	10.4%	
02684 Go 2010C Ww Srf Proc	-	-	-	-	-	-	
02694 Coal Bed Methane Protection	39,318	0.8%	175,000	3.3%	175,000	3.3%	
02971 Srf Go Bond 2000F Tax Nps/Rcb	-	-	-	-	-	-	
02981 Go 2010B Dw Srf Proc	-	-	-	-	-	-	
02995 Go 2003E Dw Wef Proceeds	-	-	-	-	-	-	
03000 Total Federal Special Funds	175,639	3.7%	310,603	5.9%	319,753	6.1%	
03052 Ww Srf Fy09 Stimulus	-	-	-	-	-	-	
03058 Dw Srf Fy09 Stimulus	-	-	-	-	-	-	
03149 Wpc Srf Fy06 Grant	-	-	-	-	-	-	
03178 Res Dev & Cons - Fed	35,637	0.8%	35,637	0.7%	35,637	0.7%	
03245 Wastewater Treatment Grant	-	-	124,964	2.4%	-	-	
03457 Wpc Srf 05/08 Grant	-	-	-	-	129,114	2.5%	
03586 Dw Srf Fy 12	-	-	150,002	2.9%	-	-	
03595 Dw Srf Fy 13	-	-	-	-	155,002	2.9%	
03815 Dw Srf 09 Grant	140,002	2.9%	-	-	-	-	
Grand Total	\$ 4,750,442	100.0%	\$ 5,246,412	100.0%	\$ 5,254,519	100.0%	

General fund supports program administration, salaries, and operating expenses. Funding from the natural resource operations fund is used to administer the Reclamation and Development Grants Program (RDGP) and the Renewable Resources Grant and Loan Program (RRGLP). Coal severance tax is used to cover division administrative costs and provide grants to conservation districts for natural resource related projects such as streambed stabilization, soil conservation, educational activities, and demonstrations of new technologies. The remaining sources of state special revenue are program specific and support such activities as the Montana Grass Commission and the Treasure State Endowment Program.

#### *Coal Severance Tax Shared Account*

The legislature appropriates funds from the coal severance tax shared account for this program, the Department of Agriculture's Growth through Agriculture program and for general support of the Montana State Library. The legislature utilized this fund to reduce general fund and natural resources funds in the department's budget and fund the other programs. The figure below summarizes the appropriations made from the fund. Statute requires the any unencumbered FY 2013 ending fund balance be transferred to the general fund. For the 2015 biennial budget, this fund will have a beginning fund balance of zero.

Department of Natural Resources and Conservation Coal Tax Shared State Special Revenue				
	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Balance	\$1,333,774	\$1,142,275	\$1,070,659	\$872,897
<u>Expenditures</u>				
Montana State Library	629,975	630,007	509,800	509,800
Natural Resources & Conservation	1,635,089	1,686,398	2,179,284	2,175,817
Agriculture	338,523	588,211	366,678	366,631
Total Expenditures	2,603,587	2,904,616	3,055,762	3,052,248
Revenues	\$2,412,088	\$2,833,000	\$2,858,000	\$2,906,000
Ending Fund Balance	\$1,142,275	\$1,070,659	\$872,897	\$726,649

### 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,386,521	1,386,521	2,773,042	140.70%	4,750,442	4,750,442	9,500,884	90.48%
Statewide PL Adjustments	61,487	66,955	128,442	6.52%	230,198	230,822	461,020	4.39%
Other PL Adjustments	3,779	4,262	8,041	0.41%	172,147	179,630	351,777	3.35%
New Proposals	(469,326)	(469,326)	(938,652)	(47.63%)	93,625	93,625	187,250	1.78%
<b>Total Budget</b>	<b>\$982,461</b>	<b>\$988,412</b>	<b>\$1,970,873</b>		<b>\$5,246,412</b>	<b>\$5,254,519</b>	<b>\$10,500,931</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature. "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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					284,568					282,879
Vacancy Savings					(71,659)					(71,590)
Inflation/Deflation					1,564					2,348
Fixed Costs					15,725					17,185
<b>Total Statewide Present Law Adjustments</b>		<b>\$61,487</b>	<b>\$52,047</b>	<b>\$116,664</b>	<b>\$230,198</b>		<b>\$66,955</b>	<b>\$47,203</b>	<b>\$116,664</b>	<b>\$230,822</b>
DP 2301 - CARDD Operating Adjustment	0.00	3,779	34,700	18,300	56,779	0.00	4,262	32,550	27,450	64,262
DP 2303 - Administrative Grants	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 2304 - Conservation Districts Projects 223 Grants	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 2306 - Coal Bed Methane Operating	0.00	0	60,682	0	60,682	0.00	0	60,682	0	60,682
DP 2350 - TSEP Regional Water Adjustment	0.00	0	(45,314)	0	(45,314)	0.00	0	(45,314)	0	(45,314)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,779</b>	<b>\$150,068</b>	<b>\$18,300</b>	<b>\$172,147</b>	<b>0.00</b>	<b>\$4,262</b>	<b>\$147,918</b>	<b>\$27,450</b>	<b>\$179,630</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$65,266</b>	<b>\$202,115</b>	<b>\$134,964</b>	<b>\$402,345</b>	<b>0.00</b>	<b>\$71,217</b>	<b>\$195,121</b>	<b>\$144,114</b>	<b>\$410,452</b>

DP 2301 - CARDD Operating Adjustment - The legislature approved base adjustments for a number of purposes. The biennial adjustment includes:

- o Rent reduction offset by an increase in janitorial costs and inclusion of property taxes for \$8,041
- o Increase in contracted services to assist with grant and loan programs for \$99,000
- o Program support costs such as postage and mailing for \$4,000 and travel for \$10,000

The change in rent is funded with general fund; the remaining adjustments are funded with 60% state special revenue and 40% federal funds.

DP 2303 - Administrative Grants - The legislature approved \$50,000 per year of coal severance revenues for administrative grants to conservation districts. These grants are to assist with operational expenses associated with the district.

DP 2304 - Conservation Districts Projects 223 Grants - The legislature approved \$50,000 of state special revenue each year of the biennium to increase the authority for project grants to conservation districts. This grant program funds projects sponsored by the conservation district under its statutory authority.

DP 2306 - Coal Bed Methane Operating - The legislature approved an additional \$60,682 of state special revenue authority for conservation districts to administer the coal bed methane protection program established under 76-15-901, MCA.

DP 2350 - TSEP Regional Water Adjustment - The legislature reduced authority for the TSEP regional water program to match the administrative costs required to operate the program.

**New Proposals**

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2309 - Drinking Water Loan Assistance - OTO - RST											
23	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000	
DP 2323 - Conservation Districts Bureau Fund Switch											
23	0.00	(400,000)	400,000	0	0	0.00	(400,000)	400,000	0	0	
DP 2324 - Resource Development Bureau Fund Switch											
23	0.00	0	0	0	0	0.00	0	0	0	0	
DP 2355 - MRWS Funding											
23	0.00	0	103,000	0	103,000	0.00	0	103,000	0	103,000	
DP 7551 - Reduction in SSR - Change in Revenue Allocation											
23	0.00	0	0	0	0	0.00	0	0	0	0	
DP 55400 - 4% General Fund Personal Services Reduction-CARDD											
23	(0.35)	(23,858)	0	0	(23,858)	(0.35)	(23,834)	0	0	(23,834)	
DP 95101 - 5% Plan - CARDD Operational Adjustments											
23	0.00	(45,468)	(140,049)	0	(185,517)	0.00	(45,492)	(140,049)	0	(185,541)	
<b>Total</b>	<b>(0.35)</b>	<b>(\$469,326)</b>	<b>\$562,951</b>	<b>\$0</b>	<b>\$93,625</b>	<b>(0.35)</b>	<b>(\$469,326)</b>	<b>\$562,951</b>	<b>\$0</b>	<b>\$93,625</b>	

DP 2309 - Drinking Water Loan Assistance - OTO - RST - The legislature provided a one-time-only restricted appropriation of \$200,000 each year of the biennium to match federal authority for hardship communities in the Safe Drinking Water Program. This allows the program to provide assistance to disadvantaged communities who borrow from the program. The funding is from the interest derived from the investments of the revolving fund.

DP 2323 - Conservation Districts Bureau Fund Switch - The legislature approved a funding shift for the Conservation Districts Bureau from the natural resource operations fund and general fund to the coal severance tax shared account. This change is in order to maintain a positive balance in the natural resource operations fund and to reduce general fund expenditures for the biennium. The coal severance tax shared account may only be used for library services, conservation districts, and the Montana Growth through Agriculture Act.

DP 2324 - Resource Development Bureau Fund Switch - The legislature approved a shift of \$27,979 in FY 2012 and FY 2013 of funding for the Resource Development Bureau from the treasure state endowment fund to the natural resource operations account. This adjustment is due to a change in 90-6-701, MCA that was passed by the 61st Legislature which prohibits DNRC from receiving interest from the treasure state endowment fund for administrative purposes. The natural resource operations account may be used for this purpose.

DP 2355 - MRWS Funding - The legislature approved one-time-only state special revenue to support the Montana Rural Water Systems.

DP 7551 - Reduction in SSR - Change in Revenue Allocation - The legislature approved a fund switch that reduces the coal shared fund used to support CARDD programs by \$75,000 each year of the biennium and increases the authority by a like amount in CBM protection funds. The net impact is zero.

DP 55400 - 4% General Fund Personal Services Reduction-CARDD - The legislature approved the executive recommended 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. This decision package eliminates 0.35 FTE and contracted services of \$5,369 over the biennium.

DP 95101 - 5% Plan - CARDD Operational Adjustments - The legislature reduced the state's support to conservation districts and other local governments. Examples of how operations would be trimmed include reductions in travel, and forgoing the purchase of equipment scheduled for replacement. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	156.25	156.25	147.80	147.80	156.25	147.80	(8.45)	(5.41%)
Personal Services	8,744,986	9,096,659	9,162,744	9,152,798	17,841,645	18,315,542	473,897	2.66%
Operating Expenses	2,568,583	3,007,883	2,591,137	2,601,119	5,576,466	5,192,256	(384,210)	(6.89%)
Equipment & Intangible Assets	66,334	60,101	66,334	66,334	126,435	132,668	6,233	4.93%
Capital Outlay	3,000	3,000	3,000	3,000	6,000	6,000	0	0.00%
Debt Service	379,600	469,744	469,743	469,743	849,344	939,486	90,142	10.61%
<b>Total Costs</b>	<b>\$11,762,503</b>	<b>\$12,637,387</b>	<b>\$12,292,958</b>	<b>\$12,292,994</b>	<b>\$24,399,890</b>	<b>\$24,585,952</b>	<b>\$186,062</b>	<b>0.76%</b>
General Fund	7,752,135	7,832,194	8,212,104	8,211,634	15,584,329	16,423,738	839,409	5.39%
State Special	3,851,507	4,636,764	3,900,220	3,899,974	8,488,271	7,800,194	(688,077)	(8.11%)
Federal Special	158,861	168,429	180,634	181,386	327,290	362,020	34,730	10.61%
<b>Total Funds</b>	<b>\$11,762,503</b>	<b>\$12,637,387</b>	<b>\$12,292,958</b>	<b>\$12,292,994</b>	<b>\$24,399,890</b>	<b>\$24,585,952</b>	<b>\$186,062</b>	<b>0.76%</b>

### Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division manages and maintains the state-owned dams, reservoirs, and canals; develops and recommends in-state, interstate, and international water policy to the director, Governor, and Legislature; administers the Dam Safety, Floodplain Management, and Water Management programs; provides support to the Board of Water Well Contractors; assists the Water Court with the adjudication of pre-July 1, 1973 water rights; administers applications for new water rights, changes in historic water rights, and ownership updates; and is responsible for maintaining centralized water rights records. The division consists of an administration unit and five bureaus: Water Management Bureau, Water Rights Bureau, Water Adjudication Bureau, State Water Projects Bureau, and the Water Operations Bureau. In addition, the Flathead Basin Commission is administratively attached to the department.

### Program Highlights

<b>Water Resources Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The biennial budget increases by \$186,000 or 0.76% from the previous biennium</li> <li>◆ General fund increases by 5% primarily due to the offset between the personal services reduction and the statewide present law adjustments</li> <li>◆ State special revenue decreases by approximately 8% due to reductions associated with transfer of FTE to the water court, other FTE reductions, and statewide present law adjustments</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 7,752,135	65.9%	\$ 8,212,104	66.8%	\$ 8,211,634	66.8%
01100 General Fund	7,752,135	65.9%	8,212,104	66.8%	8,211,634	66.8%
02000 Total State Special Funds	3,851,507	32.7%	3,900,220	31.7%	3,899,974	31.7%
02145 Broadwater O & M	485,427	4.1%	479,838	3.9%	480,514	3.9%
02351 Water Project Lands Lease Acct	9,933	0.1%	9,903	0.1%	9,933	0.1%
02404 Water Project Loans	218,062	1.9%	307,554	2.5%	308,205	2.5%
02430 Water Right Appropriation	417,630	3.6%	466,022	3.8%	465,822	3.8%
02431 Water Adjudication	2,267,139	19.3%	2,141,331	17.4%	2,139,992	17.4%
02470 State Project Hydro Earnings	161,538	1.4%	186,056	1.5%	186,538	1.5%
02576 Natural Resources Operations Ssr Ft	219,062	1.9%	219,034	1.8%	218,597	1.8%
02825 Water Well Contractors	72,716	0.6%	90,482	0.7%	90,373	0.7%
03000 Total Federal Special Funds	158,861	1.4%	180,634	1.5%	181,386	1.5%
03034 Yellowstone Groundwater Nps	22,656	0.2%	22,533	0.2%	22,656	0.2%
03094 Fema Federal Grants	<u>136,205</u>	<u>1.2%</u>	<u>158,101</u>	<u>1.3%</u>	<u>158,730</u>	<u>1.3%</u>
Grand Total	<u>\$ 11,762,503</u>	<u>100.0%</u>	<u>\$ 12,292,958</u>	<u>100.0%</u>	<u>\$ 12,292,994</u>	<u>100.0%</u>

The Water Resources Division is predominantly funded with general fund and state special revenue, with a minor amount of federal revenue. Sources and purposes of state special revenue include:

- Water storage account funded by direct allocation of RIT interest and revenue from water purchase contracts for the purpose of construction, operation, maintenance, and rehabilitation of state water storage projects
- Water rights fees derived from fees collected to record rights to support water rights management
- Funds set aside for water adjudication
- Income derived from state owned hydroelectric projects for repair and rehabilitation of state owned water projects
- Fees from water well contractors that support the Board of Water Well Contractors

General fund is utilized for personal services, general operating costs, and specific activities such as preparing for water litigation and map modernization. Federal funds are from Federal Emergency Management Agency (FEMA) grants and the Bureau of Reclamation.

**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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	7,752,135	7,752,135	15,504,270	94.40%	11,762,503	11,762,503	23,525,006	95.68%
Statewide PL Adjustments	847,576	846,855	1,694,431	10.32%	930,770	930,555	1,861,325	7.57%
Other PL Adjustments	0	0	0	0.00%	193,243	193,243	386,486	1.57%
New Proposals	(387,607)	(387,356)	(774,963)	(4.72%)	(593,558)	(593,307)	(1,186,865)	(4.83%)
<b>Total Budget</b>	<b>\$8,212,104</b>	<b>\$8,211,634</b>	<b>\$16,423,738</b>		<b>\$12,292,958</b>	<b>\$12,292,994</b>	<b>\$24,585,952</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted by the legislature. “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.

	Fiscal 2012				Fiscal 2013					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					1,223,721					1,212,932
Vacancy Savings					(398,739)					(398,305)
Inflation/Deflation					(44,754)					(43,580)
Fixed Costs					150,542					159,508
<b>Total Statewide Present Law Adjustments</b>		<b>\$847,576</b>	<b>\$111,421</b>	<b>(\$28,227)</b>	<b>\$930,770</b>		<b>\$846,855</b>	<b>\$111,175</b>	<b>(\$27,475)</b>	<b>\$930,555</b>
DP 2401 - WRD Base Operating Restoration	0.00	0	137,243	50,000	187,243	0.00	0	137,243	50,000	187,243
DP 2402 - Records Management Contract	0.00	0	6,000	0	6,000	0.00	0	6,000	0	6,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$143,243</b>	<b>\$50,000</b>	<b>\$193,243</b>	<b>0.00</b>	<b>\$0</b>	<b>\$143,243</b>	<b>\$50,000</b>	<b>\$193,243</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$847,576</b>	<b>\$254,664</b>	<b>\$21,773</b>	<b>\$1,124,013</b>	<b>0.00</b>	<b>\$846,855</b>	<b>\$254,418</b>	<b>\$22,525</b>	<b>\$1,123,798</b>

DP 2401 - WRD Base Operating Restoration - The legislature approved an increase of \$274,486 in state special revenue authority, and \$100,000 in federal authority for the 2013 biennium. The following biennial changes comprise the base restoration:

- Personal services of \$12,200 in state special revenue for the biennium for overtime at the Broadwater hydropower facility and per diem for Board of Water Well Contractors
- Contracted services of \$82,000 in state special revenue of which \$50,000 is for survey work on state owned water projects and the remaining \$32,000 for contract legal and other litigation costs for the Board of Water Well Contractors
- Operating authority for \$100,000 for the 2013 biennium for annual awards of federal funds from the Federal Emergency Management Agency
- Debt service of \$180,286 for repayment of a federal loan for rehabilitation on the Middle Creek Dam

DP 2402 - Records Management Contract - The legislature approved a biennial increase of \$12,000 in state special revenue authority for the biennium for the storage of water right files. This increase is the offset between a decrease in water right appropriation funds and an increase in water adjudication funds. The purpose of the fund switch is to more accurately reflect the workload of each program.

### New Proposals

Program	Fiscal 2012				Fiscal 2013						
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2455 - Transfer of Funds to Water Court	24	(1.50)	0	(100,000)	0	(100,000)	(1.50)	0	(100,000)	0	(100,000)
DP 55140 - Crown Managers Partnership Reduction	24	0.00	(5,000)	0	0	(5,000)	0.00	(5,000)	0	0	(5,000)
DP 55141 - Columbia River Hydro System Reduction	24	0.00	(5,000)	0	0	(5,000)	0.00	(5,000)	0	0	(5,000)
DP 55247 - Resource Allocation Transfer to Water Court	24	(2.00)	0	(90,250)	0	(90,250)	(2.00)	0	(90,036)	0	(90,036)
DP 55400 - 4% General Fund Personal Services Reduction-WRD	24	(4.95)	(252,262)	(15,701)	0	(267,963)	(4.95)	(252,011)	(15,892)	0	(267,903)
DP 95102 - 5% Plan - WRD operational reductions	24	0.00	(125,345)	0	0	(125,345)	0.00	(125,345)	(23)	0	(125,368)
<b>Total</b>	<b>(8.45)</b>	<b>(\$387,607)</b>	<b>(\$205,951)</b>	<b>\$0</b>	<b>(\$593,558)</b>	<b>(8.45)</b>	<b>(\$387,356)</b>	<b>(\$205,951)</b>	<b>\$0</b>	<b>(\$593,307)</b>	

DP 2455 - Transfer of Funds to Water Court - The legislature approved \$100,000 of budget authority from the water adjudication fund to be transferred to the Water Court to assist in funding the new associate water judge.

DP 55140 - Crown Managers Partnership Reduction - The legislature approved continuance of the 17-71-140, MCA Governor's reductions. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. This is a general fund decrease of \$10,000 for the biennium. The funding was used for a memorandum of understanding (MOU) with the Province of Alberta regarding the Crown Managers Partnership.

DP 55141 - Columbia River Hydro System Reduction - The legislature approved continuance of the 17-71-140, MCA Governor's reductions. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction of \$5,000 would remove all base expenditures for the MOU with the Northwest Power and Conservation Council permanently.

DP 55247 - Resource Allocation Transfer to Water Court - The legislature approved a transfer of 2.00 FTE from the Water Resources Division to the Water Court in the Judicial Branch. The transfer is part of the resource allocation plan between DNRC and the Water Court.

DP 55400 - 4% General Fund Personal Services Reduction-WRD - The legislature approved the executive recommended 4% reduction of personal services funded with general fund. This reduction represents a general fund biennial decrease of \$504,273 and a \$31,945 biennial decrease of state special revenue in personal services for the biennium. This package eliminates 3.50 FTE.

DP 95102 - 5% Plan - WRD operational reductions - This reduction would reduce funds for field supplies, travel for field work, training, or minor equipment. In addition, the replacement of computers will be delayed. The agency included this reduction in the statutorily required plan to reduce expenditures of general fund and certain state special revenue funds by 5%.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	5.00	5.00	4.75	4.75	5.00	4.75	(0.25)	(5.00%)
Personal Services	405,155	388,831	411,713	441,621	793,986	853,334	59,348	7.47%
Operating Expenses	158,704	127,553	153,639	162,261	286,257	315,900	29,643	10.36%
<b>Total Costs</b>	<b>\$563,859</b>	<b>\$516,384</b>	<b>\$565,352</b>	<b>\$603,882</b>	<b>\$1,080,243</b>	<b>\$1,169,234</b>	<b>\$88,991</b>	<b>8.24%</b>
General Fund	516,319	516,384	565,352	603,882	1,032,703	1,169,234	136,531	13.22%
State Special	47,540	0	0	0	47,540	0	(47,540)	(100.00%)
<b>Total Funds</b>	<b>\$563,859</b>	<b>\$516,384</b>	<b>\$565,352</b>	<b>\$603,882</b>	<b>\$1,080,243</b>	<b>\$1,169,234</b>	<b>\$88,991</b>	<b>8.24%</b>

### Program Description

The Montana Reserved Water Rights Compact Commission (RWCC) was created by the legislature in 1979 as part of the state-wide water rights adjudication effort. It consists of 4 members appointed by the Governor, 2 by the President of the Senate, 2 by the Speaker of the House of Representatives, and 1 by the Attorney General. Members serve for four years. The commission negotiates water rights with the Indian tribes and federal agencies, which claim federal reserved water rights within the state, to establish a formal agreement (compact) on the amount of water to be allocated to each interest. The commission is scheduled to sunset on July 1, 2013. After the sunset, any compacts that are not complete will be litigated.

### Program Highlights

Reserved Water Rights Compact Commission Major Budget Highlights	
◆	The biennial budget increases \$89,000 or 8.2% from the previous biennium
◆	General fund increases are attributed to statewide present law adjustments and operational adjustments
◆	The budget contains funds for an implementation bureau to address transitional issues when the commission sunsets in July of 2013

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table						
Reserved Water Rights Comp Com						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 516,319	91.6%	\$ 565,352	100.0%	\$ 603,882	100.0%
01100 General Fund	516,319	91.6%	565,352	100.0%	603,882	100.0%
02000 Total State Special Funds	47,540	8.4%	-	-	-	-
02305 Blackfeet Compact Mitigation Acct	47,540	8.4%	-	-	-	-
Grand Total	<u>\$ 563,859</u>	<u>100.0%</u>	<u>\$ 565,352</u>	<u>100.0%</u>	<u>\$ 603,882</u>	<u>100.0%</u>

The commission is funded with general fund.

### 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	516,319	516,319	1,032,638	88.32%	563,859	563,859	1,127,718	96.45%
Statewide PL Adjustments	66,896	66,977	133,873	11.45%	19,356	19,437	38,793	3.32%
Other PL Adjustments	7,961	46,410	54,371	4.65%	7,961	46,410	54,371	4.65%
New Proposals	(25,824)	(25,824)	(51,648)	(4.42%)	(25,824)	(25,824)	(51,648)	(4.42%)
<b>Total Budget</b>	<b>\$565,352</b>	<b>\$603,882</b>	<b>\$1,169,234</b>		<b>\$565,352</b>	<b>\$603,882</b>	<b>\$1,169,234</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature. "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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,031					36,931
Vacancy Savings					(17,588)					(17,585)
Inflation/Deflation					(574)					(466)
Fixed Costs					487					557
<b>Total Statewide Present Law Adjustments</b>		<b>\$66,896</b>	<b>(\$47,540)</b>	<b>\$0</b>	<b>\$19,356</b>		<b>\$66,977</b>	<b>(\$47,540)</b>	<b>\$0</b>	<b>\$19,437</b>
DP 2501 - RWRCC Per Diem	0.00	4,000	0	0	4,000	0.00	4,000	0	0	4,000
DP 2502 - RWRCC Sunset Implementation	0.00	0	0	0	0	0.00	38,000	0	0	38,000
DP 2504 - RWRCC Operating Adjustment	0.00	3,961	0	0	3,961	0.00	4,410	0	0	4,410
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,961</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,961</b>	<b>0.00</b>	<b>\$46,410</b>	<b>\$0</b>	<b>\$0</b>	<b>\$46,410</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$74,857</b>	<b>(\$47,540)</b>	<b>\$0</b>	<b>\$27,317</b>	<b>0.00</b>	<b>\$113,387</b>	<b>(\$47,540)</b>	<b>\$0</b>	<b>\$65,847</b>

DP 2501 - RWRCC Per Diem - The legislature approved additional authority for commission per diem. Currently, commissioners on the Confederated Salish Kootenai Tribe negotiating team are meeting 2-3 days a month to complete activities prior to the commission sunset.

DP 2502 - RWRCC Sunset Implementation - The legislature approved \$38,000 general fund in FY 2013 only to establish the Implementation Bureau after the commission sunsets. Staff of the implementation bureau would be responsible for work associated with congressional approvals, water court approvals, and technical reports, archiving documents and creating a digital library, engineering and hydrologic oversight of water projects authorized by the settlements, legal interpretation, and compact administration. Funding is provided to move staff to another building as well as potential retirement payouts.

DP 2504 - RWRCC Operating Adjustment - The legislature approved a rent reduction offset by an increase in janitorial costs and inclusion of property taxes. This results in a biennial increase of \$8,371 general fund.

**New Proposals**

Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% General Fund Personal Services Reduction-RWRCC										
25	(0.25)	(16,885)	0	0	(16,885)	(0.25)	(16,880)	0	0	(16,880)
DP 95103 - 5% Plan - Operations Reduction										
25	0.00	(8,939)	0	0	(8,939)	0.00	(8,944)	0	0	(8,944)
<b>Total</b>	<b>(0.25)</b>	<b>(\$25,824)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$25,824)</b>	<b>(0.25)</b>	<b>(\$25,824)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$25,824)</b>

DP 55400 - 4% General Fund Personal Services Reduction-RWRCC - The legislature approved the executive recommended 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. This decision package would reduce a 1.00 FTE to a 0.75 FTE creating a reduction 0.25 FTE and \$33,765 general fund over the biennium. The position is a hydrologist.

DP 95103 - 5% Plan - Operations Reduction -

This reduction is the operating cost associated with the general fund personal services reduction. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and state special revenue funds by 5%.

### Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	307.94	307.94	305.08	305.08	307.94	305.08	(2.86)	(0.93%)
Personal Services	16,498,498	17,055,468	17,866,811	17,859,373	33,553,966	35,726,184	2,172,218	6.47%
Operating Expenses	7,197,551	8,109,026	7,321,121	7,393,649	15,306,577	14,714,770	(591,807)	(3.87%)
Equipment & Intangible Assets	956,431	1,006,532	805,466	805,466	1,962,963	1,610,932	(352,031)	(17.93%)
Capital Outlay	119,204	66,788	119,204	119,204	185,992	238,408	52,416	28.18%
Grants	184,491	184,491	284,491	284,491	368,982	568,982	200,000	54.20%
Transfers	1,218,390	1,228,444	1,336,352	1,331,665	2,446,834	2,668,017	221,183	9.04%
Debt Service	3,675	3,675	3,675	3,675	7,350	7,350	0	0.00%
<b>Total Costs</b>	<b>\$26,178,240</b>	<b>\$27,654,424</b>	<b>\$27,737,120</b>	<b>\$27,797,523</b>	<b>\$53,832,664</b>	<b>\$55,534,643</b>	<b>\$1,701,979</b>	<b>3.16%</b>
General Fund	9,686,429	10,002,194	10,510,107	10,578,777	19,688,623	21,088,884	1,400,261	7.11%
State Special	15,384,020	16,342,270	16,022,097	16,023,823	31,726,290	32,045,920	319,630	1.01%
Federal Special	1,107,791	1,309,960	1,204,916	1,194,923	2,417,751	2,399,839	(17,912)	(0.74%)
<b>Total Funds</b>	<b>\$26,178,240</b>	<b>\$27,654,424</b>	<b>\$27,737,120</b>	<b>\$27,797,523</b>	<b>\$53,832,664</b>	<b>\$55,534,643</b>	<b>\$1,701,979</b>	<b>3.16%</b>

### Program Description

#### *The Forestry Division*

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners. Specific programs include:

- o Fire and Aviation Management - Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support
- o Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana
- o Administering Montana Fire Hazard Reduction Law - Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced
- o Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses, and communities
- o Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana

#### *Trust Land Management*

The Trust Land Management Division is responsible for managing Montana's trust land resources to provide revenues to the trust beneficiaries while considering environmental factors and protecting future income generating capacity of the land. These lands currently total 5.2 million surface acres, 6.2 million mineral acres, and approximately 6,000 miles (40,000+ acres) of the beds of navigable waterways. The division provides this through four primary programs: 1) forest management; 2) agriculture and grazing management; 3) special use management; and 4) minerals management.

## Program Highlights

<b>Forestry and Trust Lands Administration Division</b>	
<b>Major Budget Highlights</b>	
◆	The biennial budget increases \$1.7 million or 3.2% from the previous biennium
◆	General fund increases by \$1.4 million from the previous biennium due to statewide present law adjustments, a bio-mass project, and air operations offset by personal services reductions
◆	State special revenue increases by approximately \$319,000, which is the net of increases for trust lands operational authority and the adoption of the agency 5% plan

## Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table						
Forestry/Trust Lands						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 9,686,429	37.0%	\$ 10,510,107	37.9%	\$ 10,578,777	38.1%
01100 General Fund	9,686,429	37.0%	10,510,107	37.9%	10,578,777	38.1%
02000 Total State Special Funds	15,384,020	58.8%	16,022,097	57.8%	16,023,823	57.6%
02031 Land Banking - Pvt Closing Costs	39,292	0.2%	215,886	0.8%	215,886	0.8%
02039 Forestry-Fire Protection Taxes	3,446,513	13.2%	3,387,082	12.2%	3,386,677	12.2%
02073 Forestry - Slash Disposal	65,209	0.2%	62,900	0.2%	62,672	0.2%
02449 Forest Resources-Forest Improv	1,352,873	5.2%	1,112,345	4.0%	1,113,180	4.0%
02576 Natural Resources Operations Ssr Ft	95,619	0.4%	93,718	0.3%	95,722	0.3%
02623 Contract Timber Harvesting	130,304	0.5%	401,028	1.4%	420,975	1.5%
02681 Historic Right-Of-Way Acct	11,600	0.0%	11,486	0.0%	11,502	0.0%
02912 Tlmd Land Exchange Admin	9,000	0.0%	50,000	0.2%	50,000	0.2%
02938 Tlmd - Administration	10,233,610	39.1%	10,687,652	38.5%	10,667,209	38.4%
03000 Total Federal Special Funds	1,107,791	4.2%	1,204,916	4.3%	1,194,923	4.3%
03039 Consolidated Grant Fy11	(236)	0.0%	-	-	-	-
03049 Consolidated Grant Fy 10	1,060,571	4.1%	-	-	-	-
03050 Non-Consolidated Grants Fy 10	47,456	0.2%	-	-	-	-
03395 Federal Reimb-Fire Cy09-Fy10	-	-	-	-	-	-
03805 Consolidated Grant Fy12	-	-	954,916	3.4%	-	-
03807 Nonconsolidated Grant Fy 12	-	-	250,000	0.9%	-	-
03809 Consolidated Grant Fy13	-	-	-	-	944,923	3.4%
03810 Nonconsolidated Grant Fy13	-	-	-	-	250,000	0.9%
Grand Total	<u>\$ 26,178,240</u>	<u>100.0%</u>	<u>\$ 27,737,120</u>	<u>100.0%</u>	<u>\$ 27,797,523</u>	<u>100.0%</u>

General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

State special revenue support comes from forest improvement fees and forest protection fees. Forest improvement fees consist of \$25 for each slash hazard reduction agreement, and \$.060 per thousand board feet sold, plus any forfeited fire hazard reduction bonds. Fees are established when timber sales are approved based upon the state's projected costs of slash disposal, road maintenance, and reforestation.

The department is also required to collect up to one-third of the state’s fire protection appropriation from private landowners through a forest protection fee. The other two-thirds are funded with general fund. The department is required to levy the tax so that collections equal the amount appropriated by the legislature.

The Trust Land Management Division is funded with trust fund revenue, timber sales, and forest resource fees. The remaining funding is from recreational use and resource development of state lands. Because funding for state lands is taken directly from revenues, any expenditure for administration of state lands is a direct reduction in trust income. General fund is utilized for personal services for the management of non-trust state lands.

**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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	9,686,429	9,686,429	19,372,858	91.86%	26,178,240	26,178,240	52,356,480	94.28%
Statewide PL Adjustments	1,125,863	1,198,011	2,323,874	11.02%	1,674,782	1,740,781	3,415,563	6.15%
Other PL Adjustments	78,320	74,762	153,082	0.73%	867,815	862,140	1,729,955	3.12%
New Proposals	(380,505)	(380,425)	(760,930)	(3.61%)	(983,717)	(983,638)	(1,967,355)	(3.54%)
<b>Total Budget</b>	<b>\$10,510,107</b>	<b>\$10,578,777</b>	<b>\$21,088,884</b>		<b>\$27,737,120</b>	<b>\$27,797,523</b>	<b>\$55,534,643</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted by the legislature. “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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,291,737					2,283,884
Vacancy Savings					(751,608)					(751,294)
Inflation/Deflation					(54,830)					(39,339)
Fixed Costs					189,485					247,532
<b>Total Statewide Present Law Adjustments</b>		<b>\$1,125,863</b>	<b>\$653,678</b>	<b>(\$104,759)</b>	<b>\$1,674,784*</b>		<b>\$1,198,011</b>	<b>\$657,238</b>	<b>(\$114,468)</b>	<b>\$1,740,783*</b>
DP 3501 - Air Operations Transfer	0.00	78,320	40,346	0	118,666	0.00	74,762	38,513	0	113,275
DP 3506 - Contract Harvesting Base Restoration	0.00	0	290,671	0	290,671	0.00	0	290,671	0	290,671
DP 3507 - Private Funds Land Transaction Base Restoration	0.00	0	256,594	0	256,594	0.00	0	256,594	0	256,594
DP 3509 - Federal Fire Reimbursement Restoration	0.00	0	0	201,884	201,884	0.00	0	0	201,600	201,600
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$78,320</b>	<b>\$587,611</b>	<b>\$201,884</b>	<b>\$867,815</b>	<b>0.00</b>	<b>\$74,762</b>	<b>\$585,778</b>	<b>\$201,600</b>	<b>\$862,140</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,204,183</b>	<b>\$1,241,289</b>	<b>\$97,125</b>	<b>\$2,542,599*</b>	<b>0.00</b>	<b>\$1,272,773</b>	<b>\$1,243,016</b>	<b>\$87,132</b>	<b>\$2,602,923*</b>

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

DP 3501 - Air Operations Transfer - The legislature approved an increase in transfer authority to fund salaries, rent, and aircraft insurance for the department's aviation program. These funds would be transferred to the air operations fund to cover these fixed costs. This package is funded with 66% general fund and 34% fire protection taxes.

DP 3506 - Contract Harvesting Base Restoration - The legislature approved an adjustment for contract harvesting. The use of contract timber harvesting was approved by the 2007 Legislature under SB 25. During FY 2010, the division completed the first pilot project on School for the Deaf and Blind trust lands. The base restoration is to facilitate two timber sales per year.

DP 3507 - Private Funds Land Transaction Base Restoration - The legislature approved authority for the Trust Land Banking and Land Exchange programs. The state requires prospective purchasers to deposit funds for appraisals, archeological surveys, and advertising prior to the state incurring these costs. The base restoration requests are for the authority to expend these funds on the land transactions.

DP 3509 - Federal Fire Reimbursement Restoration - The legislature approved \$201,000 each year of federal authority to support equipment maintenance and training needs associated with assisting on federal fires. This increase is funded with funds from the US Forest Service.

### New Proposals

Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3565 - Biomass Project (RST/BIEN/OTO)										
35	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 3570 - Lease Payments (Restricted/OTO)										
35	0.00	3,817	0	0	3,817	0.00	3,817	0	0	3,817
DP 55140 - Operating and Equipment Reduction/Forestry Div										
35	0.00	(199,347)	0	0	(199,347)	0.00	(199,347)	0	0	(199,347)
DP 55400 - 4% General Fund Personal Services Reduction-Frstry										
35	(3.70)	(281,469)	0	0	(281,469)	(3.70)	(281,389)	0	0	(281,389)
DP 56553 - Restore Positions										
35	0.84	0	70,515	0	70,515	0.84	0	70,515	0	70,515
DP 95104 - 5% Plan - Forestry Division										
35	0.00	0	(170,666)	0	(170,666)	0.00	0	(170,666)	0	(170,666)
DP 95105 - 5% Plan - Trust Lands										
35	0.00	(3,506)	(503,061)	0	(506,567)	0.00	(3,506)	(503,062)	0	(506,568)
<b>Total</b>	<b>(2.86)</b>	<b>(\$380,505)</b>	<b>(\$603,212)</b>	<b>\$0</b>	<b>(\$983,717)</b>	<b>(2.86)</b>	<b>(\$380,425)</b>	<b>(\$603,213)</b>	<b>\$0</b>	<b>(\$983,638)</b>

DP 3565 - Biomass Project (RST/BIEN/OTO) - The legislature approved one-time-only general fund of \$200,000 for the biennium to provide for bio mass grants in northwestern Montana.

DP 3570 - Lease Payments (Restricted/OTO) - The legislature approved \$3,817 general fund each year of the biennium to reimburse the Veterans Home trust for public use of the associated trust lands.

DP 55140 - Operating and Equipment Reduction/Forestry Div - The legislature approved continuing the 17-71-140, MCA Governor's reductions. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction will reduce operating expenses by \$133,920 and equipment by \$150,965 each year of the biennium for a total reduction of \$569,770.

DP 55400 - 4% General Fund Personal Services Reduction-Frstry - The legislature approved the executive recommended 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. This reduction includes 4.36 FTE and \$562,858 general fund over the biennium. The positions include a fire team leader, seasonal pilot, fire forester, fire special purchasing technician, and administrative support. A portion of these reductions were restored in DP 56553.

DP 56553 - Restore Positions - The legislature approved state special revenue to fund the restoration of two positions, a pilot and aviation support, that were eliminated in the Governor's recommended 4% general fund personal services reduction.

DP 95104 - 5% Plan - Forestry Division - This reduction will require the postponement of vehicle and equipment replacement and decreases in staff training and travel. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 95105 - 5% Plan - Trust Lands - This reduction will require decreases in contracted services for forest improvement projects, noxious weed services, habitat conservation projects, and real estate management activities. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

### **Proprietary Program Description**

#### *Air Operations*

The Air Operation Program manages six medium helicopters, one light helicopter, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. This revenue is also deposited in the proprietary account. The Air Operations Program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged for the use of the aircraft and general fund and fire protection tax revenue for fixed costs.

#### *Seedling Nursery*

The Montana Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization, and other conservation uses. The nursery grows an average of one million seedlings annually on 110 acres of state land and in 9,000 square feet of greenhouse space. The nursery program is funded solely from the nursery proprietary account. No general fund or federal dollars are used in the program.

### **Proprietary Revenue and Expenses**

#### *Air Operations*

The primary source of revenue is the collection of aircraft rental charges. Additional transfer-in revenue is received from HB2 transfers for fixed costs (FTE, Insurance & Rent) from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist federal agencies (U.S. Forest Service, Bureau of Land Management, U.S. Fish and Wildlife Service, Bureau of Indian Affairs, & the National Park Service) and counties with fire protection. Activities include initial attack of fires under state direct protection, assistance on county fires, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility fires paid by the fire suppression fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue).

The aircraft rates are set to recover actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wildfires on state, private, and federal ownership. This includes all costs associated with the maintenance and operation of the aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft incidents resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs.

*Seedling Nursery*

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and sale of products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, the Conservation Reserve Program (CRP), tribal agencies, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two- to three-year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement, or for unforeseen expenses such as weather-related crop losses. The program supported 10.92 FTE in FY 2010.

**Proprietary Rates***Air Operations*

Air Operations - Approved Hourly Rates		
Rate	FY 2012	FY 2013
Bell UH-1H Helicopter	1,075.00	1,075.00
Bell Jet Ranger Helicopter	475.00	475.00
Cessna 180 Fixed Wing	150.00	150.00

*Seedling Nursery*

Because the seedling nursery is categorized as an enterprise fund, the legislature does not establish rates.