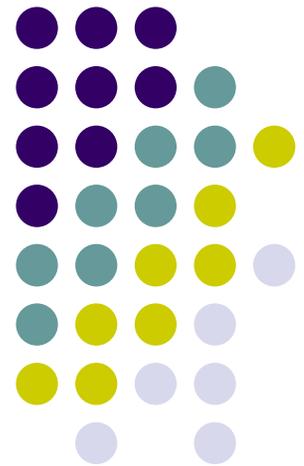


Fiscal Considerations for Natural Resource Agencies

Presentation to the
Environmental Quality Council
March 3, 2010

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Legislative Fiscal Division

- Analyze Budgets
- Track Expenditures
- Evaluate current performance
- Staff Appropriations
 - Budget Amendments
- Generally research money issues

- DEQ, DNRC, FWP (Ag & Livestock)



Purpose

- Discuss 17-7-140, MCA proposed reductions
- Provide information regarding emerging fiscal issues
- Talk about economic impacts on state special revenue
- Bring fiscal issues together with the policy issues identified by the committee



17-7-140, MCA

- DEQ
 - \$369,781 one-time authority from HB 645
- FWP
 - \$0 – no general fund



17-7-140, MCA

- DNRC
 - \$220,000 reduction in **carry forward** authority
 - CSD, Forestry
 - \$846,381 in **one-time** reductions
 - \$88,528 from HB 645 – water projects admin
 - \$104,760 Water Resources – personnel costs – FY11
 - \$256,000 Water Resources – SB 203
 - \$25,819 Vacancy Savings in RWRCC
 - \$371,274 delayed hires in Forestry
 - \$40,397 in **ongoing costs** due to fixed costs and operational adjustments
 - \$27,000 in funding **switches**
- Total for ongoing reductions: \$40,397.

Fish, Wildlife and Parks & the General License Account



02409 2013B estimate - using GF model				
	Budgeted	Budgeted	Estimated	Estimated
	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Fund Balance	33,673,419	30,522,701	27,502,723	27,184,496
Reserved	(450,000)			
License and Permits	32,500,000	32,825,000	33,153,250	33,484,782
Interest Earnings	857,858	972,907	1,071,667	1,114,959
Services/Fines	1,009,000	1,009,000	1,009,000	1,009,000
Other Revenues	6,065,700	6,247,671	6,435,101	6,628,154
Reversions @ 3% appropriated	<u>1,134,207</u>	<u>1,196,324</u>	<u>1,199,726</u>	<u>1,235,609</u>
Available Revenues	74,790,184	72,773,603	70,371,468	70,657,000
Personal Services	24,051,654	24,111,074	24,632,024	24,755,183
Operating Expenses	14,984,607	15,038,659	15,713,726	15,758,353
Equipment & Intangible Assets	316,161	316,086	316,161	316,086
Grants	524,604	524,604	524,604	524,604
Benefits & Claims	<u>457</u>	<u>457</u>	<u>457</u>	<u>457</u>
SubTotal	39,877,483	39,990,880	41,186,972	41,354,684
Capital Projects	3,150,000	3,150,000	1,500,000	1,500,000
Good Neighbor	1,240,000	2,130,000	500,000	500,000
Carry Forward	<u>340,262</u>	<u>358,897</u>	<u>359,918</u>	<u>370,683</u>
Estimated Expenditures	44,267,483	45,270,880	43,186,972	43,354,684
Ending Fund Balance	<u>30,522,701</u>	<u>27,502,723</u>	<u>27,184,496</u>	<u>27,302,316</u>



FWP & the GLA

- Fund is stable.
 - Positives
 - GLA income has not declined due to recession
 - Challenges
 - Warden's Union – Has not settled pay issue
 - Interest – significantly lower interest rates
 - Good Neighbor Policy
 - Final delisting of Gray Wolf – no more fed \$\$ (\$600k)
 - Reminder
 - Pledged to FWP, cannot be diverted without federal penalty (WB/PR), approximately \$18.0 million



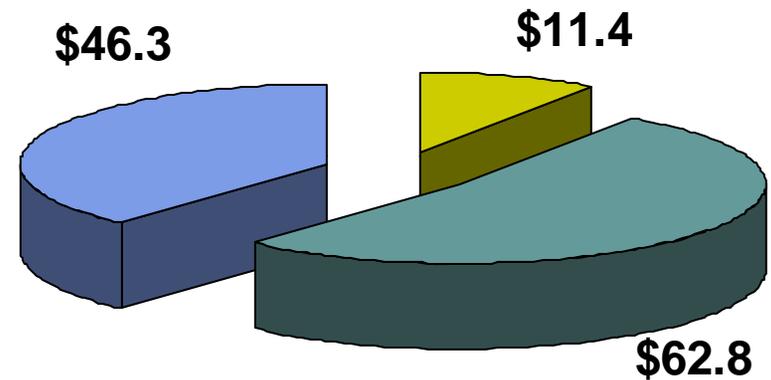
The Predicament in FWP is Parks

- No Structural Balance
 - Coal Severance Interest, Bed Tax, Motorboat Fuel, Light Vehicle Fee, earned revenue
 - Internal directive to reduce 5% in expenditures and increase 10% in earned revenues
- Land Purchases, Development and O&M
 - Access MT led to land purchase, no funding for development or operations
 - Good Neighbor Policy – different time, different issues
 - “Leased” trust lands vs. management exchange
- Definition of a State Parks System
 - What should it be...
 - Case: Milltown Dam Park and NRD Program

Department of Environmental Quality



- Biennial Budget
 - 9.5% General Fund
 - 52.1% SSR
 - 38.4% Federal
- Reductions to GF can't always be offset by SSR.
- Don't look to the Feds.
2009B = \$46.2



A word about State Special Revenue



State special revenue is created for a specific purpose and function and is subject to guidelines in title 17.

SSR funds can not automatically replace general fund reductions.

SSR funds often mirror the same economic impacts as the general fund.

SSR funds can be swept to the GF if not protected

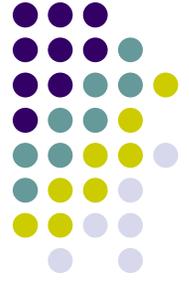
SSR funds have their own lives.

SSR in DEQ – A few Examples



- Economic Impact – Subdivision Review
 - Clearly tied to development
 - Use only SSR
 - Re-assignment of staff
 - No cash, but still work to do
- Fees in need of updating – Service Connection Fee – PWS
 - Used to provide oversight for the PWS program
 - Has been \$2.00/connection per year since 1993
 - \$1.1 in General fund

SSR in DEQ – A few Examples



- Fee Collection & Timing - AIR/MPDES/SW
 - Often 2010 rates are applied to 2009 discharge data for 2011 revenues
 - Bills are sent annually, bulk of funds collected shortly there after
 - Multiple types of permits
 - The cost of handling non permitted entities
 - Balances can be swept
- Legislative Impact – AIR
 - Fee rates are based on appropriations



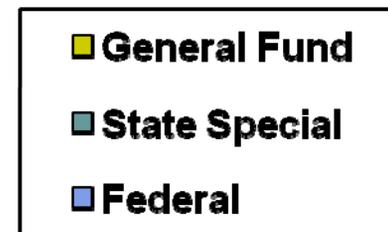
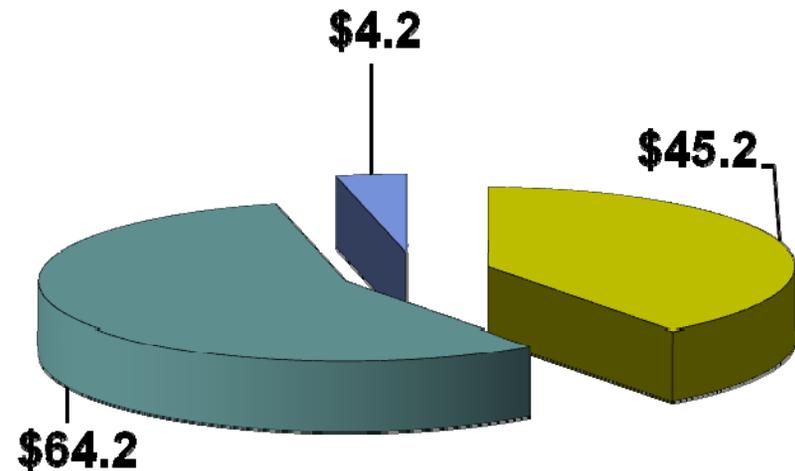
The Quandary in DEQ

- Finding the balance
- Further analysis
- Stakeholder groups for fee areas
 - Cumulative Impact on
 - Incremental fee changes
 - Creation of a cumulative effect
- Who sets the fee...

Department of Natural Resources and Conservation



- Biennial Budget
 - 39.8% General Fund
 - 56.5% SSR
 - 3.7% Federal
- GF is predominantly Water and Forestry Divisions
- SSR includes a one-time only appropriation of \$9.6 M for state liability of KRY clean up



DNRC & DEQ & RIT Funds



<u>Natural Resources Operations Fund</u>		
	<u>2011B</u>	<u>2013B</u>
Beginning FY2010 Fund Balance	\$1,555,699	\$988,471
Reserved for notes or advances	(131,360)	0
Available Balance	1,424,339	988,471
Revenues for 2011 Biennium		
RIT Interest - Direct	1,078,350	1,141,349
Anticipated reversions	350,000	350,000
Metal Mines Tax	872,282	872,282
Oil and Gas Tax	2,940,600	4,186,652
Transfers	2,964,139	0
Projected Revenues for 2011B	<u>8,205,371</u>	<u>6,550,283</u>
Projected Funds Available		
	<u>9,629,710</u>	<u>7,538,754</u>
Appropriations and Estimates		
UM-Bureau of Mines	(351,772)	(366,392)
DNRC - Base	(2,013,846)	(2,071,606)
DEQ - Base	(4,183,113)	(4,371,487)
Judiciary-Water Court	(2,082,508)	(2,154,779)
Total Appropriations	<u>(8,631,239)</u>	<u>(8,964,264)</u>
Projected Ending Fund Balance	<u>\$998,471</u>	<u>(\$1,425,510)</u>



Impacts of the Economy

- Trust Lands
 - Decreases in timber prices, leases, oil and gas sales, etc. = Increased GF for education.
 - One to One relationship
- Water Resources
 - Decrease in development, decrease in new appropriations
 - Decreased earnings on the water adjudication fund

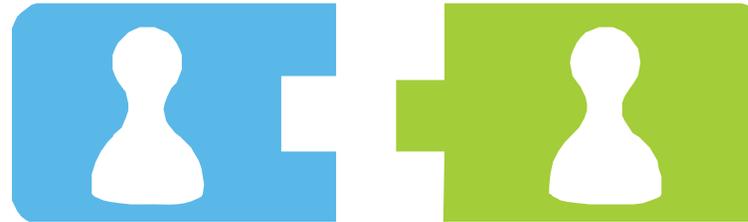


Concerns in DNRC

- Hedging a bet on fire season
 - Fire preparedness
 - Conditions
 - Cash
- Expiring of RWRCC
 - June 2013 (\$1.2 million GF)
- The long term stability of the water adjudication fund



Tying it together



- Policy and Money
 - Changing policy can have fiscal implications
 - Budget requests have policy implications
- Its all interconnected

Policy and Money



- Reminders:
 - General Fund:
 - Structural balance issue of 10%
 - State Special Revenue:
 - Have their own lives
 - Specific uses
 - Follow up
- Tie it together:
 - Bill to Bill – know where the funding is for the policy



Thanks!

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