

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	109.05	0.00	2.50	111.55	0.00	2.50	111.55	111.55
Personal Services	3,543,375	967,391	110,569	4,621,335	968,829	110,304	4,622,508	9,243,843
Operating Expenses	2,236,399	341,805	200,032	2,778,236	242,509	200,032	2,678,940	5,457,176
Equipment	148,511	91,800	0	240,311	66,800	0	215,311	455,622
Grants	3,066,490	318,896	2,007,278	5,392,664	318,896	0	3,385,386	8,778,050
Transfers	80,000	(80,000)	0	0	(80,000)	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$9,074,775	\$1,639,892	\$2,317,879	\$13,032,546	\$1,517,034	\$310,336	\$10,902,145	\$23,934,691
General Fund	730,339	(8,686)	(29,015)	692,638	(42,857)	(29,015)	658,467	1,351,105
State/Other Special	7,156,170	1,224,456	88,529	8,469,155	1,130,053	88,388	8,374,611	16,843,766
Federal Special	946,465	345,709	2,258,365	3,550,539	350,118	250,963	1,547,546	5,098,085
Proprietary	241,801	78,413	0	320,214	79,720	0	321,521	641,735
Total Funds	\$9,074,775	\$1,639,892	\$2,317,879	\$13,032,546	\$1,517,034	\$310,336	\$10,902,145	\$23,934,691

Agency Description

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, was established to encourage and promote the interests of agricultural and allied industries in Montana. To this end, the department:

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

Executive Recommended Legislation

The executive proposes legislation that would reduce the allocation of coal severance tax collections into the coal severance tax shared state special revenue account from 7.75 to 4.18, which is 50 percent of the original 8.36 allocation. The Growth Through Agriculture Program receives a share of its funding from this account. For more information on the coal severance tax shared account, see the narrative for the Community Development Division within the Department of Commerce. For more information on the Growth Through Agriculture Program, see the narrative for the Agricultural Development Division within this agency.

The executive proposes legislation to change the method for assessing and collecting apiary registration and inspection fees, to allow the Apiary Program to become self-supporting.

The executive proposes legislation that would reduce the statutory general fund appropriation to the Growth Through Agriculture Program from \$1.25 million to \$625,000 annually. For more information, see the narrative for the Agriculture Development Division within this agency.

Agency Discussion

Department of Agriculture Major Budget Highlights
<ul style="list-style-type: none"> ○ The executive proposes to reduce general fund support for the Apiary Program within the Agricultural Sciences Division, and make the program self-supporting with state special revenue funding ○ The executive proposes a 50 percent reduction to the Growth Through Agriculture appropriation from the coal severance tax shared state special revenue account ○ The executive proposes a 50 percent reduction to the Growth Through Agriculture statutory appropriation. (Although this reduction is not contained in HB 2, it is pertinent to discuss in relation to the decision on the appropriation from the Coal Severance Tax shared account)
Major LFD Issues
<ul style="list-style-type: none"> ○ Funding allocation of Centralized Management Division is not applied equally across fund types ○ Growth Through Agriculture <ul style="list-style-type: none"> ○ Provides assistance in two areas: staff assistance and investment funding ○ Most investment funding is awarded in the form of grants, which do not result in a direct payback ○ Tangible economic impacts have not been compiled for the staff assistance services and have been estimated for investment funding ○ Opportunities, although limited, do exist for similar assistance and funding to be provided through other programs

Funding

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

Total Agency Funding 2005 Biennium Executive Budget						
<u>Agency Program</u>	<u>General Fund</u>	<u>State Spec.</u>	<u>Fed Spec.</u>	<u>Proprietary</u>	<u>Grand Total</u>	<u>Total %</u>
Agricultural Sciences Div.	\$ 263,819	\$ 9,903,380	\$ 4,532,085	\$ -	\$ 14,699,284	61.4%
Agricultural Development	674,843	5,805,125	440,000	528,943	7,448,911	31.1%
Central Management Division	412,443	1,135,261	126,000	112,792	1,786,496	7.5%
Grand Total	<u>\$ 1,351,105</u>	<u>\$ 16,843,766</u>	<u>\$ 5,098,085</u>	<u>\$ 641,735</u>	<u>\$ 23,934,691</u>	<u>100.0%</u>

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	Present Law Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Biennium Fiscal 02-03	Total Exec. Budget Fiscal 04-05
FTE	109.05	2.50	111.55	109.05	2.50	111.55	109.05	111.55
Personal Services	4,510,766	110,569	4,621,335	4,512,204	110,304	4,622,508	7,959,794	9,243,843
Operating Expenses	2,578,204	200,032	2,778,236	2,478,908	200,032	2,678,940	4,658,115	5,457,176
Equipment	240,311	0	240,311	215,311	0	215,311	402,327	455,622
Grants	3,385,386	2,007,278	5,392,664	3,385,386	0	3,385,386	7,270,197	8,778,050
Transfers	0	0	0	0	0	0	160,000	0
Debt Service	0	0	0	0	0	0	1,308	0
Total Costs	\$10,714,667	\$2,317,879	\$13,032,546	\$10,591,809	\$310,336	\$10,902,145	\$20,451,741	\$23,934,691
General Fund	721,653	(29,015)	692,638	687,482	(29,015)	658,467	1,486,641	1,351,105
State/Other Special	8,380,626	88,529	8,469,155	8,286,223	88,388	8,374,611	15,307,283	16,843,766
Federal Special	1,292,174	2,258,365	3,550,539	1,296,583	250,963	1,547,546	3,081,158	5,098,085
Proprietary	320,214	0	320,214	321,521	0	321,521	576,659	641,735
Total Funds	\$10,714,667	\$2,317,879	\$13,032,546	\$10,591,809	\$310,336	\$10,902,145	\$20,451,741	\$23,934,691

New Proposals

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

Program	-----Fiscal 2004-----					-----Fiscal 2005-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 5 - Federal Discretionary Funding	30	0.00	0	0	178,500	178,500	0.00	0	0	178,500	178,500
DP 7 - Organic Program Fund Switch to State Special	30	1.50	0	59,514	0	59,514	1.50	0	59,373	0	59,373
DP 10 - USDA Cooperative Agricultural Pest Survey	30	1.00	0	0	72,587	72,587	1.00	0	0	72,463	72,463
DP 13 - USDA Forest Service Weeds and Fire Grants	30	0.00	0	0	2,007,278	2,007,278	0.00	0	0	0	0
DP 8000 - Apiary (Honey Bee) Fund Switch	30	0.00	(29,015)	29,015	0	0	0.00	(29,015)	29,015	0	0
Total	2.50	(\$29,015)	\$88,529	\$2,258,365	\$2,317,879	2.50	(\$29,015)	\$88,388	\$250,963	\$310,336	

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	587,875	74,477	0	662,352	74,014	0	661,889	1,324,241
Operating Expenses	159,662	54,399	0	214,061	45,656	0	205,318	419,379
Equipment	8,938	25,000	0	33,938	0	0	8,938	42,876
Total Costs	\$756,475	\$153,876	\$0	\$910,351	\$119,670	\$0	\$876,145	\$1,786,496
General Fund	222,429	880	0	223,309	(33,295)	0	189,134	412,443
State/Other Special	417,166	150,480	0	567,646	150,449	0	567,615	1,135,261
Federal Special	66,894	(3,894)	0	63,000	(3,894)	0	63,000	126,000
Proprietary	49,986	6,410	0	56,396	6,410	0	56,396	112,792
Total Funds	\$756,475	\$153,876	\$0	\$910,351	\$119,670	\$0	\$876,145	\$1,786,496

Program Description

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

Program Narrative

<p>Central Management Division Major Budget Highlights</p>
<ul style="list-style-type: none"> o No significant changes
<p>Major LFD Issues</p>
<ul style="list-style-type: none"> o Funding allocation of Centralized Management Division is not applied equally across fund types

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Central Management Division						
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	<u>Fiscal 2002</u>	<u>Fiscal 2002</u>	<u>Fiscal 2004</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2005</u>
01100 General Fund	\$ 222,429	29.4%	\$ 223,309	24.5%	\$ 189,134	21.6%
02040 Wheat & Barley Research & Mktg	60,180	8.0%	60,564	6.7%	60,567	6.9%
02068 Noxious Weed Admin Account	67,374	8.9%	81,997	9.0%	81,992	9.4%
02071 Anhydrous Ammonia Account	500	0.1%	1,247	0.1%	1,247	0.1%
02192 Pest Ag Chemical Ground Water	64,802	8.6%	90,635	10.0%	90,628	10.3%
02193 Pesticide Management Account	61,078	8.1%	128,264	14.1%	128,257	14.6%
02198 Fert. Ag Chemical Ground Water	2,850	0.4%	3,078	0.3%	3,078	0.4%
02264 Organic Certification	-	-	11,876	1.3%	11,870	1.4%
02265 Fsi Produce	-	-	21,241	2.3%	21,240	2.4%
02266 Comm Dealer/Pub Ware Oper Acct	16,478	2.2%	9,397	1.0%	9,396	1.1%
02267 Nursery Account	11,106	1.5%	15,007	1.6%	15,006	1.7%
02268 Produce Account	60,900	8.1%	31,732	3.5%	31,728	3.6%
02269 Seed Account	5,263	0.7%	4,885	0.5%	4,885	0.6%
02341 State Noxious Weed Forage	-	-	3,809	0.4%	3,809	0.4%
02452 Commercial Fertilizer	32,525	4.3%	17,912	2.0%	17,911	2.0%
02453 Grain Services	-	-	57,566	6.3%	57,566	6.6%
02454 Commercial Feed	34,110	4.5%	28,436	3.1%	28,435	3.2%
03120 Centralized Ser. - Grant Fund	66,894	8.8%	63,000	6.9%	63,000	7.2%
06052 Hail Insurance	<u>49,986</u>	<u>6.6%</u>	<u>56,396</u>	<u>6.2%</u>	<u>56,396</u>	<u>6.4%</u>
Grand Total	\$ <u>756,475</u>	<u>100.0%</u>	\$ <u>910,351</u>	<u>100.0%</u>	\$ <u>876,145</u>	<u>100.0%</u>

This program is funded with a mixture of general fund, state and federal special revenue, and proprietary funds. The CMD is funded by assessments on the programs it supports. State and federal special revenue and proprietary-funded programs contained in HB 2 are assessed 20 percent of personal services and 2.5 percent of grants in order to compensate CMD for its services. General fund is used to make up the difference between this amount and the requested budget for CMD. This method of assessment to the programs is consistent with how the CMD has assessed programs in the past.

LFD
ISSUE

Although general fund support in relation to other funding has decreased over previous biennia, this method of assessing programs results in an imbalance in the amount of general fund allocated to the CMD. As an example, an assessment of 20 percent of personal services and 2.5 percent of grants among all HB 2 general fund expenditures included in the base for the Agricultural Sciences and Agricultural Development divisions would establish a general fund level of approximately \$55,000, compared to the executive-recommended levels of \$223,000 in fiscal 2004 and \$189,134 in fiscal 2005. Applying a consistent assessment rate across all fund types would likely necessitate calculation of a new assessment rate.

Options:

- Accept the executive proposal for funding within the Central Management Division
- Direct the department to develop a recommendation for consistent assessment across all fund types. Based on legislative concurrence with the recommendation, the CMD appropriation can be adjusted accordingly

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					102,075					101,593
Vacancy Savings					(27,598)					(27,579)
Inflation/Deflation					1,095					1,121
Fixed Costs					2,336					(30,194)
Total Statewide Present Law Adjustments					\$77,908					\$44,941
DP 1 - Request for Operations and Equipment	0.00	0	60,168	0	60,168	0.00	0	73,037	0	74,729 *
DP 2 - Microsoft Office Licensing	0.00	0	14,108	0	15,800 *	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$0	\$74,276	\$0	\$75,968 *	0.00	\$0	\$73,037	\$0	\$74,729 *
Grand Total All Present Law Adjustments					\$153,876 *					\$119,670 *

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Request for Operations and Equipment - The executive requests additional state special revenue and proprietary fund authority for the following:

- o Operating costs at State Grain Lab based on historical and projected usage
- o An ethanol-fueled vehicle for the department director (\$25,000 in fiscal 2004)
- o Consulting and professional services for human resources projects (\$29,340 in fiscal 2005)

LFD COMMENT	The State Grain lab is primarily self-supporting, operating on revenue from fees charged for testing samples provided to them by producers. Usage of the lab varies from year to year depending on factors such as weather and quality of seasonal crops. Due to the severe drought during the past several years, including the base year, agriculture producers and the grain trade provided fewer grain samples to the grain lab for analysis, reducing revenues, and therefore, expenditures in the base year. This request brings authority back up to a projected level of expenditures.
--------------------	--

DP 2 - Microsoft Office Licensing - The executive requests additional state special and proprietary fund authority to purchase software licenses. Under the old licensing structure, no costs for software licensing were incurred in the base year. This request would pay for approximately 50 licenses.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	56.17	0.00	2.50	58.67	0.00	2.50	58.67	58.67
Personal Services	2,020,206	244,474	110,569	2,375,249	245,900	110,304	2,376,410	4,751,659
Operating Expenses	919,093	120,552	200,032	1,239,677	130,881	200,032	1,250,006	2,489,683
Equipment	139,573	0	0	139,573	0	0	139,573	279,146
Grants	2,285,759	300,000	2,007,278	4,593,037	300,000	0	2,585,759	7,178,796
Total Costs	\$5,364,631	\$665,026	\$2,317,879	\$8,347,536	\$676,781	\$310,336	\$6,351,748	\$14,699,284
General Fund	181,198	(20,274)	(29,015)	131,909	(20,273)	(29,015)	131,910	263,819
State/Other Special	4,348,362	511,197	88,529	4,948,088	518,542	88,388	4,955,292	9,903,380
Federal Special	835,071	174,103	2,258,365	3,267,539	178,512	250,963	1,264,546	4,532,085
Total Funds	\$5,364,631	\$665,026	\$2,317,879	\$8,347,536	\$676,781	\$310,336	\$6,351,748	\$14,699,284

Program Description

The Agricultural Sciences Division (ASD) administers, manages, coordinates, and evaluates the major activities of pesticide and pest management, analytical laboratory services, noxious weed management, agricultural chemical groundwater management, and vertebrate pest management. This program administers the Montana Pesticides Act, Agricultural Chemical Groundwater Protection Act, Crop Insect Detection Act, Vertebrate Pest Management Act, Noxious Weed Trust Fund Act, elements of the Weed Assistance Act, and the department's Chemical Analytical Laboratory. Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed in the state.

Program Narrative

Agricultural Sciences Division Major Budget Highlights
<ul style="list-style-type: none"> ○ General fund to state special revenue switch within the Apiary Program of approximately \$29,000 each year to implement proposed statute change to method of assessing and collecting apiary registration and inspection fees

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Agricultural Sciences Div.							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005	
01100 General Fund	\$ 181,198	3.4%	\$ 131,909	1.6%	\$ 131,910	2.1%	
02037 Mint Committee	22,178	0.4%	30,350	0.4%	30,350	0.5%	
02068 Noxious Weed Admin Account	2,013,076	37.5%	2,295,442	27.5%	2,295,444	36.1%	
02071 Anhydrous Ammonia Account	8,654	0.2%	17,877	0.2%	17,877	0.3%	
02072 Emd Misc. S.S.	9,843	0.2%	12,543	0.2%	12,543	0.2%	
02192 Pest Ag Chemical Ground Water	462,711	8.6%	524,795	6.3%	527,296	8.3%	
02193 Pesticide Management Account	798,839	14.9%	942,694	11.3%	943,558	14.9%	
02198 Fert. Ag Chemical Ground Water	17,745	0.3%	17,745	0.2%	17,745	0.3%	
02264 Organic Certification	-	-	101,448	1.2%	101,319	1.6%	
02265 Fsi Produce	-	-	185,265	2.2%	185,999	2.9%	
02266 Comm Dealer/Pub Ware Oper Acct	96,172	1.8%	89,132	1.1%	89,638	1.4%	
02267 Nursery Account	50,385	0.9%	78,253	0.9%	78,253	1.2%	
02268 Produce Account	305,005	5.7%	134,282	1.6%	134,562	2.1%	
02269 Seed Account	35,391	0.7%	59,830	0.7%	59,829	0.9%	
02341 State Noxious Weed Forage	8,787	0.2%	37,905	0.5%	37,905	0.6%	
02452 Commercial Fertilizer	250,792	4.7%	177,958	2.1%	180,422	2.8%	
02454 Commercial Feed	268,784	5.0%	213,554	2.6%	213,537	3.4%	
02693 Air Transportation Special Revenue	-	-	29,015	0.3%	29,015	0.5%	
03118 Marketing Service	<u>835,071</u>	<u>15.6%</u>	<u>3,267,539</u>	<u>39.1%</u>	<u>1,264,546</u>	<u>19.9%</u>	
Grand Total	<u>\$ 5,364,631</u>	<u>100.0%</u>	<u>\$ 8,347,536</u>	<u>100.0%</u>	<u>\$ 6,351,748</u>	<u>100.0%</u>	

The Agricultural Sciences Division receives a portion of its funding from the general fund. In the 2005 biennium Executive Budget, general fund supports the Apiary Program (\$38,000 over the biennium) and the Pesticide Program (\$23,000 over the biennium). Additionally, the department receives general fund (\$203,000 over the biennium) from the Department of Fish, Wildlife, and Parks (FWP) for the Noxious Weed grant program.

The division's primary funding is from state special revenues. The noxious weed administration account receives a transfer from the general fund equal to \$1.50 for every vehicle registered in the state. The weed program is also funded by interest collected from the Noxious Weed Trust. Pesticide registration fees of \$185 per product are allocated at the \$95 level to the groundwater state special revenue account, with the remaining \$90 going to the pesticide management state special revenue account. The pesticide management account also receives revenue from pesticide dealers and commercial, governmental, and farm application fees. Other state special revenues come from commercial feed and fertilizer registration and inspection fees. These fees include mint assessments, fees for anhydrous ammonia and commodity inspection, testing and license fees, and commercial dealer and public-warehouse operator license fees.

Federal funds are from the market services account, which funds bovine spongeiform and encephalitis (BSE/Mad Cow Disease) inspections, as well as portions of the pesticide and ground water programs supported by the Environmental Protection Agency (EPA) and pest detection program supported by the US Department of Agriculture (USDA).

LFD ISSUE	<p>The 2001 legislature designated the general fund allocated to the weed program from FWP as restricted, and inserted language into HB 2 directing the funds to be "granted to governmental entities through an application process, to mitigate the impact of noxious weeds on private and state lands, except Department of Fish, Wildlife, and Parks lands, as a result of the activities of the Department of Fish, Wildlife, and Parks."</p> <p>If the legislature wishes to maintain the intent of the original appropriation, it should designate \$101,341 of general fund each year as restricted, and insert similar language into HB 2.</p>
----------------------	---

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					332,041					333,527
Vacancy Savings					(94,091)					(94,151)
Inflation/Deflation					4,471					5,295
Fixed Costs					40,449					47,474
Total Statewide Present Law Adjustments					\$282,870					\$292,145
DP 2 - Mint Committee	0.00	0	8,412	0	8,412	0.00	0	8,392	0	8,392
DP 4 - Noxious Weed Grants	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 6 - Correct Base Budget in RL31	0.00	0	0	0	0	0.00	0	0	0	0
DP 9 - Contracts for Inspections of Organic Applicants	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 14 - Weed Seed Free Forage supply purchases	0.00	0	1,616	0	1,616	0.00	0	1,616	0	1,616
DP 15 - Advisory Councils Lodging and Per Diem	0.00	0	5,149	0	5,149	0.00	0	5,149	0	5,149
DP 17 - Pesticide Applicator Training	0.00	0	2,700	0	2,700	0.00	0	2,700	0	2,700
DP 18 - Waste Pesticide Disposal Program Disposal Cost	0.00	0	21,165	0	21,165	0.00	0	21,165	0	21,165
DP 19 - Field Office Rent Contracts	0.00	0	800	0	800	0.00	0	3,300	0	3,300
DP 20 - Federal Contract for Feed Inspections (BSE)	0.00	0	0	20,000	20,000	0.00	0	0	20,000	20,000
DP 21 - Restore Produce Inspector Overtime	0.00	0	2,314	0	2,314	0.00	0	2,314	0	2,314
Total Other Present Law Adjustments	0.00	\$0	\$362,156	\$20,000	\$382,156	0.00	\$0	\$364,636	\$20,000	\$384,636
Grand Total All Present Law Adjustments					\$665,026					\$676,781

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Mint Committee - The executive requests additional state special revenue for administrative costs associated with the Mint Committee, including, per diem, travel, program supplies, and contracted services for research on mint production and management of pests and weeds.

DP 4 - Noxious Weed Grants - The executive requests an additional \$300,000 each year in state special revenue authority from the noxious weed administration account to accommodate an anticipated increase in grants due to increased revenues into the account.

LFD COMMENT	<p>The Noxious Weed Trust Fund grant program was established by the 1985 legislature. The Department of Agriculture manages the grant program and states that it "is designed to assist counties, local communities, researchers, and educators in their efforts to solve a variety of weed problems in Montana." The department reviews each grant application to ensure, among other things, that the application complements and enhances the Montana Weed Management Plan as developed by the Weed Summit Steering Committee and the Weed Management Task Force. In the base year, the noxious weed administration account received \$1.6 million in revenues from the \$1.50 vehicle registration fee and \$1.2 million in interest and transfers from the Noxious Weed Trust. The program provided approximately \$2.3 million in grants during the base year.</p>
--------------------	--

DP 6 - Correct Base Budget in RL31 - The executive proposes an adjustment to correct a base-year account error. The net result of this adjustment is a switch within the state special revenue fund type from the produce account to the federal state inspections produce account of approximately \$42,000 each year.

DP 9 - Contracts for Inspections of Organic Applicants - The executive requests an additional \$20,000 in each year of the biennium from the organic certification state special revenue fund. This request will accommodate additional inspections of producer and handler operations to grant organic certification.

DP 14 - Weed Seed Free Forage supply purchases - The executive requests an additional \$1,616 each year in state special revenue authority to purchase color-coded baling twine to mark certified noxious weed seed free forage. Funding is from the state noxious weed forage fund.

DP 15 - Advisory Councils Lodging and Per Diem - The executive requests an additional \$5,149 each year in state special revenue authority to carry forward base year costs and provide additional travel and per diem funding for members serving on the Noxious Weed Trust Fund, Organic Certification, and Noxious Weed Seed Free Forage advisory councils.

DP 17 - Pesticide Applicator Training - The executive requests an additional \$2,700 each year in state special revenue authority for operational costs to provide training for recertification of pesticide applicators and dealers including speaker fees and increases in training room rental, travel costs, and supplies and materials.

DP 18 - Waste Pesticide Disposal Program Disposal Cost - Provide appropriation authority for the waste pesticide disposal program above base year funding to historical levels. In addition, the disposal program will be paying its fair share of personal services and operations costs not charged to the program in previous disposal collections.

DP 19 - Field Office Rent Contracts - The executive requests additional state special revenue authority to pay increased rent for field offices. Rent will increase from the base year by \$800 in fiscal 2004 and \$3,300 in fiscal 2005.

DP 20 - Federal Contract for Feed Inspections (BSE) - Funding is necessary to reestablish a budget and allow for new funding from the FDA to inspect and sample commercial feeds. The inspections will assure compliance with laws that prevent the spread of bovine spongiform and encephalitis (BSE/Mad Cow Disease), a devastating disease of cattle and humans.

DP 21 - Restore Produce Inspector Overtime - The executive requests \$2,314 each year in state special revenue to restore the zero-based overtime for grade inspections of potatoes and other commodities, which occur upon request by growers and are often needed on the weekends and after regular hours.

New Proposals	-----Fiscal 2004-----					-----Fiscal 2005-----					
	Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 5 - Federal Discretionary Funding	30	0.00	0	0	178,500	178,500	0.00	0	0	178,500	178,500
DP 7 - Organic Program Fund Switch to State Special	30	1.50	0	59,514	0	59,514	1.50	0	59,373	0	59,373
DP 10 - USDA Cooperative Agricultural Pest Survey	30	1.00	0	0	72,587	72,587	1.00	0	0	72,463	72,463
DP 13 - USDA Forest Service Weeds and Fire Grants	30	0.00	0	0	2,007,278	2,007,278	0.00	0	0	0	0
DP 8000 - Apiary (Honey Bee) Fund Switch	30	0.00	(29,015)	29,015	0	0	0.00	(29,015)	29,015	0	0
Total	2.50	(\$29,015)	\$88,529	\$2,258,365	\$2,317,879	2.50	(\$29,015)	\$88,388	\$250,963	\$310,336	

New Proposals

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

DP 5 - Federal Discretionary Funding - The executive requests an additional \$178,500 each year in federal special revenue in anticipation of EPA discretionary funds becoming available for special pesticide programs involving training, enforcement, worker protection, endangered species, and ground water protection.

DP 7 - Organic Program Fund Switch to State Special - The executive requests approximately \$59,000 each year in state special revenue authority to switch funding for the Organic Certification Program from general fund to organic certification state special revenue funding. This funding pays for program costs as well as 1.00 FTE to manage the program.

LFD COMMENT	The 2001 legislature provide approximately \$42,000 general fund and 0.50 FTE in each year of the 2003 biennium for the Organic Certification Program. The legislature also included language in HB 2 specifying that the program be funded with sources other than general fund in the 2005 biennium, with the intent that the program be self-supporting. At the time, the program was just starting, and organic certification rules had not been finalized or adopted by the US Department of Agriculture (USDA). After USDA adoption of the rules, Montana's Organic Committee approved the program, and the program began certifying producers and handlers in late fiscal 2002. The 1.00 FTE administrator position originally associated with the program was not filled while waiting for the USDA to finalize program rules, and the 2001 legislature eliminated it due to it being vacant for a significant amount of time. This request re-establishes that 1.00 FTE, which is currently established as a modified position.
--------------------	--

DP 10 - USDA Cooperative Agricultural Pest Survey - The executive requests approximately \$72,000 in federal special revenue each year to accommodate surveys and management of agricultural pests and to protect homeland security, to be funded by the USDA Animal and Plant Health Inspection Service. The intent of this program is to improve the pest detection system in the United States and to prevent the intentional or accidental introduction of pests that could cause serious harmful impacts to agriculture and other segments of Montana's economy. This request also establishes 1.00 FTE to manage the program and funding.

DP 13 - USDA Forest Service Weeds and Fire Grants - The executive requests approximately \$2.0 million in federal special revenue authority to issue grants to counties and cooperative landowner associations for control of noxious weeds. Funds will be granted to the department by the USDA Forest Service. The executive requests this appropriation be designated as biennial.

DP 8000 - Apiary (Honey Bee) Fund Switch - The executive proposes to implement an apiary fee for the 2005 biennium to replace a portion of the general fund currently used to support the Apiary Program. Net result of this request is a fund

switch decreasing general fund and increasing state special revenue by approximately \$29,000 each year. This proposal is contingent upon the passage of legislation changing the method for assessing and collecting apiary registration and inspection fees.

**LFD
ISSUE**

Subsequent to development of the budget proposal, the department and the beekeeping industry agreed on a level of service (\$53,000 each year) and fee structure that would fully support that level of service. Therefore, the proposed legislation will include a fee structure that would enable the Apiary Program to be completely self-supporting. If the legislature wishes to accommodate this legislation, this decision package should be amended to eliminate all general fund support to the program (\$48,103 in fiscal 2004, \$48,104 in fiscal 2005) and provide state special revenue authority of \$53,336 each year.

Proprietary Rates**Program Description**

The Alfalfa Leaf-cutting Bee Program (fund 06011) is established in Title 80, Chapter 6, Part 11, MCA. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program in cooperation with the department. Department personnel perform field and laboratory duties for the committee.

Revenues and Expenses

Alfalfa leaf-cutting bee account revenues are received from laboratory analyses for pathogens in larva and the determination of sex ratios. Expenditures include laboratory costs and committee member per diem. There are no FTE funded in this program; however, there are usually overtime payments to the entomologist to pay for the laboratory analyses performed. There is a \$15 registration fee for alfalfa leaf-cutting bee owners that is paid once. There is a \$30 certification fee per sample for certifying samples. There is a \$30 analysis fee per sample and an additional fee of \$20 for sex ratio and percent emergence.

Rate Explanation

Fees are charged for certification and registration of alfalfa leaf-cutter bees in Montana and for laboratory expenses. The fees charged are set by rule. Rates are \$30 for a minor A license and \$15 for a minor B license.

Report on Internal Service and Enterprise Funds, 2005 Biennium

Fund	Fund Name	Agency #	Agency Name	Program Name
06011	Dept Of Agriculture	62010	Dept. of Agriculture	Agricultural Sciences

	actual FY00	actual FY01	actual FY02	budgeted FY03	budgeted FY04	budgeted FY05
Operating Revenues:						
Fee revenue						
Net Fee Revenue	4,270	3,280	1,830	4,300	4,300	4,300
Investment Earnings	422	456	203	-	-	-
Securities Lending Income	20	3	4	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	2	1	-	-	-	-
Total Operating Revenues	4,714	3,740	2,037	4,300	4,300	4,300
Intrafund Revenue	-	-	-	-	-	-
Net Operating Revenues	4,714	3,740	2,037	4,300	4,300	4,300
Operating Expenses:						
Personal Services	2,998	4,040	3,138	3,211	3,211	3,211
Other Operating Expenses	936	844	704	1,612	1,607	1,607
Miscellaneous, operating	19	14	7	-	-	-
Miscellaneous, other	-	-	-	-	-	-
Total Operating Expenses	3,953	4,898	3,849	4,823	4,818	4,818
Intrafund Expense	-	-	-	-	-	-
Net Operating Expenses	3,953	4,898	3,849	4,823	4,818	4,818
Operating Income (Loss)	761	(1,158)	(1,812)	(523)	(518)	(518)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	761	(1,158)	(1,812)	(523)	(518)	(518)
Contributed Capital	186,149	186,149	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Retained Earnings/Fund Balances - July 1 - As Restated	(177,409)	(176,648)	8,343	6,531	6,008	5,490
Net Income (Loss)	186,910	184,991	(1,812)	(523)	(518)	(518)
Retained Earnings/Fund Balances - June 30	9,501	8,343	6,531	6,008	5,490	4,972
60 days of expenses (Total Operating Expenses divided by 6)	659	816	642	804	803	803

Program Proposed Budget	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	39.88	0.00	0.00	39.88	0.00	0.00	39.88	39.88
Personal Services	935,294	648,440	0	1,583,734	648,915	0	1,584,209	3,167,943
Operating Expenses	1,157,644	166,854	0	1,324,498	65,972	0	1,223,616	2,548,114
Equipment	0	66,800	0	66,800	66,800	0	66,800	133,600
Grants	780,731	18,896	0	799,627	18,896	0	799,627	1,599,254
Transfers	80,000	(80,000)	0	0	(80,000)	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,953,669	\$820,990	\$0	\$3,774,659	\$720,583	\$0	\$3,674,252	\$7,448,911
General Fund	326,712	10,708	0	337,420	10,711	0	337,423	674,843
State/Other Special	2,390,642	562,779	0	2,953,421	461,062	0	2,851,704	5,805,125
Federal Special	44,500	175,500	0	220,000	175,500	0	220,000	440,000
Proprietary	191,815	72,003	0	263,818	73,310	0	265,125	528,943
Total Funds	\$2,953,669	\$820,990	\$0	\$3,774,659	\$720,583	\$0	\$3,674,252	\$7,448,911

Program Description

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

Program Narrative

<p>Agricultural Development Division Major Budget Highlights</p>
<ul style="list-style-type: none"> o 50 percent reduction in statutory Growth Through Agriculture appropriation o 50 percent reduction in Growth Through Agriculture funding from the coal severance tax shared state special revenue account
<p>Major LFD Issues</p>
<ul style="list-style-type: none"> o Growth Through Agriculture <ul style="list-style-type: none"> o Provides assistance in two areas: staff assistance and investment funding o Most investment funding is awarded in the form of grants, which do not result in a direct payback o Tangible economic impacts have not been compiled for the staff assistance services and have been estimated for investment funding o Opportunities, although limited, do exist for similar assistance and funding to be provided through other programs

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
01100 General Fund	\$ 326,712	11.1%	\$ 337,420	8.9%	\$ 337,423	9.2%
02040 Wheat & Barley Research & Mktg	1,683,340	57.0%	1,699,799	45.0%	1,702,032	46.3%
02066 Agriculture In Mt Schools Act.	12,002	0.4%	6,500	0.2%	6,500	0.2%
02268 Produce Account	5,001	0.2%	5,001	0.1%	5,001	0.1%
02340 Coal Sev. Tax Shared Ssr	386,474	13.1%	196,405	5.2%	191,261	5.2%
02453 Grain Services	279,107	9.4%	920,960	24.4%	922,123	25.1%
02461 Alfalfa Seed Assessment	24,718	0.8%	24,756	0.7%	24,787	0.7%
02692 Red In Energy Costs Irr Ag	-	-	100,000	2.6%	-	-
03225 Emap Grant/Agriculture	44,500	1.5%	220,000	5.8%	220,000	6.0%
06052 Hail Insurance	191,815	6.5%	263,818	7.0%	265,125	7.2%
Grand Total	\$ 2,953,669	100.0%	\$ 3,774,659	100.0%	\$ 3,674,252	100.0%

Non-general funds provide 91 percent of the Agricultural Development Division funding. State and other special revenues consist of wheat and barley sales tax, grain testing fees, alfalfa seed assessments, and income-tax checkoffs for Agriculture in Montana Schools, and private donations. Additionally, the Growth Through Agriculture (GTA) Program receives a share of 7.75 percent of coal severance tax collections, which is used to fund grants and operations of the Agriculture Development Council in conjunction with the GTA program. Proprietary funds come from hail insurance.

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					549,087					548,706
Vacancy Savings					(59,374)					(59,363)
Inflation/Deflation					1,067					1,524
Fixed Costs					(1,056)					3,619
Total Statewide Present Law Adjustments					\$489,724					\$494,486
DP 6 - Increase in Federal Authority	0.00	0	0	185,084	185,084	0.00	0	0	184,542	184,542
DP 10 - State Hail Insurance Base Adjustment	0.00	0	0	20,044 *	20,044 *	0.00	0	0	0	20,096 *
DP 11 - State Grain Laboratory Base Adjustment	0.00	0	269,891	0	269,891	0.00	0	270,736	0	270,736
DP 12 - Universal System Benefits Charge	0.00	0	100,000	0	100,000	0.00	0	0	0	0
DP 16 - Per Diem Requests	0.00	0	9,300	0	9,300	0.00	0	9,300	0	9,300
DP 50 - Coal Severance Tax Shared Acct Receduction	0.00	0	(253,053)	0	(253,053)	0.00	0	(258,577)	0	(258,577)
Total Other Present Law Adjustments	0.00	\$0	\$126,138	\$185,084	\$331,266 *	0.00	\$0	\$21,459	\$184,542	\$226,097 *
Grand Total All Present Law Adjustments					\$820,990 *					\$720,583 *

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 6 - Increase in Federal Authority - The executive requests additional federal special revenue authority to accommodate increased federal funding for marketing projects from the Western United States Agriculture Trade Association (WUSATA) and the Federal State Marketing Improvement Program (FSMIP), and for market development trade missions.

DP 10 - State Hail Insurance Base Adjustment - The executive requests an increase in proprietary funding of approximately \$20,000 per year to accommodate anticipated expenditures from the Hail Insurance fund. Due to the severe drought during 2001, the number of insured acres was down by 25 percent. Therefore, revenue from insurance premiums was also down. To compensate for the reduction in revenue, the department reduced personal services and operational expenditures accordingly. The increased appropriation would restore funding to accommodate a normal level of services.

DP 11 - State Grain Laboratory Base Adjustment - The executive requests additional state special revenue authority of approximately \$270,000 each year to bring the State Grain Laboratory budget in line with anticipated/potential expenditures. Due to the severe drought during the past several years, including the base year, agriculture producers and the grain trade provided fewer grain samples to the grain lab for analysis, reducing revenues, and therefore, expenditures in the base year. The increased appropriation would restore funding to accommodate a more normal level of services.

DP 12 - Universal System Benefits Charge - The executive requests additional authority to accommodate expenditures from the reduction in energy costs of irrigated agriculture state special revenue fund established in 69-8-412(c), MCA. Due to the unknown timing and amount of collections into this fund, the executive requests the appropriation be designated as biennial.

**LFD
ISSUE**

In the November 2002 elections, voters repealed HB 474, passed by the 2001 legislature. Subsequently, the statutory authority for the Reduction in Energy Costs of Irrigated Agriculture was eliminated. Based on a legal opinion from legislative staff, the department has returned all fiscal 2003 funding to the Department of Revenue for reallocation, and will not receive any future distribution. There is no requirement for this authority, and the executive has withdrawn the request for this DP. It should not be approved.

DP 16 - Per Diem Requests - The executive requests state special revenue authority of approximately \$9,000 each year to restore zero-based per diem to the level spent in the base year.

DP 50 - Coal Severance Tax Shared Acct Reduction - The executive proposes to reduce funding for the Growth Through Agriculture Program for the 2005 biennium, to approximately \$195,000 each year. This decision package is intended to implement executive-proposed legislation that changes the percentage of coal severance taxes allocated to the coal severance tax shared state special revenue account from 7.75 percent to 4.18 percent for the 2005 biennium only. Since excess funds in the shared account are transferred to the general fund at the end of each fiscal year, this decision package is not dependent upon the proposed legislation to enhance the general fund balance.

**LFD
ISSUE**

The executive proposal is based upon the executive projections for total coal severance tax collections. If revenues into the account do not support the level of expenditures appropriated from the account, some or all of the entities receiving funding from that account will not be able to use their full appropriation. Without monitoring and oversight by the executive, revenues from the account can be spent by the entities on a first-come, first-serve basis. Using the official revenue estimates accepted by the Revenue and Transportation Committee, proposed appropriations from the shared account exceed revenues by approximately \$84,000 during the 2005 biennium. For more information on the coal severance tax shared state special revenue account, please see the narrative for the Community Development Division within the Department of Commerce.

Program Issues

Growth Through Agriculture

Background

The 1987 legislature passed the Montana Growth Through Agriculture Act to "strengthen and diversify Montana's agricultural industry by establishing a public-private sector partnership to assist the development of innovative agricultural business organizational improvements and the commercialization and marketing of new agricultural products in order to keep pace with a transforming agricultural industry and to create new jobs and expand small business opportunities." The Department of Agriculture's GTA program has operated under that guidance since then. The Vision 2005 Task Force accomplished further definition of this goal and identified the following focus areas and goals for the Growth Through Agriculture Program in their October 1998 report to then-Governor Racicot:

Business Recruitment and Assistance

- Establish a recruiting team to target and recruit agricultural businesses which could expand Montana operations or locate a new operation in Montana
- Identify the infrastructure for business development assistance and educate businesses concerning business assistance options
- Create a source of low-cost, long-term capital for investment in agriculture and agriculture-related businesses
- Increase domestic and international Montana agricultural product sales by 500 percent from opportunities made by Montana Department of Agriculture marketing teams
- Preserve the integrity of the Plant Variety Protection Act for seed and modify current seed law to fit developing technologies

Product Development and Marketing

- Increase Montana's irrigated acres by 500,000
- Develop new niche and foreign markets
- Market one million Montana hogs annually by 2005 and two million hogs annually by 2010
- Double the value of Montana's beef cattle industry through adding value to the current production and increasing marketing efforts
- Double the value of Montana's sheep industry through adding value to the current production and increasing marketing efforts
- Develop marketing and production of alternative livestock
- Provide legislation for the development of voluntary industry check-off programs
- Develop marketing and production of alternative crops
- In areas where applicable research is being done at other universities, Montana State University will provide the conduit for that research

Infrastructure Development

- Provide recommendations for improved rail representation in state government

Professional Producer Initiatives

- Develop a public relations campaign promoting agriculture's role in the economy, environment, open space, and recreation
- Develop and implement educational programs for the enhancement of entrepreneurial activities in schools and for producers, for increased marketing, and for diversification of farm and ranch income
- Develop a proactive environmental plan of action through livestock organizations that deal with confinement livestock facilities in cooperation with state agencies that include producer and consumer education

The program operates from two major funding streams:

- A statutory appropriation of \$1.25 million general fund
- A HB2 appropriation from the coal severance tax shared state special revenue fund

The statutory appropriation was established during the May 2000 Special Session. During the August 2002 Special Session, the legislature reduced the statutory appropriation to \$925,000 for fiscal 2003 only. For the 2005 biennium, the executive proposes to reduce the statutory appropriation by 50 percent from the \$1.25 million currently established in law to \$625,000.

Through fiscal 2002, the coal severance tax shared state special revenue account received 8.36 percent of all coal severance tax collections. During the August 2002 Special Session, the legislature decreased that to 6.01 percent, to increase the amount of coal severance tax collections going directly to the general fund, and to 7.75 percent for fiscal 2004 and beyond. The reduction to 7.75 percent was made to account for a change in funding of the County Land Planning function, which was previously funded from the shared account through fiscal 2001. For the 2005 biennium, the executive proposes to reduce the percentage to 4.18, which is half of the original 8.36 percent allocation. To accommodate this reduction, the executive proposes to reduce the GTA appropriation from the shared account to approximately \$195,000 each year of the biennium.

Overall, the GTA program is projected to sustain a 50 percent reduction in both statutory and HB 2 appropriated funds when compared to fiscal 2002 levels. To analyze the potential affects on the program, it is necessary to examine the two major areas of focus within the program.

Staff Assistance Services

Program staff provide services in the areas of program oversight, business assistance, domestic and foreign marketing, and program portfolio management. During the base year, the program spent approximately \$430,000 on personal services and operating expense costs to perform these functions.

The department has compiled results and successes in meeting the goals of their staff assistance programs, but has not determined an applicable annual economic impact or number of FTE created that can be directly tied to the staff assistance initiatives. The legislature may wish to ask the department for an update on successes of and results from the staff assistance programs.

Market Development Investments

The department website states that the market development investment program "is intended to strengthen the Montana economy by enhancing agricultural research capabilities, supporting organizational improvements and market development efforts, facilitating the process of transferring research from the laboratory to the commercial marketplace, and improving access to agricultural information. The primary beneficiary of market development investments results must be the general public. Projects must demonstrate potential for commercial application by other prospective producers or processors." Additionally, potential projects must provide a minimum of a 1:1 funding match.

The Agricultural Development Council provides funding for these investments from program funds to successful applicants. Funds may be awarded in one of three categories: Investment without repayment (grant), returns on investment (ROI), or loan.

Fiscal year 2002 saw the program make awards to 40 out of 64 applicants for a total award of \$1.3 million. Of these awards, 27 were grants, 9 were ROI (deferred loans), and 4 were loans. Awards included:

- 16 awards for market feasibility, research, and analysis
- 11 awards for marketing plan development and implementation (typically including ROIs)
- 5 awards for agricultural trade, education, and industry development
- 4 awards for agricultural or rural economic development
- 4 loans for capital assets

The majority of awards are grants for marketing plan development and feasibility studies. These funds do not directly result in any payback to the state. If the legislature desires the program to be more self-sustaining, it could require the investments be provided with a payback requirement or incentive.

Since 1989, the program has funded over 225 projects totaling over \$6.2 million. Initial match for these projects was approximately \$26.4 million in time and cash, providing a \$4.22:\$1.00 match rate for the investments. Additionally, the department states that through the use of surveys they have estimated the annual local economic impact of the GTA investments to be almost \$28.0 million, with 313.50 full-time and 73.00 part-time FTE positions created.

Other Options for Assistance and Funding

Clients and funding grant recipients served by the Growth Through Agriculture Program have a limited number of options

for obtaining similar assistance and/or funding. Some of these programs include:

Small Business Development Centers (SBDC) - This program, operated by the Department of Commerce, provides services including business assistance, training, and counseling to Montana's small businesses. Several of the businesses served by the Growth Through Agriculture Program would potentially qualify for services through this program. For more information on the SBDC program, see the narrative for the Business Resources Division within the Department of Commerce.

Trade and International Relations - This program, operated by the Department of Commerce, provides services in support of its mission to "Identify opportunities for worldwide and domestic trade and to provide representation, information and technical assistance." Several of the Agricultural Development Division domestic and foreign marketing programs, particularly the In-State and Domestic Foods and Value-Added Products Marketing Program and the International Trade and Marketing Program, could receive some level of support through the Trade and International Relations Program. The ability of this program to absorb additional projects from the Department of Agriculture would be limited by the funding provided to the Department of Commerce for those purposes. For more information on this program, see the narrative for the Business Resources Division within the Department of Commerce.

U.S. Department of Agriculture (USDA) Market Access Program funds - These funds, passed to the department through organizations such as the Western U.S. Agricultural Trade Association (WUSATA) or U.S. Livestock Genetics Export (USLGE), are currently used by the department for various marketing and development initiatives, including initiatives within the International Trade and Marketing Program. International marketing initiatives currently funded by Growth Through Agriculture Funds would have to compete with other initiatives for these funds.

Issues

There are four primary issues when discussing continuation of and funding for the Growth Through Agriculture Program

- The Growth Through Agriculture Program provides assistance in two areas: staff assistance and investment funding
- Most investment funding is awarded in the form of grants, which do not result in a direct payback
- Tangible economic impacts have not been compiled for the staff assistance services provided with Growth Through Agriculture funds, and have been estimated for investment funding
- Opportunities, although limited, do exist for similar assistance and funding to be provided through other programs

Options:

- Eliminate the Growth Through Agriculture Program, but provide some or all of the funding to programs providing similar services, such as the SBDC or Trade and International Relations programs within the Department of Commerce
- Reduce funding from the fiscal 2002 levels, and provide direction to the department as to any legislative priority for staff assistance or investment funding
- Amend statute to require a payback on any investment funds awarded
- Accept the executive proposal for the Growth Through Agriculture Program
- Eliminate the Growth Through Agriculture Program

Proprietary Rates**Program Description***Hail Insurance Program*

The Hail Insurance Program (fund 06052) has been in operation since 1917. The function of the program is to provide low-cost hail insurance coverage for any crop grown in Montana to assist producers in recovering their input costs in the event of hail damage. The program insures approximately 1.4 million acres of crops with coverage exceeding \$30 million each year.

Beginning Farmer/Rancher Loan Program

The Montana Beginning Farmer/Rancher Loan Program (fund 06016) is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher. The financial institution, after arranging the loan or sales contract, will obtain from the Montana Agriculture Loan Authority (the Authority) a federally tax-exempt bond in the amount of the loan or unpaid balance. The loan and its collateral will be assigned to the financial institution as security for the bond. In the case of a contract sale, the contract will be entered into by the Authority, and the financial institution will receive the bond to evidence the Authority's obligations under the contract. The Authority's right, title, and interest in the contract will then be assigned to the beginning farmer/rancher who assumes payment obligations of the Authority under the contract.

**LFD
COMMENT**

Due to a negligible level of activity in this account, it is not shown in a separate table.

Revenues and Expenses*Hail Insurance Program*

There are no changes to hail premiums charged. Hail premiums charged are set by 80-2-208, MCA, and cannot exceed \$24 per acre for non-irrigated land and \$48 per acre for irrigated land. The program is required to keep a reserve as set by 80-2-228, MCA. An actuary is hired each year to review the reserve requirements. The program pays for 2.00 full time FTE and 4.30 seasonal FTE to support program operations. In addition, the program must pay for associated operating expenses.

Beginning Farmer/Rancher Loan Program

An applicant pays a \$50 application fee and a loan participation fee of 1.5 percent of the value of the bond. These rates are unchanged from last biennium. Once the program is operational, it will fund a 0.50 FTE and related operating expenses. The FTE will not be filled until revenue will support it.

Report on Internal Service and Enterprise Funds, 2005 Biennium

Fund	Fund Name	Agency #	Agency Name	Program Name
06052	Hail Insurance	62010	Dept. of Agriculture	

	actual FY00	actual FY01	actual FY02	budgeted FY03	budgeted FY04	budgeted FY05
Operating Revenues:						
Fee revenue						
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	301,916	375,686	136,123	150,000	150,000	150,000
Securities Lending Income	301,916	21,170	2,453	2,500	2,500	2,500
Premiums	2,602,595	2,760,342	296,708	500,000	500,000	500,000
Other Operating Revenues	(215,372)	4,532	3,977	4,000	4,000	4,000
Total Operating Revenues	2,991,055	3,161,730	439,261	656,500	656,500	656,500
Intrafund Revenue	-	-	-	-	-	-
Net Operating Revenues	2,991,055	3,161,730	439,261	656,500	656,500	656,500
Operating Expenses:						
Personal Services	200,407	172,910	182,717	170,757	189,622	187,105
Other Operating Expenses	2,733,539	3,007,331	1,852,023	1,219,876	1,200,000	1,200,000
Miscellaneous, operating	8,361	10,539	9,966	84,347	76,638	78,468
Miscellaneous, other	-	-	-	-	-	-
Total Operating Expenses	2,942,307	3,190,780	2,044,706	1,474,980	1,466,260	1,465,573
Intrafund Expense	-	-	-	-	-	-
Net Operating Expenses	2,942,307	3,190,780	2,044,706	1,474,980	1,466,260	1,465,573
Operating Income (Loss)	48,748	(29,050)	(1,605,445)	(818,480)	(809,760)	(809,073)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	48,748	(29,050)	(1,605,445)	(818,480)	(809,760)	(809,073)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(26,226)	(5,992)	(42,254)	-	-	-
Retained Earnings/Fund Balances - July 1 - As Restated	6,449,789	6,472,311	6,437,269	4,789,570	3,971,090	3,161,330
Net Income (Loss)	22,522	(35,042)	(1,647,699)	(818,480)	(809,760)	(809,073)
Retained Earnings/Fund Balances - June 30	6,472,311	6,437,269	4,789,570	3,971,090	3,161,330	2,352,257
60 days of expenses (Total Operating Expenses divided by 6)	490,385	531,797	340,784	245,830	244,377	244,262