

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	493.09	1.20	5.50	499.79	1.66	5.50	500.25	500.25
Personal Services	17,161,272	1,243,959	212,814	18,618,045	1,196,448	211,332	18,569,052	37,187,097
Operating Expenses	7,134,275	1,616,906	1,451,591	10,202,772	1,575,538	416,864	9,126,677	19,329,449
Equipment	379,252	641,845	0	1,021,097	541,167	0	920,419	1,941,516
Capital Outlay	8,849	0	0	8,849	0	0	8,849	17,698
Local Assistance	146,000	75,000	0	221,000	75,000	0	221,000	442,000
Grants	560,763	304,000	430,000	1,294,763	304,000	230,000	1,094,763	2,389,526
Transfers	355,419	0	0	355,419	0	0	355,419	710,838
Debt Service	186,106	316,842	0	502,948	316,842	101,000	603,948	1,106,896
Total Costs	\$25,931,936	\$4,198,552	\$2,094,405	\$32,224,893	\$4,008,995	\$959,196	\$30,900,127	\$63,125,020
General Fund	13,008,145	5,080,670	(2,741,860)	15,346,955	4,983,868	(2,865,910)	15,126,103	30,473,058
State/Other Special	11,634,227	(1,321,287)	4,633,265	14,946,205	(1,418,459)	3,622,106	13,837,874	28,784,079
Federal Special	1,289,564	439,169	203,000	1,931,733	443,586	203,000	1,936,150	3,867,883
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$25,931,936	\$4,198,552	\$2,094,405	\$32,224,893	\$4,008,995	\$959,196	\$30,900,127	\$63,125,020

Agency Description

The department: 1) manages the state's trust land resource to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income generating capacity of the land; 2) protects Montana's natural resources from wildfires through regulation and partnerships with federal, state and local agencies; 3) promotes stewardship of Montana's water, soil, forest and rangeland resources, and regulates forest practices to protect water quality; 4) provides administrative, legal, and technical assistance and financial grants to the state's conservation districts and provides natural resource conservation and development programs; 5) resolves water resource use conflicts, manages state water projects, investigates water use violations, ensures dam safety compliance, and provides water adjudication support to the Water Court; 6) provides administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies; and 7) provides administrative support to the Board of Oil and Gas Conservation to assist in conservation of oil and gas and prevention of resource waste through regulation of oil and gas exploration and production. The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercises the general authority, direction, and control over the care, management, and disposition of state lands under its administration. The director is the chief administrative officer of the board.

Summary of Legislative Action

The legislature approved present law changes in HB 2, adding 1.66 FTE and increasing base expenditures by \$8.2 million over the 2001 biennium compared to fiscal 1998 expenditures. Major changes include a biennial increase of \$2.4 million for full funding of personal services, an increase of \$3.2 million in operating expenses, an increase of \$1.2 million in equipment, and a \$758,000 increase in local assistance and grants. New proposals in HB 2 add 5.50 FTE and \$3.1 million over the biennium, with the largest changes occurring from: 1) \$635,850 general fund and 2.50 FTE for expanding irrigated acres under the Vision 2005 program; 2) \$550,000 for a rehabilitation study of Bair and Nevada Creek dams; 3) \$355,000 for FEMA flood assistance; 4) \$300,000 for improvements at the Broadwater Dam, wetland mitigation and potential costs for litigating with Montana Power Company; and 5) \$200,000 for costs associated with the Rocky Boy and Fort Peck water systems. The legislature made substantial changes in the way it funds the Trust Land Management Division. Due to SB 48, the legislature replaced \$7.1 million general fund over the biennium with state special revenue which previously had been deposited into the corpus of ten land trusts.

Reorganization

The 1997 legislature moved the majority of the federally funded non-point source pollution control and the wetlands programs from the Department of Environmental Quality to the Department of Natural Resources and Conservation. The legislature directed that the federal non-point source pollution control money be used to address water quality impaired streams. During the interim, the Governor approved a transfer of DNRC appropriations of these federal funds back to

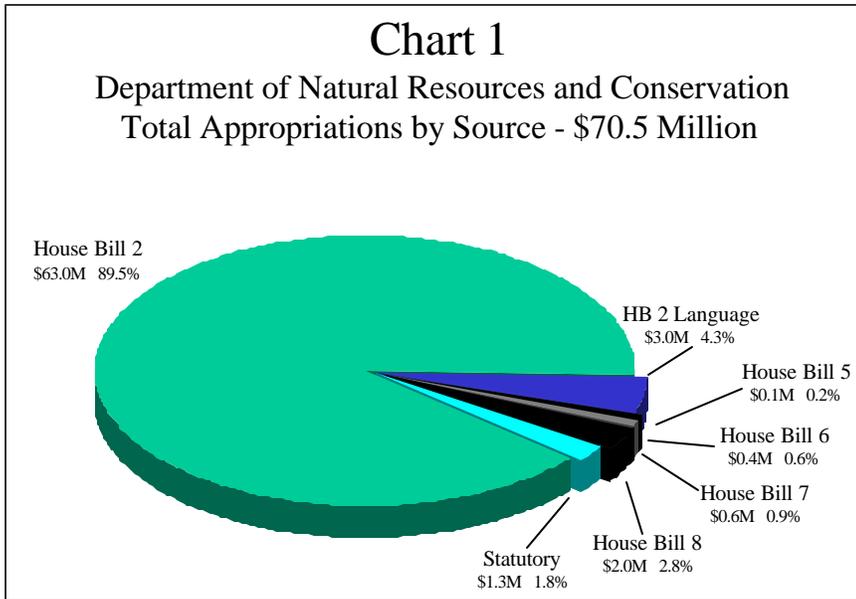
DEQ. The stated reasons for the move are: 1) the Department of Environmental Quality is properly structured to administer the programs; 2) there is a link with the non-point source pollution control funds and the total maximum daily load program administered by the Department of Environmental Quality; 3) there was a possibility of losing unspent federal funds if the programs remained in the Department of Natural Resources and Conservation; and 4) the Department of Environmental Quality can use the money to fund short-term exemptions from water quality standards and compliance certifications under section 401 of the federal clean water act. Amounts transferred were \$1,019,898 in fiscal 1998 and \$1,021,728 in fiscal 1999. Also included in the transfer were 5.40 FTE. The 1999 legislature approved the expenditure of all these federal funds in the Department of Environmental Quality.

Agency Discussion

Language Appropriations

The legislature approved \$3,020,000 as language appropriations in the Conservation and Resource Development Division and the Water Resources Division for the 2001 biennium. Table 1 shows these amounts and their purposes. A language appropriation is language in HB 2 that appropriates money on a contingent basis, usually when the revenue becomes available, and which must contain a maximum amount. It does not become a valid appropriation until the contingency is met. A language appropriation is a means used by the legislature in instances when revenues cannot be accurately estimated and where an immediate expenditure of the money is directed by statute. Failure to have an appropriation would put the department in a situation where it could not fulfill statutory requirements. Because a language appropriation is only the potential of an appropriation, no appropriations are included directly in HB 2.

Table 1 Department of Natural Resources and Conservation House Bill 2 Language Appropriations 2001 Biennium			
Purpose	Program	Fiscal 2000	Fiscal 2001
1* Power sale money for equipment replacement or repair at the Broadwater dam	Water Res.	\$1,000,000	
2* Interest earnings to repair, improve, or rehabilitate the Broadwater-Missouri diversion	Water Res.	20,000	
3* Money from sale of hydro power to repair, improve, or rehabilitate state water projects	Water Res.	500,000	
4* Excess loan loss reserve money for feasibility studies of water pollution control projects	CARDD	100,000	
5* Excess loan loss reserve money for feasibility studies of drinking water projects	CARDD	100,000	
6* Loan principal repayments and accrued interest for rangeland loans	CARDD	700,000	
7* Money in the Renewable Resource acct. to buy prior liens on loan secured property	CARDD	600,000	
Total		\$3,020,000	0
* Biennial appropriations			



Total Appropriations

HB 2, the general appropriations act, is the means by which the legislature appropriates the majority of money used to operate the department for a biennium. However, the legislature also appropriates money to the department in other bills: 1) HB 5 contains appropriations for department capital projects; 2) HB 6 appropriates money for department renewable resource projects; 3) HB 7 appropriates money for department reclamation and development projects; and 4) HB 8 appropriates bond proceeds as loans for department renewable resource projects. Money is also appropriated to the department through statutory appropriations for state land equalization payments and reclamation of oil

and gas wells. Although HB 2 appropriates the majority of the department's total appropriations (89.5 percent), 4.3 percent is appropriated as language appropriations in HB 2 (see Language Appropriations above), 2.8 percent is appropriated in HB 8, 1.8 percent is statutorily appropriated, 0.9 percent is appropriated in HB 7, 0.6 percent is appropriated in HB 6, and 0.2 percent is appropriated in HB 5 (Chart 1). Table 2A shows the appropriations from each of these sources and shows the specific purposes for which the legislature appropriated the money. Table 2B provides a comparison of 2001 biennium appropriations, by source, to appropriations for the 1999 biennium.

The legislature has numerous sources of revenue that are available to appropriate for the various tasks it assigns the

department. Chart 2 shows total appropriations by fund type. State special revenue funds the largest share at 49.6 percent of the department's total appropriations, followed by general fund at 44.8 percent, federal funds at 5.5 percent, and long range building and planning funds at 0.2 percent. Specific revenue sources within each of these fund types are shown in Table 3A. Table 3B provides a comparison of 2001 biennium appropriations, by revenue source, to appropriations for the 1999 biennium. The department's largest single funding source is from the diversion of money from ten land trusts as authorized in SB 48. The legislation allows the diversion from the trusts of: 1) mineral royalties; 2) the proceeds or income from the sale of easements and timber (except timber from public school lands); and 3) 5% of the interest and income annually that had been deposited to the public school fund. Table 4 shows these trusts and the type of money addressed by SB 48 based on fiscal 1998 collections.

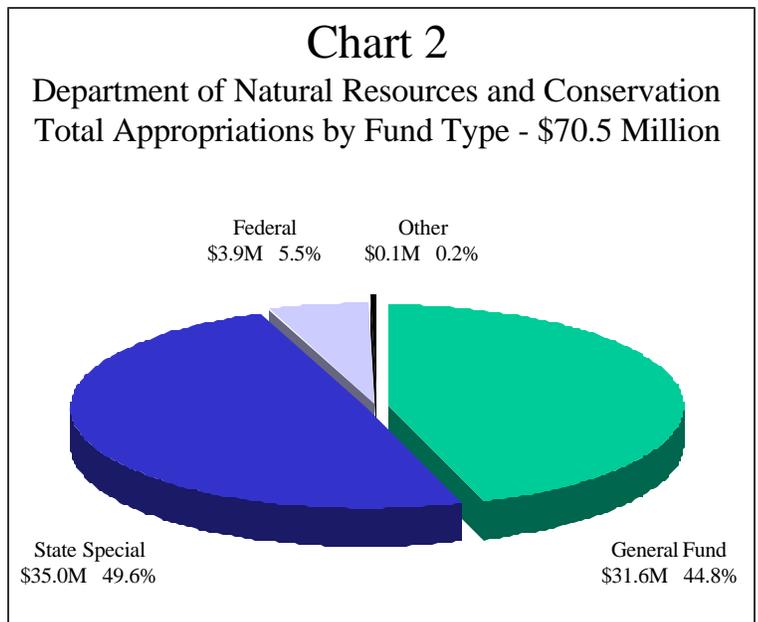


Table 2A Department of Natural Resources and Conservation Total Appropriations by Source/Purpose 2001 Biennium *					Table 2B Department of Natural Resources & Conservation Total Appropriations by Source/Purpose Comparison to 1999 Biennium		
Purpose	Fiscal 2000	Fiscal 2001	Total	Percent of Total	1999 Biennium Total	Biennial Difference	Percent Difference
House Bill 2 (temporary operations appropriations)							
Forestry Division	\$9,492,260	\$9,518,133	\$19,010,393	26.96%	\$16,845,269	\$2,165,124	12.85%
Water Resources Division	8,127,434	7,071,534	15,198,968	21.55%	12,502,645	2,696,323	21.57%
Trust Land Management Division	7,528,094	7,540,898	15,068,992	21.37%	14,133,815	935,177	6.62%
Conservation & Res. Devel. Division	2,994,415	2,875,947	5,870,362	8.32%	6,490,299	(619,937)	-9.55%
Centralized Services Division	2,232,302	2,058,510	4,290,812	6.08%	3,919,801	371,011	9.47%
Oil & Gas Conservation Division	1,183,283	1,171,221	2,354,504	3.34%	2,242,117	112,387	5.01%
Res. Water Rights Compact Commission	667,105	663,884	1,330,989	1.90%	1,129,800	201,189	17.84%
Subtotal	\$32,224,893	\$30,900,127	\$63,125,020	89.51%	\$57,263,746	\$5,861,274	10.24%
House Bill 2 (language appropriations)							
Replace/repair broadwater dam equip.	\$1,000,000		\$1,000,000	1.42%	\$1,000,000	\$0	0.00%
Rangeland loans	700,000		700,000	0.99%	700,000	0	0.00%
Purpose liens on loan secured property	600,000		600,000	0.85%	400,000	200,000	50.00%
Repair state water projects	500,000		500,000	0.71%	500,000	0	0.00%
Water pollution SRF feasibility studies	100,000		100,000	0.14%	0	100,000	NA
Drinking water SRF feasibility studies	100,000		100,000	0.14%	0	100,000	NA
Repair broadwater dam	20,000		20,000	0.03%	20,000	0	0.00%
Water appropriation enforcement	0		0	0.00%	40,000	(40,000)	-100.00%
Grazing district administration	0		0	0.00%	0	(0)	-100.00%
Subtotal	\$3,020,000	\$0	\$3,020,000	4.28%	\$2,690,000	\$330,000	12.27%
House Bill 5 (continuing capital appropriations)							
Clearwater egress	\$125,000		\$125,000	0.18%	375,000	(250,000)	-66.67%
House Bill 6 (continuing renewable resource grant appropriations)**							
Emergency projects	\$125,000		\$125,000	0.18%			
Private grants	100,000		100,000	0.14%			
Deadman's basin water quality	75,000		75,000	0.11%			
Seepage monitoring	100,000		100,000	0.14%			
Subtotal	\$400,000	\$0	\$400,000	0.57%	\$275,000	\$125,000	45.45%
House Bill 7 (continuing reclamation & development grant appropriations)**							
1999 "A" orphan well plug and restoration	\$300,000		\$300,000	0.43%			
1999 "B" orphan well plug and restoration	300,000		300,000	0.43%			
Orphan well abandonment	20,105		20,105	0.03%			
Subtotal	\$620,105	\$0	\$620,105	0.88%	\$1,346,522	(\$726,417)	-53.95%
House Bill 8 (continuing renewable resource loan appropriations)**							
Deadman's basin water quality	\$434,700		\$434,700	0.62%			
Missouri pipe span rehabilitation	509,426		509,426	0.72%			
N. Fork Smith River dam rehabilitation	1,035,467		1,035,467	1.47%			
Subtotal	\$1,979,593	\$0	\$1,979,593	2.81%	\$2,146,548	(\$166,955)	-7.78%
Statutory appropriations							
County equalization payments	\$551,087	\$551,087	\$1,102,174	1.56%	\$0	\$1,102,174	NA
Reclaim oil and gas wells	75,000	75,000	150,000	0.21%	150,000	\$0	0.00%
Historic right-of-way deeds	0	0	0	0.00%	10,000	(\$10,000)	-100.00%
Yellowstone groundwater	0	0	0	0.00%	94,599	(\$94,599)	-100.00%
Subtotal	\$626,087	\$626,087	\$1,252,174	1.78%	\$254,599	\$997,665	392.00%
Total	\$38,995,678	\$31,526,214	\$70,521,892	100.00%	\$64,351,325	\$6,170,567	8.75%
* In addition to 2001 biennium appropriations, \$10,545,963 general fund was appropriated in HB 3 for fiscal 1999 wildfire costs. In fiscal 1999, \$87,000 federal funds were appropriated in HB 4.							
** Amounts reflect only appropriations for DNRC projects and not appropriations to DNRC for other entities' projects.							

Table 3A Department of Natural Resources and Conservation Total Appropriations by Revenue Source 2001 Biennium *									Table 3B Dept. of Natural Resources & Conser. Total Appropriations by Revenue Source Comparison to 1999 Biennium		
Revenue Source	HB 2**	HB 5	HB 6***	HB 7***	HB 8***	Statutory Approp.	Total	Percent of Total	1999 Biennium Total	Biennial Difference	Percent Difference
General Fund	\$30,473,058	\$0	\$0	\$0	\$0	\$1,102,174	\$31,575,232	44.77%	\$26,149,948	\$5,425,284	20.75%
State Special Revenue											
Trust land revenue	\$7,070,688						\$7,070,688	10.03%	\$0	\$7,070,688	NA
Fire protection taxes	4,323,996						4,323,996	6.13%	3,528,567	795,429	22.54%
Forest improvement fee	3,568,110						3,568,110	5.06%	3,507,659	60,451	1.72%
RIT interest and proceeds	2,343,396		\$400,000	\$620,105		\$150,000	3,513,501	4.98%	9,619,949	(6,106,448)	-63.48%
Common school trust timber	3,263,348						3,263,348	4.63%	2,497,972	765,376	30.64%
Hydro-power sales/interest	2,553,219						2,553,219	3.62%	2,158,374	394,845	18.29%
Oil & gas taxes and permits	2,479,671						2,479,671	3.52%	2,352,152	127,519	5.42%
Bond proceeds/earnings	23,800				\$1,979,593		2,003,393	2.84%	2,220,761	(217,368)	-9.79%
Coal severance taxes (8.36%)	1,313,965						1,313,965	1.86%	1,201,790	112,175	9.33%
3.0 % of land trust income	1,059,318						1,059,318	1.50%	1,283,578	(224,260)	-17.47%
Rangeland improvement loans	788,031						788,031	1.12%	739,121	48,910	6.62%
Water user loan payments	614,410						614,410	0.87%	0	614,410	NA
Forestry nursery fees	564,550						564,550	0.80%	556,588	7,962	1.43%
Water right filing fees	478,759						478,759	0.68%	347,832	130,927	37.64%
Slash disposal fees	345,102						345,102	0.49%	424,678	(79,576)	-18.74%
Broadwater Dam settlements	300,000						300,000	0.43%	520,000	(220,000)	-42.31%
Water well contractor licenses	165,225						165,225	0.23%	155,051	10,174	6.56%
FWP general license account	116,759						116,759	0.17%	111,320	5,439	4.89%
Drinking water reserves	100,000						100,000	0.14%	0	100,000	NA
Water pollution control reserves	100,000						100,000	0.14%	0	100,000	NA
State lands recreational permits	85,504						85,504	0.12%	115,949	(30,445)	-26.26%
Grazing district fees	71,000						71,000	0.10%	44,853	26,147	58.29%
Coal tax interest (TSEP)	50,000						50,000	0.07%	33,326	16,674	50.03%
Water project lease income	19,228						19,228	0.03%	38,000	(18,772)	-49.40%
Miscellaneous	6,000						6,000	0.01%	0	6,000	NA
EIS fees	0						0	0.00%	300,000	(300,000)	-100.00%
Water adjudication fees	0						0	0.00%	261,896	(261,896)	-100.00%
Water appropriation fines	0						0	0.00%	40,000	(40,000)	-100.00%
Historic right-of-way fees (new)	0						0	0.00%	10,000	(10,000)	-100.00%
Subtotal	\$31,804,079	\$0	\$400,000	\$620,105	\$1,979,593	\$150,000	\$34,953,777	49.56%	\$32,069,416	\$2,884,361	8.99%
Federal											
Fire grant & fed. fire reimburse.	\$1,609,144						\$1,609,144	2.28%	\$1,443,768	\$165,376	11.45%
Commun. forestry/stewardship	926,525						926,525	1.31%	917,040	9,485	1.03%
Disaster assistance	472,664						472,664	0.67%	107,230	365,434	340.79%
Indirect costs	205,356						205,356	0.29%	107,885	97,471	90.35%
Crow agency land exchange	200,052						200,052	0.28%	200,000	52	0.03%
Resource and development	155,948						155,948	0.22%	100,000	55,948	55.95%
EPA drinking water	137,370						137,370	0.19%	0	137,370	NA
Wastewater treatment grant	113,570						113,570	0.16%	140,854	(27,284)	-19.37%
Water resources	46,000						46,000	0.07%	0	46,000	NA
BOR-Beaverhead groundwater	1,254						1,254	0.00%	1,184	70	5.91%
EPA water quality grant	0						0	0.00%	600,000	(600,000)	-100.00%
Non-point source pollution	0						0	0.00%	2,043,535	(2,043,535)	-100.00%
Yellowstone groundwater	0					0	0	0.00%	94,509	(94,509)	-100.00%
Subtotal	\$3,867,883	\$0	\$0	\$0	\$0	\$0	\$3,867,883	5.48%	\$5,756,005	(\$1,888,122)	-32.80%
Proprietary											
Air operations internal service	\$0						\$0	0.00%	\$959	(959)	-100.00%
Other											
Long-range building fund		\$125,000					\$125,000	0.18%	\$375,000	(250,000)	-66.67%
Total Funding	\$66,145,020	\$125,000	\$400,000	\$620,105	\$1,979,593	\$1,252,174	\$70,521,892	100.00%	\$64,351,328	\$6,170,564	9.59%
* In addition to appropriations for the 2001 biennium, \$10,545,963 general fund was appropriated in HB 3 for fiscal 1999 wildfire costs.											
** Includes \$3,020,000 in language appropriations											
*** Amounts reflect only appropriations for DNRC projects and not appropriations to DNRC for other entities' projects.											

Table 4 Department of Natural Resources and Conservation Fiscal 1998 - Revenue Sources Addressed in SB 48					
Land Trust	Mineral Royalties	Property Sold/Easement	Timber	5 Percent of Interest/income	Total
Common Schools	\$5,752,455	\$139,662		\$1,938,227	\$7,830,344
Capitol Building	17,771	1,831	\$665,563		685,165
Morrill Permanent	9,677	4,451			14,128
MSU Permanent	307	9,424			9,731
Veterans Home		8,524			8,524
Normal College	3,010	2,273			5,282
MT Tech	738	3,754			4,492
Pine Hills School		3,316			3,316
Deaf & Blind Permanent	841				841
University Permanent		275			275
Total All Trusts	<u>\$5,784,798</u>	<u>\$173,509</u>	<u>\$665,563</u>	<u>\$1,938,227</u>	<u>\$8,562,098</u>

Resource Indemnity Trust

The Montana Constitution (Article IX, Section 2) requires the existence of the Resource Indemnity Trust (RIT) and states, "The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000) guaranteed by the state against loss or diversion". After that time, the state may spend any trust balance over the \$100 million. Based on the Revenue Oversight Committee estimates and action by the 1999 legislature, the trust balance will reach \$98.7 million at the end of the 2001 biennium. After changes made by the 1999 legislature, as long as the trust balance is less than \$100 million, the trust receives 50 percent of the revenue from the: 1) resource indemnity and ground water assessment (RIGWA) tax paid by mineral producers; and 2) portions of oil and natural gas production taxes that are allocated for distribution under RIT statutes. Once the balance reaches \$100 million, the RIT will no longer receive any revenue.

Trust Interest

The constitution does not restrict the spending of interest from the RIT. After changes made by the 1999 legislature, statute allocates \$8.8 million of the interest for the 2001 biennium for seven purposes. The legislature has already provided statutory appropriations to spend the money from three of the allocations - the environmental contingency account, the oil and gas damage mitigation account, and money for the support of MSU-Northern. The other four allocations are for:

1. renewable resource grants;
2. reclamation and development grants;
3. water storage projects grants and loans; and
4. the groundwater assessment account.

Appropriations for these purposes are usually provided in HB 6, HB 7, HB 2, and HB 2 respectively. The remainder of the interest is allocated as follows:

1. 30 percent to the renewable resource account;
2. 35 percent to the reclamation and development account, which also receives portions of the RIGWA and metalliferous mines tax proceeds;
3. 26 percent to the hazardous waste/CERCLA account; and
4. 9 percent to the environmental quality protection fund.

This interest money, along with other income, is appropriated by the legislature in HB 2 to fund operational costs of six agencies.

Legislation

The 1999 legislature passed six bills that affected RIT revenues. Table 5 shows these bills and fiscal changes. These changes reduce RIT funding available for reclamation and development projects, but place more emphasis on growth of the resource indemnity trust, additional renewable resource projects (see House Bill 6 below in the “Other Legislation” section), improving groundwater management and protection, and additional water storage projects. Once the RIT fund balance reaches \$100 million (and no longer receives any revenues), additional funding will become available for groundwater projects, reclamation and development projects, and remedial action costs for orphan shares of hazardous waste sites.

Table 5 Resource Indemnity Trust and Associated Accounts Summary of Legislative Fiscal Changes 2001 Biennium									
Legislation	RIT	Renewable Resource	Reclamation & Development	Hazardous Waste/CERCLA	Environmental Quality Protect.	Groundwater Assessment	Water Storage	Orphan Share	
Revenues									
Combined SB 49 & SB 492	\$593,069	\$125,480	(\$1,508,792)	\$170,960	\$80,610	\$275,023	\$186,400	\$77,250	
House Bill 649*	0	0	0	0	0	0	0	0	
House Bill 661	22,600	4,924	14,771	0	0	6,943	0	0	
Senate Bill 301	0	336,000	(168,000)	(124,800)	(43,200)	0	0	0	
Senate Bill 530	(36,036)	(7,854)	(23,554)	0	0	(11,070)	0	0	
Total Revenue Changes	\$579,633	\$458,553	(\$1,685,575)	\$46,160	\$37,410	\$270,896	\$186,400	\$77,250	
Appropriations									
Combined SB 49 & HB 6		\$2,000,000							

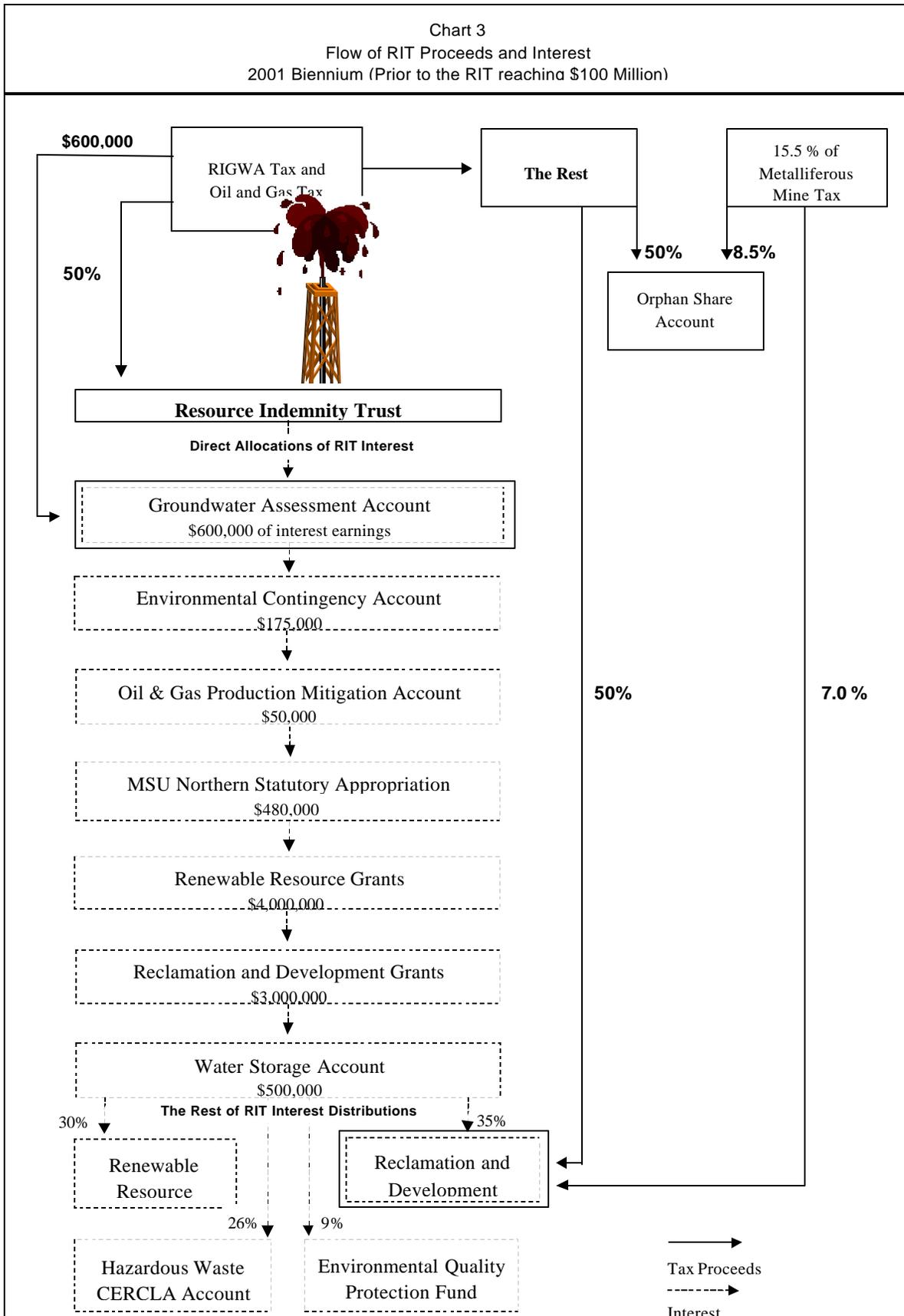
* Effective fiscal 2002, \$500,000 each year is allocated to FWP for bull trout and cutthroat trout recovery.

The following six bills changed the allocations of RIGWA tax proceeds, metalliferous mines tax proceeds, and RIT interest.

House Bill 647, beginning July 1, 2002, allocates \$500,000 each fiscal year of RIT interest to the future fisheries program in the Department of Fish, Wildlife and Parks to enhance bull trout and cutthroat trout populations by restoring habitats and spawning areas and reducing species competition. The allocation terminates July 1, 2009.

House Bill 661 revises the taxation of oil produced from stripper wells. It is estimated that the changes will result in \$49,238 of additional revenues to be distributed among various RIT accounts.

Senate Bill 49 and Senate Bill 492 coordinate with each other to reallocate RIGWA tax proceeds, metalliferous mines tax proceeds, and RIT interest and provide a different allocation once the RIT reaches \$100 million. Chart 3 shows the flow of RIT proceeds and interest to expenditure accounts prior to the RIT reaching \$100 million. The legislation also: 1) changes the deposit of revenue from state-owned water projects from the renewable resource account to the water storage account for construction, operation, maintenance, and rehabilitation of the works; 2) changes the allowable uses for money in the renewable resource account; 3) changes eligibility requirements for reclamation and development grants; and 4) requires that \$800,000 of reclamation and development grants be given priority for mine reclamation projects.



Once the RIT balance reaches \$100 million, the RIT will no longer receive any revenue. Instead, the money will be allocated to the groundwater assessment, reclamation and development, and orphan share accounts. These changes will become effective July 1 of the first year following the date that the Governor by executive order certifies to the Secretary of State that the RIT balance has reached \$100 million. Chart 4 shows the flow of RIT proceeds and interest to expenditure accounts after the RIT balance reaches \$100 million.

Senate Bill 301 added a \$480,000 allocation for the biennium of RIT interest to MSU-Northern. Previously, money for this purpose had been allocated from the renewable resource account. Although the money remains statutorily appropriated, SB 301 eliminates the statutory appropriation on June 30, 2014. The legislation also allows a portion of the money to be deposited into a nonexpendable trust fund, the income from which may be used to support environmental science-water quality programs and facilities.

Senate Bill 530 revises oil and natural gas production taxes. It is estimated that the changes will result in a revenue loss of \$78,491 to be distributed among various RIT accounts.

Fund Balances

Table 6 shows four elements of RIT. The first shows the RIT revenues and trust balances for the past four fiscal years and projections for fiscal years 1999, 2000, and 2001. The second shows the amounts of direct statutory allocations of RIGWA tax proceeds to five accounts. The third shows the amounts of interest generated by the RIT and the amounts allocated by statute for specific purposes. The fourth section shows seven main accounts that receive RIT interest, RIGWA tax proceeds, metalliferous mine tax proceeds, and other revenues. Shown for each account are the calculations to determine available fund balances at the beginning of fiscal 2000, a list of revenue sources, and a list of appropriations approved by the legislature.

The table shows that, in three of the accounts, legislative appropriations exceed anticipated revenues in the 2001 biennium by a total of \$971,000 in the following accounts: 1) the renewable resource account - \$540,000; 2) the reclamation and development account - \$315,000; and 3) the groundwater assessment account - \$116,000. Therefore, for these accounts, unless revenues exceed current estimates, either agency programs will operate at reduced levels or, for the first two accounts, awards for grants appropriated in HB 6 and HB 7 will be postponed. However, because all appropriations for grants would be obligated in the 2001 biennium per language in HB 6 and HB 7, obligations above available revenues would reduce the funds available for future legislatures to appropriate. Positive fund balances are anticipated in all other accounts.

When looking at only 2001 biennium activity, legislative changes have provided revenues nearly equal to or greater than appropriations in the renewable resource, reclamation and development, hazardous waste/CERCLA, water storage, and orphan share accounts, thus making these accounts more structurally sound. However, the projected ending fund balances in the renewable resource and the reclamation and development accounts are still negative because of appropriations from previous legislatures that have not yet been spent. Revenues exceed appropriations by a large proportion in two accounts: 2) orphan share account - \$1.2 million; and 2) water storage account - \$276,000. Accounts that are not structurally balanced due to 2001 biennium appropriations exceeding anticipated revenues are the: 1) environmental quality protection fund - \$570,000; and 2) groundwater assessment account - \$116,000.

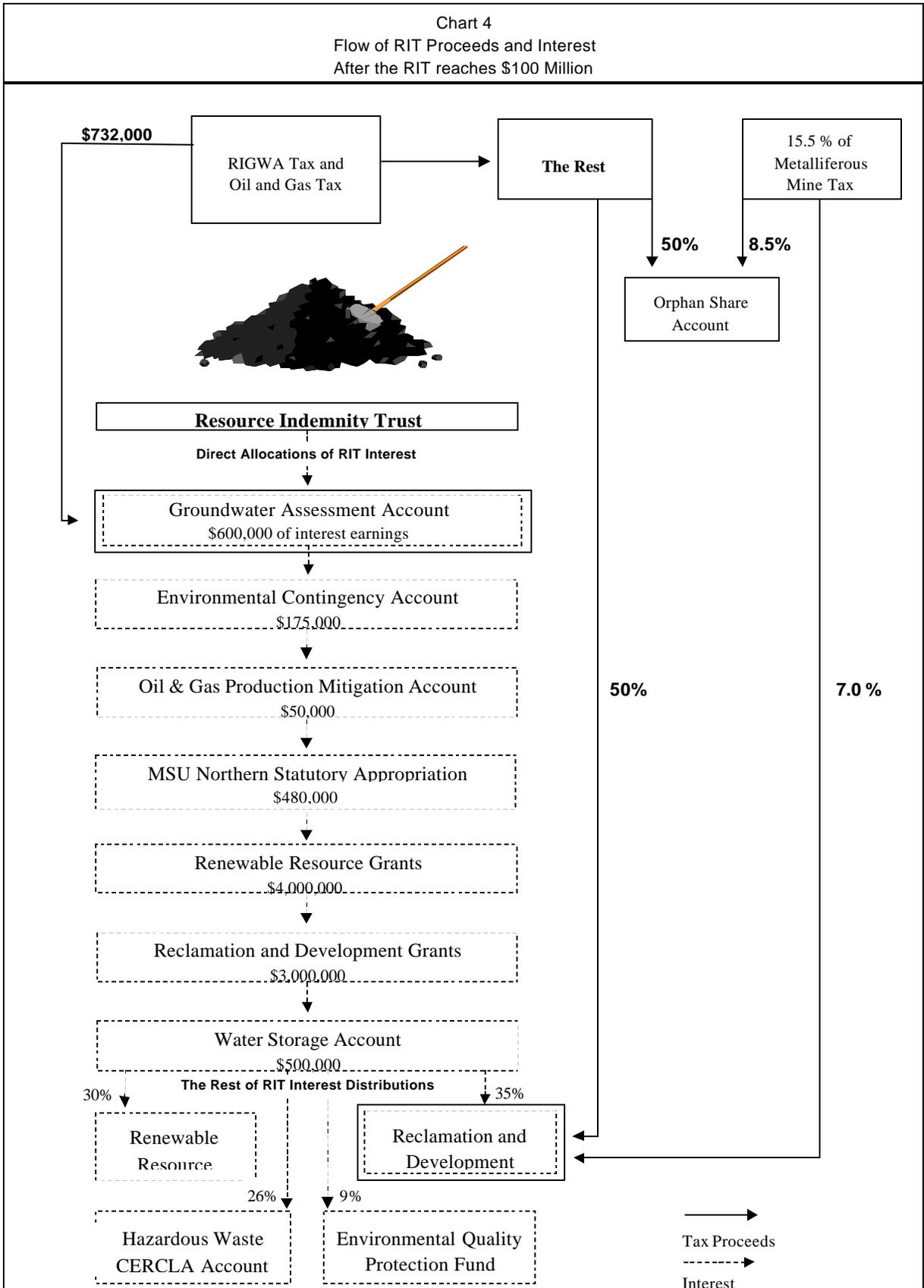


Table 6
Resource Indemnity Trust (RIT): Proceeds, Interest Earnings, and Related Expenditure Accounts
2001 Biennium Projections (Prior to the RIT Reaching \$100 Million)

1	RIT Revenues (ROC estimates)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001
	RIGWAT Coal, Oil, Natural Gas Proceeds	\$1,598,190	\$1,538,190	\$1,431,779	\$1,000,263	\$817,144	\$1,163,500	\$1,191,000
	Metal Mine Tax Proceeds	700,217	0	0	0	0	0	0
	HB 661 & SB 530 Changes						(391)	(13,045)
	Total Deposits	\$2,298,406	\$1,538,190	\$1,431,779	\$1,000,263	\$817,144	\$1,163,109	\$1,177,955
	Trust Balance (\$100 million floor)*	\$91,612,018	\$93,150,208	\$94,581,987	\$95,582,250	\$96,399,394	\$97,562,503	\$98,740,458
2	Total RIGWA Tax (ROC estimates)	Fiscal 1999	Fiscal 2000	Fiscal 2001	Biennium Total			
	Statutory Allocations	\$2,216,000	\$2,327,000	\$2,382,000	\$4,709,000			
	Reclamation & Development-50% of rest (02458)	664,800	431,750	445,500	877,250			
	Groundwater Assessment Account-direct (02289)	312,456	300,000	300,000	600,000			
	Renewable Resources Account-0% (02272)	221,600	0	0	0			
	Orphan Share Account-50% of rest (02472)	200,000	431,750	445,500	877,250			
	Resource Indemnity Trust-50% (09003)	817,144	1,163,500	1,191,000	2,354,500			
	Total Allocations	\$2,216,000	\$2,327,000	\$2,382,000	\$4,709,000			
3	RIT Interest Earnings (ROC estimates)	Fiscal 1999	Fiscal 2000	Fiscal 2001	Biennium Total			
	Priority Statutory Allocations of Interest	\$7,617,000	\$7,675,000	\$7,737,000	\$15,412,000			
	Environmental Contingency Account (02107)**	0	(175,000)	0	(175,000)			
	Oil & Gas Prod. Damage Mitigation Account (02010)***	0	(50,000)	0	(50,000)			
	Water Storage Account (02216)	0	(500,000)	0	(500,000)			
	Groundwater Assessment Account-direct (02289)	0	(300,000)	(300,000)	(600,000)			
	MSU-Northern Statutory Appropriation (02272)	0	(240,000)	(240,000)	(480,000)			
	Renewable Resource Grant & Loan Program (grants)	(1,000,000)	(2,000,000)	(2,000,000)	(4,000,000)			
	Reclamation & Development Grants (grants)	(1,500,000)	(1,500,000)	(1,500,000)	(3,000,000)			
	Total Allocations	(\$2,500,000)	(\$4,765,000)	(\$4,040,000)	(\$8,805,000)			
	Amount Available for Further Distribution	\$5,117,000	\$2,910,000	\$3,697,000	\$6,607,000			
4	Related Expenditure Accounts (2001 biennium totals)	Renewable Resource (02272)	Reclamation & Development (02458)	Hazardous Waste/CERCLA (02070)	Environmental Quality Protect. (02162)	Groundwater Assessment (02289)****	Water Storage (02216)	Orphan Share (02472)
	Further Distribution % of RIT Interest	30%	35%	26%	9%	0%	0%	0%
	Beginning Fiscal 1999 Fund Balance (SBAS)	\$1,583,465	\$1,051,841	\$691,561	\$923,010	\$26,377	\$904,500	\$543,653
	Reserved for continuing appropriations	(2,064,669)	(3,337,576)				(848,500)	
	Reduction of continuing appropriations by LRP		213,092					
	Reserved for long-term assets (outstanding loans)	(882,678)						
	Reserved for long-term advances				0			
	Fiscal 1999 appropriations	(2,760,737)	(3,106,654)	(1,337,681)	(866,166)	(666,000)		(1,316,688)
	Fiscal 1999 adjustments					218,355		146,625
	Fiscal 1999 revenues (ROC, agency estimates)	3,602,304	4,440,000	961,060	557,020	421,268		626,410
	Available Fund Balance Beginning FY2000	(\$522,318)	(\$730,288)	\$314,940	\$613,864	\$0	\$56,001	\$0
	Revenues (ROC, agency estimates)							
	RIT Interest-direct	\$4,480,000	\$3,000,000			\$600,000	\$500,000	
	RIT Interest-further allocation by above %	1,982,100	2,312,450	1,717,820	594,630			
	RIGWAT Proceeds		877,250			600,000		877,250
	Metal Mines Tax (7%, 8.5%)		830,480					1,008,440
	HB 661 & SB 530 Changes	(2,927)	(8,783)			(4,127)		
	Sweep of Balance in Abandoned Mines Acct (02249)							385,124
	Sweep of Excess Coal Tax & Interest (from 04011)	680,200						
	STIP/Other Interest	88,271		50,000	18,000		60,000	12,000
	Cost Recoveries				480,000			
	Administrative Fees	46,000						
	State-owned Project Revenue						186,400	
	Total Revenues	\$7,273,644	\$7,041,307	\$4,767,820	\$4,092,630	\$4,495,873	\$716,400	\$2,282,844
	Legislative Appropriations							
	House Bills 6 and 7 Grants	\$4,000,000	\$3,233,197					
	House Bill 6-Emergency/Private Grants	225,000						
	MSU-Northern (statutorily appropriated)	480,000						
	UM-Bureau of Mines					\$1,312,000		
	DNRC Centralized Services Division	0	0					
	DNRC-Conservation and Resource Devel. Division	628,023	445,373					
	DNRC-Water Resources Division	0	0				470,000	
	DNRC-Water Resources Division (new proposals)	200,000						
	DNRC-Reserved Water Rights Compact Commission	0	0					
	DEQ-Planning, Prevention & Assistance			\$302,034				
	DEQ-Enforcement		10,735		9,766			
	DEQ-Remediation			380,476	1,622,073			1,076,633
	DEQ-Permitting & Compliance		2,568,683	999,966				
	Governor's Office-Flathead Basin Commission	100,281						
	Judiciary-Water Court	1,276,737						
	Library Commission-NRIS	343,349	303,867					
	House Bill 13 (pay plan estimate)	37,986	34,118	46,010	32,366			
	Total Appropriations	\$7,204,376	\$6,605,073	\$4,728,486	\$4,664,205	\$4,342,000	\$470,000	\$4,076,633
	Projected 2001 Biennium Ending Balance	(\$540,050)	(\$314,864)	\$354,274	\$42,289	(\$116,127)	\$332,401	\$1,206,181
	* Does not include unrealized investment gains or losses							
	** The governor must report on the expenditures from the environmental contingency account in the executive budget. Expenditures are statutorily appropriated.							
	*** Amounts are deposited to the oil & gas production damage mitigation account to bring the balance up to \$200,000 (82-11-161,MCA). All money in the account is statutorily appropriated.							
	**** Amounts are deposited to the groundwater assessment account to bring the balance up to \$666,000. Any excess goes to the RIT trust (85-2-905, MCA).							

General Fund/RIT Funding Switches

The executive proposed and the legislature concurred with funding switches in four divisions that replaced RIT funding with general fund. Table 7 shows the divisions and amounts of these funding switches. As approved, general fund is increased by \$6.6 million over the biennium and RIT funding is reduced by the same amount. As a result of more RIT money being available, the legislature increased appropriations for renewable resource grants in HB 6 by \$2.0 million. However, appropriations from the renewable resource account still exceed anticipated revenues.

Table 7 Department of Natural Resources and Conservation General Fund/RIT Funding Switches				
Program	Funding	Expenditures		
		Fiscal 2000	Fiscal 2001	Biennium
Centralized Services	General Fund	\$495,305	\$476,982	\$972,287
	RIT	(495,305)	(476,982)	(972,287)
CARRD	General Fund	585,673	584,894	1,170,567
	RIT	(585,673)	(584,894)	(1,170,567)
Water Resources	General Fund	1,812,809	1,813,017	3,625,826
	RIT	(1,812,809)	(1,813,017)	(3,625,826)
Reserved Water Rights	General Fund	407,185	406,631	813,816
	RIT	(407,185)	(406,631)	(813,816)
Total	General Fund	3,300,972	3,281,524	6,582,496
	RIT	(3,300,972)	(3,281,524)	(6,582,496)
	Total	\$0	\$0	\$0

Other Legislation

House Bill 3 - HB 3 appropriates \$10,545,963 million general fund for actual and anticipated wildfire suppression costs in fiscal 1999. The legislature usually does not appropriate any funds in the general appropriations act to suppress wildfires (other than personal services appropriated for other purposes, but spent on fire suppression), but approves a supplemental appropriation to reimburse the department for appropriation transfers and actual and expected fire suppression costs. State and federal agencies assist each other in their fire-fighting efforts and then bill each other for the costs. Any reimbursements from federal agencies (less any of these federal funds appropriated by the legislature for department operations) and private/corporate entities (responsible

for starting a fire) are deposited in the general fund. The legislature appropriated \$700,000 of these federal reimbursements to the department in HB 2, thus reducing general fund deposits.

House Bill 5 - HB 5 appropriates money for capital and major maintenance projects for the 2001 biennium. The department was appropriated \$125,000 of long range building and planning funds for egress at Clearwater.

House Bill 6 - HB 6 appropriates \$4,225,000 million of RIT interest and other revenue (an increase of \$2.1 million over the previous biennium) to the department for renewable resource grants. Of the total, \$125,000 is to be used by the department for emergency projects and \$100,000 is to be used for private grants. The remainder is available to state agencies (including \$175,000 to DNRC), political subdivisions, and local government entities. See the Long-Range Planning section in Volume II for a list of specific projects funded in HB 6. There may not be enough money to fund all the projects in the 2001 biennium (see Resource Indemnity Trust in the "Agency Discussion" section).

House Bill 7 - HB 7 appropriates \$3,233,197 of RIT interest, RIGWA tax proceeds, and metalliferous mine tax proceeds to the department for reclamation and development grants to various state agencies (including \$620,105 to DNRC), political subdivisions, and local government entities. See the Long Range Planning section in Volume II for a list of specific projects funded in HB 7. There may not be enough money to fund all the projects in the 2001 biennium (see Resource Indemnity Trust in the "Agency Discussion" section).

House Bill 8 - HB 8 provides the authority for the loan portion of the renewable resource grant and loan program. The issuance of \$22.9 million in coal severance tax bonds was approved by the legislature and the proceeds appropriated to the department for: 1) loans for new projects - \$18.8 million; 2) projects in HB 6 if grant funds are insufficient - \$2.0 million;

and 3) establishment of a reserve for the bonds - \$2.1 million. Of the total, \$2.0 million was appropriated to the department for specific department renewable resource projects. See the Long Range Planning section (Section F) in Volume II for a list of specific projects funded in HB 8.

House Bill 75 - HB 75 combines two previous general fund statutory appropriations (\$10 million for wildfires and \$2 million for a declared emergency [including wildfire] or disaster) into one \$12 million general fund statutory appropriation for any emergency or disaster declared by the Governor. Whereas in the past a total of \$12 million was available for wildfire costs, \$12 million is now available for any emergency or disaster, including wildfires.

In addition to the above legislation appropriating money to the department, the following legislation has significant fiscal or programmatic impacts on the department.

House Bill 29 - HB 29 increased the authorization for the Board of Examiners to issue general obligation bonds for the renewable resource grant and loan program so that the total principal amount of outstanding bonds cannot exceed \$20 million.

House Bill 35 - In HB 156 passed by the 1997 legislature, the percentage of income generated from state trust lands (excluding timber sale revenue) that the State Land Board can divert for certain expenses of the department was increased from 2.5 percent to 3.0 percent, but only for the 1999 biennium. HB 35, passed by the 1999 legislature, made the increase to 3.0 percent permanent. The change will result in approximately an additional \$86,000 each year being diverted from trust beneficiaries.

House Bill 69 - HB 69 de-earmarked certain funds from state special revenue to the general fund, and eliminated certain statutory appropriations. For the department, the legislation de-earmarked fines from violations of recreational use permit statutes, de-earmarked water adjudication fees, and eliminated the statutory appropriation for the monitoring and management of groundwater near Yellowstone National Park.

House Bill 74 - HB 74 revised the following provisions of the water pollution control and drinking water state revolving funds: 1) uses of bond proceeds were expanded to include administration costs; 2) payments of loan principle can now be transferred between the two revolving funds; 3) the DNRC can use excess loan loss reserve funds (money, determined by DNRC to be excess, from an additional rate charged to borrowers to provide a reserve for repayment of the bonds) to make grants to aid in the feasibility of projects (the legislature provided a \$100,000 language appropriation in HB 2 for each revolving fund to spend these excess funds); and 4) an increase in general obligation bonding authority from \$10 million to \$20 million was authorized for the drinking water state revolving fund.

House Bill 110 - HB 110 authorized an increase in codified general obligation bonding authority from \$10 million to \$30 million for the water pollution control state revolving fund.

House Bill 120 - Statute requires the DNRC to give priority for up to \$600,000 for a biennium to reclamation and development grant requests from the Board of Oil and Gas Conservation (usually appropriated in HB 7). HB 120 removed the prohibition on using these grants for personnel and operating costs and allows the board to use up to 2.5 percent of a grant for costs of administering the grant.

House Bill 444 - HB 444: 1) creates the Montana Grass Conservation Commission consisting of five members appointed by the Governor to serve staggered 3-year terms; 2) administratively attaches the commission to the DNRC and reassigns duties of the Grass Conservation Act from DNRC to the commission; 3) increases fee collections for implementing the Grass Conservation Act from 15 cents per "animal unit" to 10 cents per "animal unit month of preference"; and 4) increases the fee for trespassing livestock from 50 cents per animal unit month to \$2. The legislature approved a biennial appropriation of \$90,000 (\$45,000 general fund and \$45,000 state special revenue from grazing district fees) in HB 2 to contract with a person to provide administrative support to the Montana Grass Conservation Commission.

House Bill 647 - Beginning July 1, 2002, HB 647 allocates \$500,000 each fiscal year of RIT interest to the future fisheries

program in the Department of Fish, Wildlife and Parks to enhance bull trout and cutthroat trout populations by restoring habitats and spawning areas and reducing species competition. The allocation terminates July 1, 2009.

Senate Bill 48 - SB 48 makes significant changes in funding the Trust Land Management Division. The legislation allows the diversion of a portion of the following money (previously deposited into the corpus of the trust funds) from ten land trusts administered by the DNRC: 1) mineral royalties; 2) the proceeds or income from the sale of easements and timber (except timber from public school lands); and 3) 5 percent of the interest and income previously credited annually to the public school fund. Table 4 in the "Agency Discussion" section shows these trusts and the amount of money addressed by SB 48 based on fiscal 1998 collections. The money is diverted to a state special revenue account to pay costs of administering state trust lands. The amount of diverted revenue is limited to 1-1/8 percent of the book value balance in each of the nine nonexpendable trust funds on the first day of January preceding the new biennium and 10 percent of the previous fiscal year revenue deposited into the capitol building land grant trust fund. Appropriations of the money are limited to 1-1/8 percent of the book value balance in the nine nonexpendable trust funds on the first day of January preceding the new biennium and 10 percent of the revenue deposited in the capitol building land grant trust fund in the last completed fiscal year prior to the new biennium. In HB 2, the legislature replaced \$7.1 million of general fund appropriations with state special revenue provided by this legislation.

Senate Bill 49 and Senate Bill 492 - These two pieces of legislation coordinate with each other to reallocate RIGWA tax proceeds, metalliferous mines tax proceeds, and RIT interest and provide a different allocation once the RIT reaches \$100 million. Please see Charts 3 and 4 and the accompanying narrative under Resource Indemnity Trust in the "Agency Discussion" section.

Senate Bill 216 - SB 216 ratifies a reserved water rights compact between the United States Fish and Wildlife Service and the State of Montana for federally reserved waters associated with the Red Rock Lakes National Wildlife Refuge and Wilderness area.

Senate Bill 301 - SB 301 added a \$480,000 allocation for the biennium of RIT interest to the renewable resource account for MSU-Northern. Previously, money for this purpose had been allocated from the renewable resource account. Although the money remains statutorily appropriated, SB 301 eliminates the statutory appropriation on June 30, 2014. The legislation also allows a portion of the money to be deposited into a nonexpendable trust fund, the income from which may be used to support environmental science-water quality programs and facilities.

Senate Bill 411 - SB 411 requires the Board of Land Commissioners to provide annual financial reports to each trust beneficiary on forested lands held in trust for the beneficiary. The report is to include: 1) total forested acreage held in trust; 2) a summary of the asset value of forested tracts; 3) the average return of revenue on asset value for forested tracts; and 4) a listing by each DNRC land office of forested land acreage administered for each trust beneficiary and the average return of revenue on asset value. The first annual reports are due June 30, 2000.

Senate Bill 412 - SB 412 revised portions of statutes controlling timber slash and debris. The legislation: 1) provides for an exemption from the statutes for the harvest of trees within a city or town; 2) requires master fire hazard bond amounts to be calculated on the potential costs for fire hazard abatement in case of default; 3) requires the DNRC to review the bond amounts annually; and 4) provides the authority to DNRC to withhold the issuance of further fire hazard reduction agreements if certain criteria are met.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 1998	Executive Budget Fiscal 2000	Legislative Budget Fiscal 2000	Leg - Exec. Difference Fiscal 2000	Executive Budget Fiscal 2001	Legislative Budget Fiscal 2001	Leg - Exec. Difference Fiscal 2001	Biennium Difference Fiscal 00-01
FTE	493.09	501.29	499.79		501.75	500.25		
Personal Services	17,161,272	18,644,280	18,618,045	(26,235)	18,595,113	18,569,052	(26,061)	(52,296)
Operating Expenses	7,134,275	10,281,907	10,202,772	(79,135)	9,241,532	9,126,677	(114,855)	(193,990)
Equipment	379,252	1,021,097	1,021,097	0	920,419	920,419	0	0
Capital Outlay	8,849	8,849	8,849	0	8,849	8,849	0	0
Local Assistance	146,000	221,000	221,000	0	221,000	221,000	0	0
Grants	560,763	1,044,763	1,294,763	250,000	1,044,763	1,094,763	50,000	300,000
Transfers	355,419	395,889	355,419	(40,470)	395,889	355,419	(40,470)	(80,940)
Debt Service	186,106	515,948	502,948	(13,000)	616,948	603,948	(13,000)	(26,000)
Total Costs	\$25,931,936	\$32,133,733	\$32,224,893	\$91,160	\$31,044,513	\$30,900,127	(\$144,386)	(\$53,226)
General Fund	13,008,145	19,100,084	15,346,955	(3,753,129)	18,926,107	15,126,103	(3,800,004)	(7,553,133)
State/Other Special	11,634,227	11,101,916	14,946,205	3,844,289	10,182,256	13,837,874	3,655,618	7,499,907
Federal Special	1,289,564	1,931,733	1,931,733	0	1,936,150	1,936,150	0	0
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$25,931,936	\$32,133,733	\$32,224,893	\$91,160	\$31,044,513	\$30,900,127	(\$144,386)	(\$53,226)

Executive Budget Comparison

The legislature decreased the total executive funding request and decreased the requested FTE by 1.50 each fiscal year. Following are the major changes to the Executive Budget approved by the legislature. The legislature added 1.00 new FTE and \$344,236 (\$94,236 general fund) over the biennium as new proposals for the Rocky Boy/North Central water system, the Fort Peck/Dry Prairie water system, assistance for reserved water rights activity, and the Eastern Plains Resource Conservation and Development group. The legislature did not approve portions of new proposals totaling 2.50 FTE and \$144,150 (\$24,150 general fund). The legislature increased coal severance tax funding for conservation districts by \$50,000 for salinity control. The legislature did not approve \$287,416 (\$206,416 general fund) in Forestry Division present law adjustments for a new fire prevention program (that was contingent on passage of legislation), vehicle replacements, contracted services, the air operations proprietary program transfers for fixed costs, and career development and training. The legislature replaced \$375,052 in general fund with a like amount of state special revenue for water rights verification inspections, water project loan payments, the Montana Grass Conservation Commission and to correct a negative appropriation. The legislature also replaced \$24,500 state special revenue for best management practices audits with general fund. In addition, implementation of SB 48 reduced general fund by \$7,070,688 and increased funding from trust funds by a like amount. Funding switches as a result of HB 69 resulted in an increase of \$18,889 general fund over the biennium and a decrease in state special revenue from fines for violations of recreational use permit statutes and from water adjudication revenue by a like amount. Also as a result of HB 69, which eliminated the statutory appropriation for the Yellowstone groundwater program, the legislature appropriated \$46,000 federal funds.

Language

"The department may combine trust land management division (program 04) and forestry division (program 35) data for accounting and financial reporting purposes beginning July 1, 1999. It is understood that the 2003 biennium budget for these two programs will be presented separately."

"The department shall attempt to keep its fiscal year revenue/cost ratio for timber sales at or above 2:1 by reducing timber sale costs or general administration costs of the timber sales program. The department shall report to the natural resources appropriations subcommittee of the 57th legislature on the revenue/cost ratio for the last 2 fiscal years and, if any ratio is below 2:1, shall explain to the subcommittee why costs were not reduced to obtain a ratio of at least 2:1."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	122.10	.00	2.00	124.10	.00	2.00	124.10	124.10
Personal Services	4,671,021	(47,873)	54,015	4,677,163	(69,681)	53,651	4,654,991	9,332,154
Operating Expenses	1,958,184	589,938	35,500	2,583,622	617,214	30,000	2,605,398	5,189,020
Equipment	110,085	140,966	0	251,051	53,166	0	163,251	414,302
Capital Outlay	8,819	0	0	8,819	0	0	8,819	17,638
Debt Service	7,439	0	0	7,439	0	101,000	108,439	115,878
Total Costs	\$6,755,548	\$683,031	\$89,515	\$7,528,094	\$600,699	\$184,651	\$7,540,898	\$15,068,992
General Fund	3,273,510	216,803	(3,485,465)	4,848	207,728	(3,476,390)	4,848	9,696
State/Other Special	3,401,854	433,964	3,574,980	7,410,798	360,752	3,661,041	7,423,647	14,834,445
Federal Special	80,184	32,264	0	112,448	32,219	0	112,403	224,851
Total Funds	\$6,755,548	\$683,031	\$89,515	\$7,528,094	\$600,699	\$184,651	\$7,540,898	\$15,068,992

Program Description

The Trust Land Management Division provides for the administration and management of trust lands granted to the State of Montana by the Enabling Act of 1889. These lands currently total 5.2 million surface acres and 6.2 million mineral acres. Additionally, the division is responsible for the administration of approximately 6,000 miles (40,000+ acres) of the beds of navigable waterways. The Trust Land Management Division is divided into four primary programs: forest management; agriculture and grazing management; special use management; and minerals management.

Funding

Table 8 shows specific funding sources for the division. General fund has almost been entirely replaced with state special revenue from trust land revenues to pay costs of administering state trust lands. SB 48 provides for the diversion of certain revenues and earnings from trust lands, previously deposited into the trusts, to fund trust land activities (see Table 4 in the "Agency Discussion" section). Other state special revenue, generated from the sale of timber on state land, is used to finance the forest improvement program. The Land Board approves varying timber improvement fees, when timber sales are approved, based on the state's expected costs of slash disposal, road access and maintenance, and reforestation (77-5-204, MCA). State special revenue is also used to implement HB 652 and HB 201 (1995 session), which provided for the increase in timber sales on state lands. The funding for that purpose and 18.00 FTE is derived from the sale of timber from common school trust lands. The money otherwise is distributed to the general fund for support of schools (95 percent) and to the common school trust (5 percent). By statute (as amended by HB 35), the State Land Board can divert up to 3.0 percent of income generated by state trust lands (except timber sale revenue) to the resource development account to improve and develop state lands. Previously, statute allowed a diversion of 2.5 percent. Recreational use permit fees fund activities to mitigate effects of recreation on state lands.

Funding Source	Fiscal 2000	Fiscal 2001
General Fund	\$4,848	\$4,848
State Special Revenue		
Trust Land Revenue (SB 48)	\$3,542,079	\$3,528,609
Forest Improvement Fees	1,737,222	1,740,398
Common School Trust Timber Sales	1,669,132	1,594,216
State Lands Resource Development	419,531	517,754
Recreational Use Permits	42,834	42,670
Subtotal	\$7,410,798	\$7,423,647
Federal Funds		
Crow Agency Land Exchange	\$100,035	\$100,017
Forest Resources	42,413	42,386
Subtotal	\$112,448	\$112,403
Total Funds	<u>\$7,528,094</u>	<u>\$7,540,898</u>

The federal government provides funding for the exchange of state land within the Crow reservation according to the Crow Boundary Settlement Act of 1994 and for timber management and improvement.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			(97,895)			(119,703)
	Inflation/Deflation			8,774			7,205
	Fixed Costs			15,903			16,045
	Total Statewide Adjustments			(\$73,218)			(\$96,453)
Present Law Adjustments							
24	Forest Management Legal Compliance	.00	0	140,000	.00	0	140,000
27	Forest Improvement Operations	.00	0	165,000	.00	0	165,000
405	Rent Increase	.00	5,865	5,865	.00	9,018	9,018
406	Personal Services Upgrades	.00	0	50,022	.00	0	50,022
407	Increased Demand for Services	.00	55,000	55,000	.00	55,000	55,000
408	Crow Land Exchange	.00	0	94,922	.00	0	94,922
409	Replacement Equipment	.00	16,900	140,966	.00	11,000	53,166
410	Leased Vehicles	.00	19,999	105,134	.00	26,712	130,684
414	Statewide Fixed Costs	.00	(660)	(660)	.00	(660)	(660)
	Total PL Adjustments	.00	\$97,104	\$756,249	.00	\$101,070	\$697,152
	Present Law Adjustments Total			\$683,031			\$600,699

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 24 - Forest Management Legal Compliance - The legislature approved additional funding from common school trust timber sale revenue to conduct activities on forested trust lands such as monitoring of water quality, range condition, road maintenance and closure status.

DP 27 - Forest Improvement Operations - The legislature appropriated \$165,000 in additional funding each fiscal year from forest improvement fees to fund: 1) \$100,000 each fiscal year for road maintenance such as routine inspections, grading, graveling, drainage adjustment and improvement, and bridge replacements; and 2) \$65,000 each fiscal year to acquire legal access to many currently inaccessible parcels to develop and implement timber management plans.

DP 405 - Rent Increase - The legislature appropriated additional general fund for increases in the division's share of the rent for the USF&G building (a non-state building). The lease agreement with the building owner obligates additional rental payments in the 2001 biennium.

DP 406 - Personal Services Upgrades - The legislature appropriated additional personal services funding from common school trust timber sale revenue to pay for positions that were reclassified after the personal services "snapshot". Because of the timing of the upgrades, the pay increases these positions received were not reflected in the base personal services amounts.

DP 407 - Increased Demand for Services - The legislature appropriated additional general fund each fiscal year to meet an increase in demand for additional assistance, education, information dissemination, and support of the division's programs from lessees, the State Land Board, and the general public. The appropriation contains \$25,000 each fiscal year for additional travel, communications, vehicle, and maintenance; and \$30,000 each fiscal year for education and training costs.

DP 408 - Crow Land Exchange - The legislature approved additional federal funds as a one-time restricted appropriation

for the department's participation in the federal Crow Boundary Settlement Act. With this increase, the total appropriation for this purpose is \$100,035 in fiscal 2000 and \$100,017 in fiscal 2001. The funding will facilitate the exchange of 46,625 acres of state trust land within the Crow reservation to fulfill the requirements of the National Crow Boundary Settlement Act of 1994.

DP 409 - Replacement Equipment - The legislature appropriated additional funding to replace aging major equipment such as ATVs, snowmobiles, computers, and copy machines. The appropriation is funded: 1) general fund - \$16,900 in fiscal 2000 and \$11,000 in fiscal 2001; and 2) timber sale revenue from common school trust lands - \$124,066 in fiscal 2000 and \$42,166 in fiscal 2001.

DP 410 - Leased Vehicles - Since the Governor's budget office determined that it is more economical for state agencies to lease vehicles from the Department of Transportation than to purchase vehicles, the legislature approved additional funding for vehicle leasing. The appropriation annualizes the costs of the six vehicles leased in fiscal 1998 and the seven new vehicles leased in fiscal 1999. It also provides for 13 new leased vehicles in fiscal 2000 and eight in fiscal 2001. Funding is: 1) general fund - \$19,999 in fiscal 2000 and \$26,712 in fiscal 2001; 2) common school trust timber sale revenue - \$59,217 in fiscal 2000 and \$71,628 in fiscal 2001; and 3) timber improvement fees - \$25,918 in fiscal 2000 and \$32,344 in fiscal 2001.

DP 414 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
15 Debt Service-TLMD Database	.00	0	0	.00	0	101,000
411 Special Uses-Real Estate Actions	2.00	51,766	69,515	2.00	47,371	63,651
413 Land Planning & Resource Management	.00	0	20,000	.00	0	20,000
414 SB48-Replace GF with Trust Revenue	.00	(3,542,079)	0	.00	(3,528,609)	0
415 HB69-De-earmark State Special Rev.	.00	4,848	0	.00	4,848	0
Total New Proposals	2.00	(\$3,485,465)	\$89,515	2.00	(\$3,476,390)	\$184,651

New Proposals

DP 15 - Debt Service-TLMD Database - The legislature appropriated \$101,000 in fiscal 2001 to fund the redesign of the trust land management database to be compatible with geographical information system (GIS) software. The department will borrow the money needed for the redesign from the Board of Investments through the Intermediate Term Capital Program administered by the board. The loan will be for \$600,000 with payments of \$101,000 a year for seven years. The funding source is from the resource development account which receives money from a 3.0 percent charge against income generated by state trust lands (except timber sale revenue).

DP 411 - Special Uses-Real Estate Actions - The legislature appropriated additional funding to handle trust land and non-trust land real estate actions. The appropriations fund operational costs of \$15,500 in fiscal 2000 and \$10,000 in fiscal 2001, with the remainder funding 2.00 FTE. The two positions will: 1) assist the area offices in issuing new commercial and residential development leases; and 2) assume deed preparation, land record keeping, land board agenda preparation, correspondence, data entry, and other clerical functions. Funding is general fund (\$51,766 in fiscal 2000 and \$47,371 in fiscal 2001) and money from the resource development account (\$17,749 in fiscal 2000 and \$16,280 in fiscal 2001).

DP 413 - Land Planning & Resource Management - The legislature appropriated an additional \$20,000 each year from the resource development account to: 1) begin a land asset planning effort for future management of the school trust lands for the purpose of more efficiently managing the land to produce greater revenues for trust beneficiaries - \$7,500 each year; and 2) expand resource management programs to address items such as threatened or endangered species and weed control - \$12,500 each year.

DP 414 - SB48-Replace GF with Trust Revenue - The legislature implemented Senate Bill 48 by replacing \$7.1 million in general fund appropriations over the biennium in the Trust Land Management Division with equal amounts of state special revenue appropriations. The legislation authorizes the following portions of nonexpendable trust funds to be diverted to a state special revenue account to pay costs of administering state trust lands: 1) mineral royalties; 2) income from the sale of easements and timber (except timber from public school lands); and 3) 5 percent of the interest and income annually credited to the public school fund.

DP 415 - HB69-De-earmark State Special Rev. - HB 69 de-earmarked certain funds from state special revenue to the general fund, and eliminated certain statutory appropriations. This adjustment adds \$9,696 general fund over the biennium due to the de-earmarking of fines from violations of recreational use permit statutes and reduces state special revenue by a like amount.

Language

"Because of the de-earmarking of recreational use fines by House Bill No. 69, item 1 [Trust Land Management Division] has been reduced by \$4,848 in state special revenue funds in fiscal year 2000 and by \$4,848 in state special revenue funds in fiscal year 2001 and general fund amounts have been increased by the same amounts. If House Bill No. 69 is not passed and approved in a form that de-earmarks the state special revenue funds, then the general fund amounts in item 1 [Trust Land Management Division] are reduced by \$4,848 in fiscal year 2000 and by \$4,848 in fiscal year 2001 and the state special revenue amounts are increased by the same amounts."

Program Proposed Budget									
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01	
FTE	40.00	1.00	.00	41.00	1.00	.00	41.00	41.00	
Personal Services	1,525,508	135,967	0	1,661,475	129,019	0	1,654,527	3,316,002	
Operating Expenses	387,218	96,984	86,625	570,827	16,765	0	403,983	974,810	
Equipment	0	0	0	0	0	0	0	0	
Debt Service	7,762	(7,762)	0	0	(7,762)	0	0	0	
Total Costs	\$1,920,488	\$225,189	\$86,625	\$2,232,302	\$138,022	\$0	\$2,058,510	\$4,290,812	
General Fund	1,249,788	604,902	85,761	1,940,451	536,154	2,057	1,787,999	3,728,450	
State/Other Special	611,222	(428,747)	864	183,339	(435,498)	(2,057)	173,667	357,006	
Federal Special	59,478	49,034	0	108,512	37,366	0	96,844	205,356	
Proprietary	0	0	0	0	0	0	0	0	
Total Funds	\$1,920,488	\$225,189	\$86,625	\$2,232,302	\$138,022	\$0	\$2,058,510	\$4,290,812	

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 mail. Responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land.

Program Reorganization

The 1997 legislature moved the majority of the non-point source pollution control program and all of the wetlands program (both are federally funded) from the Department of Environmental Quality to the Department of Natural Resources and Conservation. During the interim, the Governor approved a transfer of DNRC appropriations of these federal funds back to DEQ. The amounts transferred were \$1,019,898 in fiscal 1998 and \$1,021,728 in fiscal 1999. Also

included in the transfer were 5.40 FTE (0.40 from this division). The 1999 legislature approved the expenditure of all of these federal funds in the Department of Environmental Quality.

Funding Source	Fiscal 2000	Fiscal 2001
General Fund	\$1,940,451	\$1,787,999
State Special Revenue		
Oil & Gas Taxes	\$65,235	\$59,932
State Lands Resource Development	62,166	59,867
Water Rights Appropriation Fees	25,874	24,917
Rangeland Improvement Loans	19,374	18,657
Coal Severance Taxes	5,345	5,147
Water Well Contractors Fees	5,345	5,147
Subtotal	\$183,339	\$173,667
Federal Funds		
Indirect Cost Recovery Funds	\$108,512	\$96,844
Total Funds	\$2,232,302	\$2,058,510

Funding

Table 9 shows specific funding sources for the division. Funding levels reflect the legislature's acceptance of the executive proposal to replace all funding from RIGWAT proceeds and RIT interest (traditionally, the major source of state special revenue funding) with general fund (see Table 7 in the "Agency Discussion" section). The primary funding source is general fund followed by federal funds from indirect grant reimbursements, oil and gas taxes, resource development funds, filing fees for water rights appropriations, rangeland loans, coal severance taxes, and water well contractor permit fees. Resource development funds are derived from 3 percent (as amended by HB 35) of the interest and income generated from the land trusts (except timber sale revenue).

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			102,770			96,049
	Inflation/Deflation			(8,455)			(8,280)
	Fixed Costs			57,367			(14,683)
	Total Statewide Adjustments			\$151,682			\$73,086
Present Law Adjustments							
16	Eliminate RIT-Increase General Fund	.00	495,305	0	.00	476,982	0
2103	Personnel & Career Development	1.00	0	42,557	1.00	0	33,330
2104	Date Network Operating Adjustment	.00	(3,185)	(3,185)	.00	(3,185)	(3,185)
2105	Equipment Replacement	.00	23,375	23,375	.00	17,585	17,585
2106	Rent and Storage Cost Increases	.00	12,172	12,172	.00	18,616	18,616
2107	Statewide Fixed Costs	.00	(1,412)	(1,412)	.00	(1,410)	(1,410)
	Total PL Adjustments	1.00	\$526,255	\$73,507	1.00	\$508,588	\$64,936
	Present Law Adjustments Total			\$225,189			\$138,022

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 16 - Eliminate RIT-Increase General Fund - The legislature approved an executive request for a switch in funding to increase general fund and reduce funding from RIT accounts. The action reduces expenditures from the renewable resources account by \$227,517 in fiscal 2000 and \$219,100 in fiscal 2001 and from the reclamation and development account by \$267,788 in fiscal 2000 and \$257,882 in fiscal 2001; and increases general fund by like amounts.

DP 2103 - Personnel & Career Development - The legislature appropriated federal funds for an additional 1.00 FTE to address unresolved personnel and career development issues. The appropriation includes \$9,360 in fiscal 2000 and \$360 in fiscal 2001 for operating costs.

DP 2104 - Date Network Operating Adjustment - The decrease in general fund is a net of two items: 1) an increase of \$4,577 each year for computer related services such as travel, education and training, and cellular telephones; and 2) a decrease of \$7,762 each year due to the termination of the annual lease payment for the department's major computer system.

DP 2105 - Equipment Replacement - The legislature appropriated additional general fund to buy replacement computers, printers, a server, fax machine, calculators, cameras and office chairs.

DP 2106 - Rent and Storage Cost Increases - The legislature appropriated additional general fund for increases in: 1) the division's share of rent for the USF&G building (a non-state building) - \$11,733 in fiscal 2000 and \$18,039 in fiscal 2001; and 2) storage costs - \$439 in fiscal 2000 and \$577 in fiscal 2001. The lease agreement with the building owner obligates additional rental payments in the 2001 biennium.

DP 2107 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
11	Field Office Network	.00	83,625	86,625	.00	0	0
2108	HB69--De-earmark State Special Rev.	.00	2,136	0	.00	2,057	0
Total New Proposals		.00	\$85,761	\$86,625	.00	\$2,057	\$0

New Proposals

DP 11 - Field Office Network - The legislature approved a one-time restricted appropriation of \$83,625 general fund and \$3,000 in oil and gas tax and license revenue in fiscal 2000 to electronically link the department's offices and employees in 28 cities through the state's Summitnet. The appropriation will allow the offices to share data and software systems, thus improving communication and the exchange of information. It will also provide the means to assist with public access to water rights, trust land, and oil/gas data.

DP 2108 - HB69--De-earmark State Special Rev. - HB 69 de-earmarked certain funds from state special revenue to the general fund, and eliminated certain statutory appropriations. This adjustment adds \$4,193 general fund over the biennium due to the de-earmarking of water adjudication fees and reduces state special revenue by a like amount.

Language

"Because of the de-earmarking of water adjudication fees by House Bill No. 69, item 2 [Centralized Services] has been reduced by \$2,136 in state special revenue funds in fiscal year 2000 and by \$2,057 in state special revenue funds in fiscal year 2001 and general fund amounts have been increased by the same amounts. If House Bill No. 69 is not passed and approved in a form that de-earmarks the state special revenue funds, then the general fund amounts in item 2 [Centralized Services] are reduced by \$2,136 in fiscal year 2000 and by \$2,057 in fiscal year 2001 and the state special revenue amounts are increased by the same amounts."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	20.50	.00	.00	20.50	.00	.00	20.50	20.50
Personal Services	576,333	226,004	0	802,337	227,364	0	803,697	1,606,034
Operating Expenses	330,827	10,363	0	341,190	16,819	0	347,646	688,836
Equipment	19,878	19,878	0	39,756	0	0	19,878	59,634
Debt Service	838	(838)	0	0	(838)	0	0	0
Total Costs	\$927,876	\$255,407	\$0	\$1,183,283	\$243,345	\$0	\$1,171,221	\$2,354,504
General Fund	0	0	0	0	0	0	0	0
State/Other Special	799,508	383,775	0	1,183,283	371,713	0	1,171,221	2,354,504
Federal Special	128,368	(128,368)	0	0	(128,368)	0	0	0
Total Funds	\$927,876	\$255,407	\$0	\$1,183,283	\$243,345	\$0	\$1,171,221	\$2,354,504

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) does 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.

Funding

The state special revenue that funds this program is from oil and gas well taxes and class II injection well annual operating fees. By statute (15-36-324, MCA), certain percentages of the oil production taxes and natural gas taxes are deposited to the account for the board's use. Under 81-11-131, MCA, the board can set the privilege and license tax 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 15-36-324, MCA. Section 82-11-137, MCA, provides for a maximum \$300 annual operating fee for each class II injection well. The Board of Oil and Gas Conservation has set the fee at \$200. Although the division spent \$128,368 of federal funds for the underground injection well program in fiscal 1998, the legislature did not approve federal appropriations. However, the legislature approved language authorizing a funding switch to replace state special revenue appropriations with federal appropriations if federal funds become available for the program.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services				199,055			194,401
Inflation/Deflation				(156)			(87)
Fixed Costs				9,729			9,755
Total Statewide Adjustments				\$208,628			\$204,069
Present Law Adjustments							
2202	Board Per Diem & Other Expenses	.00	0	10,582	.00	0	10,582
2203	Contracted Services & Rent	.00	0	8,538	.00	0	8,693
2205	Salary Increases and Overtime	.00	0	20,441	.00	0	26,455
2206	Operating Decreases/Increases	.00	0	(4,916)	.00	0	(4,910)
2207	Equipment Replacement	.00	0	12,534	.00	0	(1,144)
2208	UIC Funding Switch	.00	0	0	.00	0	0
2209	Statewide Fixed Costs	.00	0	(400)	.00	0	(400)
Total PL Adjustments		.00	\$0	\$46,779	.00	\$0	\$39,276
Present Law Adjustments Total				\$255,407			\$243,345

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2202 - Board Per Diem & Other Expenses - The legislature appropriated additional oil and gas tax revenue to fund anticipated costs for the seven-member Board of Oil and Gas Conservation. It is estimated the board will meet eight times each year instead of seven. The appropriations are: 1) \$6,508 for board per diem costs (the amount spent in fiscal 1998 is not in the base); and 2) \$4,074 in printing, postage, and travel expenses.

DP 2203 - Contracted Services & Rent - The legislature appropriated additional oil and gas tax revenue to fund anticipated increases in contracted services, such as janitorial services and legal counsel, and in rent.

DP 2205 - Salary Increases and Overtime - The legislature appropriated additional oil and gas tax revenue to fund salary increases for exempt positions (\$15,441 in fiscal 2000 and \$21,455 in fiscal 2001) and field inspector overtime (\$5,000 each fiscal year).

DP 2206 - Operating Decreases/Increases - The decrease is a net of: 1) reductions of \$17,702 each fiscal year due to the termination of a computer programming contract and the payoff of the department's major computer system; and 2) increases of \$12,786 in fiscal 2000 and \$12,792 in fiscal 2001 for additional travel, vehicle maintenance, dues, and repairs to the heating and air conditioning system.

DP 2207 - Equipment Replacement - The legislature approved adjustments to base amounts that result in equipment appropriations of: 1) \$39,756 in fiscal 2000 to buy two trucks and \$19,878 in fiscal 2001 to buy one truck; and 2) \$6,294 in fiscal 2000 to buy a computer and \$12,494 in fiscal 2001 to buy a computer and a file server.

DP 2208 - UIC Funding Switch - The legislature approved an executive request to reduce federal appropriations in the underground injection control program by \$114,689 in fiscal 2000 and by \$114,346 in fiscal 2001 and to increase oil and gas tax revenue appropriations by like amounts. However, the legislature included language in HB 2 authorizing the department to increase federal appropriations and reduce appropriations of oil and gas tax revenue by a like amount if federal revenue becomes available.

DP 2209 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

Language

"The department is authorized to decrease state special revenue money in the underground injection control program and increase federal special revenue money by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue funds are to be spent before state special revenue funds."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	19.50	.00	2.50	22.00	.00	2.50	22.00	22.00
Personal Services	762,571	27,949	113,268	903,788	25,340	112,476	900,387	1,804,175
Operating Expenses	476,350	160,901	294,610	931,861	134,948	205,496	816,794	1,748,655
Equipment	25,658	0	0	25,658	0	0	25,658	51,316
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	146,000	75,000	0	221,000	75,000	0	221,000	442,000
Grants	560,763	304,000	50,000	914,763	304,000	50,000	914,763	1,829,526
Transfers	0	0	0	0	0	0	0	0
Debt Service	76,497	(79,152)	0	(2,655)	(79,152)	0	(2,655)	(5,310)
Total Costs	\$2,047,839	\$488,698	\$457,878	\$2,994,415	\$460,136	\$367,972	\$2,875,947	\$5,870,362
General Fund	91,903	1,026,418	362,878	1,481,199	1,025,530	317,972	1,435,405	2,916,604
State/Other Special	1,840,841	(628,699)	95,000	1,307,142	(626,314)	50,000	1,264,527	2,571,669
Federal Special	115,095	90,979	0	206,074	60,920	0	176,015	382,089
Total Funds	\$2,047,839	\$488,698	\$457,878	\$2,994,415	\$460,136	\$367,972	\$2,875,947	\$5,870,362

Program Description

The Conservation and Resource Development Division is responsible for the administration of the Conservation District Act, State Grazing District Act, and numerous loan and grant programs. The division provides technical and financial assistance to local governments, state agencies, and private citizens for the conservation, development, protection, and management of the state's natural resources.

Program Reorganization

The 1997 legislature moved the majority of the non-point source pollution control program and all of the wetlands program (both are federally funded) from the Department of Environmental Quality to the Department of Natural Resources and Conservation. During the interim, the Governor approved a transfer of Department of Natural Resources and Conservation appropriations of these federal funds (mostly from this division) back to the Department of Environmental Quality where the 1999 legislature has appropriated the money. Please see the Reorganization section at the agency level.

Funding Source	Fiscal 2000	Fiscal 2001
General Fund	\$1,481,199	\$1,435,405
State Special Revenue		
Coal Severance Taxes	\$652,136	\$651,337
Renewable Resources RIT	303,379	325,144
Reclamation and Development RIT	231,727	213,146
Grazing District Fees	58,000	13,000
Treasure State Endowment	25,000	25,000
Rangeland Improvement Loans	25,000	25,000
Bond Administration	44,900	44,900
Subtotal	\$1,307,142	\$1,264,527
Federal Funds		
EPA Drinking Water SRF	\$68,683	\$68,687
Resource Development & Con.	80,608	50,541
Wastewater Treatment Grant	56,783	56,787
Subtotal	\$206,074	\$176,015
Total	\$2,994,415	\$2,875,947

Funding

Table 10 shows the specific funding sources for this division. Funding levels reflect the legislature's acceptance of the executive proposal to replace a portion of RIGWAT proceeds and RIT interest (traditionally, the major source of funding) with general fund (see Table 7 in the "Agency Discussion" section). This program is primarily funded with general fund, followed by coal severance taxes, RIT accounts, federal drinking water and water pollution control funds, miscellaneous federal sources, and grazing district fees.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			24,099			21,490
	Inflation/Deflation			5,347			4,379
	Fixed Costs			10,600			10,615
	Total Statewide Adjustments			\$40,046			\$36,484
Present Law Adjustments							
6	CD-Streambed 310 Permits	.00	100,000	100,000	.00	100,000	100,000
18	Reduce RIT-Increase General Fund	.00	585,673	0	.00	584,894	0
25	CD-Initiate Local Watershed Groups	.00	100,000	100,000	.00	100,000	100,000
31	CD-223 Grants	.00	100,000	100,000	.00	100,000	100,000
32	CD-Administration Grants	.00	75,000	75,000	.00	75,000	75,000
34	CD-Range Management	.00	40,000	40,000	.00	40,000	40,000
2307	CD Training/Operating Costs	.00	24,696	61,398	.00	24,696	66,398
2308	Reduction To Base	.00	0	(96,773)	.00	0	(96,773)
2309	Central Montana RC&D Support	.00	29,000	29,000	.00	29,000	29,000
2310	Water Reservation Work	.00	0	10,671	.00	0	10,671
2312	CD-Federal Riparian/Wetland	.00	0	30,000	.00	0	0
2317	Statewide Fixed Costs	.00	(322)	(644)	.00	(322)	(644)
	Total PL Adjustments	.00	\$1,054,047	\$448,652	.00	\$1,053,268	\$423,652
	Present Law Adjustments Total			\$488,698			\$460,136

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 6 - CD-Streambed 310 Permits - The legislature appropriated \$100,000 each fiscal year of additional general fund for grants to conservation districts. The money will enable the districts to meet the increase in the number and complexity of 310 projects (federal Streambed and Land Preservation Act).

DP 18 - Reduce RIT-Increase General Fund - The legislature approved an executive request for a switch in funding to increase general fund and reduce funding from RIT accounts. The action reduces expenditures from the renewable resources account by \$246,981 in fiscal 2000 and \$246,652 in fiscal 2001 and from the reclamation and development account by \$338,692 in fiscal 2000 and \$338,242 in fiscal 2001.

DP 25 - CD-Initiate Local Watershed Groups - The legislature appropriated an additional \$100,000 each fiscal year of general fund for grants to conservation districts. The appropriations are for the districts to initiate local watershed groups affiliated with conservation districts. The money will provide basic support such as meeting facilities, informational material, supplies, local coordination, resource assessment, and administrative support.

DP 31 - CD-223 Grants - The legislature appropriated \$100,000 each fiscal year of additional general fund for grants to conservation districts. The money will be used to conserve and enhance natural resources through projects and activities such as streambank protection, riparian management, grazing management, demonstration projects, and conservation education.

DP 32 - CD-Administration Grants - The legislature appropriated \$75,000 each fiscal year of additional general fund for local assistance to conservation districts.

DP 34 - CD-Range Management - The legislature appropriated \$40,000 each fiscal year of additional general fund for contracted services to provide technical support to conservation district range committees throughout the state and to coordinate state, federal and private range management efforts.

DP 2307 - CD Training/Operating Costs - The legislature appropriated \$29,500 each fiscal year of additional general fund to provide additional training to conservation district supervisors. Also approved were general fund reductions of \$4,804 each year due to the termination of the annual lease payment for the department's major computer system. Increases of \$36,702 in fiscal 2000 and \$41,702 in fiscal 2001 were funded with RIT funds for per diem, overtime, travel, communications, and computers.

DP 2308 - Reduction To Base - Costs of issuing bonds for the drinking water state revolving fund are in the fiscal 1998 base. Since money for this purpose is statutorily appropriated, the legislature removed these expenditures from the base.

DP 2309 - Central Montana RC&D Support - The legislature appropriated \$29,000 in additional general fund each fiscal year to provide support to residents of the six-county Central Montana Resource Conservation and Development organization to complete locally requested natural resource projects and fund resource conservation and development activities. The appropriations provide \$25,000 each fiscal year for contracted services and \$4,000 for travel.

DP 2310 - Water Reservation Work - The legislature appropriated \$5,336 each fiscal year from the RIT renewable resources account and \$5,335 each fiscal year from the RIT reclamation and development account to: 1) provide technical support and information on water reservations; and 2) help organize basin meetings for the local conservation districts that have reserved water rights in the eastern part of the state. The money will be used for travel, communications, a computer, a leased vehicle, and educational material.

DP 2312 - CD-Federal Riparian/Wetland - The legislature approved a one-time restricted appropriation of additional federal funds in fiscal 2000 to continue a wetlands project entitled "Riparian/Wetland I&E for Conservation Districts and the Public". Although the department has a \$49,910 federal appropriation in fiscal 1999 to complete the project, the term of the contract was amended to expire at the end of fiscal 2000.

DP 2317 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
2005 Vision 2005, Irrigated Acres	.00	150,000	150,000	.00	150,000	150,000
2006 Vision 2005, Irrigation Staff	2.50	167,878	167,878	2.50	167,972	167,972
2311 HB 444-MT Grass Cons. Commission	.00	45,000	90,000	.00	0	0
2315 Eastern Plains RC&D Grant to CDs	.00	0	25,000	.00	0	25,000
2316 Salinity Control Grant to CDs	.00	0	25,000	.00	0	25,000
Total New Proposals	2.50	\$362,878	\$457,878	2.50	\$317,972	\$367,972

New Proposals

DP 2005 - Vision 2005, Irrigated Acres - The legislature approved a one-time restricted appropriation of \$150,000 general fund each fiscal year to fund a new initiative called Vision 2005. Vision 2005, which is part of the Governor's "Jobs and Income" program, is an initiative resulting from the Governor's Conference on Agriculture formed to address the current status of agriculture in Montana. Conference participants identified a number of needs, including the need to increase the income of farmers and ranchers. Proposals were developed to address these needs, including statute and funding changes. This initiative involves a number of state agencies: Departments of Natural Resources and Conservation, Agriculture, Commerce, and Transportation. The goal of the initiative is to double the economic value of Montana's agriculture industry by the year 2005. The money in this new proposal will be used to study the feasibility of expanding irrigated acres in Montana by 500,000. The department indicated that the proposal will use water from the Missouri and Yellowstone rivers to irrigate farmland in eastern Montana, thus providing the ability to diversify crops and stabilize farm income.

DP 2006 - Vision 2005, Irrigation Staff - As a companion to the previous new proposal, the legislature appropriated additional general fund to fund 2.50 FTE who will specialize in irrigation and assist in the effort to increase irrigated acres in Montana by 500,000. These positions will work with irrigation districts and producers interested in developing irrigation to achieve the goals of Vision 2005. They will also train and educate producers, conservation districts, Regional Development Offices and economic developers regarding irrigation, product availability, and how to develop irrigation systems.

DP 2311 - HB 444-MT Grass Conservation Commission - The legislature approved a biennial appropriation of \$90,000 (\$45,000 general fund and \$45,000 state special revenue from grazing district fees) to contract with a person to provide administrative support to the Montana Grass Conservation Commission. The commission is established in HB 444, which also changed the grazing fee structure from a maximum of \$0.15 per animal unit to a maximum of \$0.10 per animal unit month. The person will work exclusively for the grazing districts doing research on the formation of various districts, work to combine districts when requested, work on general grazing district issues, and do grazing district administration work. The appropriations include \$80,000 for contracted services and \$10,000 for travel costs.

DP 2315 - Eastern Plains RC&D Grant to CDs - The legislature approved a one-time restricted appropriation for \$25,000 each fiscal year of money from the 8.36 percent allocation of coal severance taxes as a grant to conservation districts for the Eastern Plains Resource Conservation and Development organization. The money is to provide startup assistance for projects such as business and industry development and the conservation and development of natural resources. This amount is in addition to base coal tax amounts for: 1) 223 grants - \$200,000 each fiscal year; 2) salinity control grants- \$200,000 each fiscal year; 3) watershed grants - \$150,000 each fiscal year; 4) administrative grants - \$25,000 each fiscal year; 5) Envirothon - \$27,136 in fiscal 2000 and \$26,337 in fiscal 2001; and 6) Centralized Services support - \$5,345 in fiscal 2000 and \$5,147 in fiscal 2001.

DP 2316 - Salinity Control Grant to CDs - The legislature appropriated an additional \$25,000 each fiscal year of money from the 8.36 percent allocation of coal severance taxes as a grant to conservation districts for salinity control projects. This amount is in addition to base coal tax amounts for: 1) 223 grants - \$200,000 each fiscal year; 2) salinity control grants- \$200,000 each fiscal year; 3) watershed grants - \$150,000 each fiscal year; 4) administrative grants - \$25,000 each fiscal year; 5) Envirothon - \$27,136 in fiscal 2000 and \$26,337 in fiscal 2001; and 6) Centralized Services support - \$5,345 in fiscal 2000 and \$5,147 in fiscal 2001.

Language

"The department is appropriated up to \$700,000 for the 2001 biennium from the account established in 76-14-112 for rangeland loans during the 2001 biennium."

"The department is appropriated up to \$600,000 for the 2001 biennium from the state special revenue account established in 85-1-604 for the purchase of prior liens on property held as loan security as required by 85-1-618."

"During the 2001 biennium, up to \$100,000 of excess loan loss reserve money in the water pollution control state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-5-1113(3)(b) of House Bill No. 74."

"During the 2001 biennium, up to \$100,000 of excess loan loss reserve money in the drinking water state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-6-224(3)(b) of House Bill No. 74."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	112.50	.00	.00	112.50	.00	.00	112.50	112.50
Personal Services	4,143,951	367,682	0	4,511,633	357,003	0	4,500,954	9,012,587
Operating Expenses	1,474,903	242,081	1,031,356	2,748,340	246,848	181,368	1,903,119	4,651,459
Equipment	10,558	1	0	10,559	1	0	10,559	21,118
Capital Outlay	30	0	0	30	0	0	30	60
Grants	0	0	380,000	380,000	0	180,000	180,000	560,000
Debt Service	70,847	406,025	0	476,872	406,025	0	476,872	953,744
Total Costs	\$5,700,289	\$1,015,789	\$1,411,356	\$8,127,434	\$1,009,877	\$361,368	\$7,071,534	\$15,198,968
General Fund	3,268,998	2,160,864	245,935	5,675,797	2,146,692	245,246	5,660,936	11,336,733
State/Other Special	2,382,084	(1,152,822)	962,421	2,191,683	(1,144,572)	(86,878)	1,150,634	3,342,317
Federal Special	49,207	7,747	203,000	259,954	7,757	203,000	259,964	519,918
Total Funds	\$5,700,289	\$1,015,789	\$1,411,356	\$8,127,434	\$1,009,877	\$361,368	\$7,071,534	\$15,198,968

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, Governor, and legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, State Water Projects Bureau, and the Water Operations Bureau.

Funding

Table 11 shows the specific funding sources for this division. Funding levels reflect the legislature's acceptance of the executive proposal to replace a portion of RIGWAT proceeds and RIT interest (traditionally, the major source of state special revenue funding) with general fund (see Table 7 in the "Agency Discussion" section). The primary funding source for the Water Resources Division is general fund, followed by state special revenue and a minor amount of federal funds. The state special revenue includes revenue from the sale of electrical power from the Broadwater dam to Montana Power (or other suppliers), and revenue from Tongue River and Middlecreek loan repayments. Also included is revenue from the water storage RIT allocation, funds received from the Broadwater Dam arbitration settlement for providing any service connected with surface and groundwater, water right filing fees, renewable resource RIT account, water well drilling license application fees set by the Board of Water Well Contractors, lease revenue from water projects, and hunting and fishing license fee money from the Department of Fish, Wildlife and Parks.

Funding Source	Fiscal 2000	Fiscal 2001
General Fund	\$5,675,797	\$5,660,936
State Special Revenue		
Broadwater Operations & Maintenance	\$310,078	\$309,807
Water Projects Loan Repayments	310,205	310,205
Water Storage Account RIT	470,000	0
Water Right Appropriation Fees	214,233	213,735
Sale of Hydro Electricity	246,667	166,667
Broadwater Dam Settlements	300,000	0
Renewable Resource (RIT)	200,000	0
Water Well Contractors Fees	72,320	82,413
FWP General License Account	58,557	58,202
Water Project Land Leases	9,623	9,605
Subtotal	\$2,191,683	\$1,150,634
Federal Funds		
State Assistance Program	\$236,326	\$236,338
Water Resources	23,000	23,000
BOR Beaverhead Groundwater	628	626
Subtotal	\$259,954	\$259,964
Total	\$8,127,434	\$7,071,534

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			259,429			239,240
	Inflation/Deflation			8,043			6,388
	Fixed Costs			78,587			87,667
	Total Statewide Adjustments			\$346,059			\$333,295
Present Law Adjustments							
17	Reduce RIT-Increase General Fund	.00	1,812,809	0	.00	1,813,017	0
2408	GF Net Decrease-Federal Increase	.00	(31,501)	(26,110)	.00	(31,441)	(26,050)
2409	Lease Vehicles	.00	31,282	34,782	.00	30,250	33,450
2410	Office Rent and Storage Costs	.00	29,903	29,903	.00	37,162	37,162
2411	Continuing Education/Water Wells	.00	23,328	26,484	.00	23,328	36,484
2412	Personal Services Increases	.00	91,954	108,253	.00	91,534	107,763
2413	Water Right Adjudication Decreases	.00	22,000	22,000	.00	22,000	22,000
2414	Supplies & Equipment Reductions	.00	(17,385)	(20,809)	.00	(33,946)	(37,370)
2416	State Water Projects Consultants	.00	0	20,487	.00	0	20,487
2417	Middle Cr. & Tongue Loan Payments	.00	0	414,860	.00	0	414,860
2418	USGS Cooperative Gauging Program	.00	48,052	48,052	.00	56,352	56,352
2420	Water Well Bond Forfeitures	.00	0	16,000	.00	0	16,000
2424	Statewide Fixed Costs	.00	(4,172)	(4,172)	.00	(4,556)	(4,556)
	Total PL Adjustments	.00	\$2,006,270	\$669,730	.00	\$2,003,700	\$676,582
	Present Law Adjustments Total			\$1,015,789			\$1,009,877

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 17 - Reduce RIT-Increase General Fund - The legislature approved an executive request for a switch in funding to increase general fund and reduce funding from RIT accounts. The action reduces expenditures from the renewable resources account by \$731,944 in fiscal 2000 and \$732,921 in fiscal 2001 and from the reclamation and development account by \$1,080,865 in fiscal 2000 and \$1,080,096 in fiscal 2001.

DP 2408 - GF Net Decrease-Federal Increase - The legislature approved net changes for: 1) general fund decreases for non-recurring expenses (\$45,001 in fiscal 2000 and \$44,941 in fiscal 2001); 2) general fund increases for increased membership dues in the Western States Water Council and the Missouri Basin States Association (\$13,500 each fiscal year); and 3) increased federal funding for travel in the floodplain management program (\$5,391 each fiscal year).

DP 2409 - Lease Vehicles - Since the Governor's budget office determined that it is more economical for state agencies to lease vehicles from the Department of Transportation than to purchase vehicles, the legislature approved additional funding for vehicle leasing. The appropriations provide for nine leased vehicles in fiscal 2000 and ten in fiscal 2001 and is the net of: 1) increases for motor pool vehicles - \$44,698 in fiscal 2000 and \$45,716 in fiscal 2001; and 2) decreases for other vehicle costs - \$9,916 in fiscal 2000 and \$12,266 in fiscal 2001. Funding is: 1) general fund - \$31,282 in fiscal 2000 and \$30,250 in fiscal 2001; and 2) revenue from the sale of electricity - \$3,500 in fiscal 2000 and \$3,200 in fiscal 2001.

DP 2410 - Office Rent and Storage Costs - The legislature appropriated additional general fund for non-state building office rent (\$24,857 in fiscal 2000 and \$31,974 in fiscal 2001) and janitorial services (\$2,100 in fiscal 2000 and \$2,242 in fiscal 2001). Since water rights record storage costs have increased because the records have been moved from a state archive facility to a private file management facility, the legislature appropriated an additional \$2,946 general fund each fiscal year for record storage.

DP 2411 - Continuing Education/Water Wells - The legislature appropriated \$26,484 each fiscal year of additional funding to educate and motivate staff through enhancement of interpersonal skills and professional competency. Funding is: 1) general fund (\$23,328 each fiscal year); 2) revenue from electricity sales (\$2,556 each fiscal year); and 3) hunting and fishing license fee revenue (\$600 each fiscal year). The appropriations also include \$10,000 in fiscal 2001 for personal services funded from water well contractor fees. The additional personal services is intended to fund a replacement for an expected retirement for three months prior to the actual retirement.

DP 2412 - Personal Services Increases - The legislature appropriated additional funding in personal services to pay: 1) a ten percent pay raise for civil engineers in accordance with a Department of Administration indicated pay exception; 2) an expected reclassification of a 0.5 FTE field technician from grade 8 to grade 13; 3) per diem for Water Well Contractor board members; 4) overtime in the Water Project Bureau; and 5) differential pay in the Regional Offices. Funding is: 1) general fund (\$91,954 in fiscal 2000 and \$91,534 in fiscal 2001); 2) revenue from electricity sales (\$11,132 in fiscal 2000 and \$11,095 in fiscal 2001); 3) hunting and fishing license fee revenue (\$4,567 in fiscal 2000 and \$4,534 in fiscal 2001); and 4) water well contractor fees (\$600 each fiscal year).

DP 2413 - Water Right Adjudication Decrees - Since the Montana Water Court indicated they intend to increase issuance of adjudicated decrees from the current one per year to four or five per year, the legislature appropriated additional general fund for computer processing and mailing of the decrees.

DP 2414 - Supplies & Equipment Reductions - The legislature approved a net decrease for office supplies and equipment, engineering equipment, data processing equipment, and computer software. Net funding for the request is: 1) decreases of general fund (\$17,385 in fiscal 2000 and \$33,946 in fiscal 2001); and decreases of revenue from electricity sales (\$3,424 each fiscal year).

DP 2416 - State Water Projects Consultants - The legislature appropriated additional spending of revenue from the sale of electricity for contracted services at the Broadwater hydropower project, such as safety analyses, underwater inspections, assistance with deregulation, maintenance of transmission facilities, and mechanics and fluids analyses. Also included in the appropriation is funding for surveyors, appraisers, and other professional assistance on leased state-owned water project lands.

DP 2417 - Middle Creek & Tongue Loan Payments - The legislature approved the executive request for a change in the amounts of payments and sources of revenue for loan repayments on the rehabilitation of the Middle Creek Dam and Tongue River Dam. In addition to the \$62,012 in base appropriations, the legislature appropriated \$294,800 each fiscal year for the Tongue River Dam and \$120,060 each fiscal year for the Middle Creek Dam for loan repayments. In the past, revenue from water users was deposited in the renewable resources account and department debt service payments to the Bureau of Reclamation and the Northern Cheyenne were made from the account. With legislative action, the total loan repayments, including the \$62,012 in the base, are funded from: 1) water user payments (\$310,205 each fiscal year); and 2) revenue from the sale of electricity (\$166,667 each fiscal year).

DP 2418 - USGS Cooperative Gauging Program - The legislature appropriated additional general fund as consulting services to acquire more USGS stream data and to pay for inflationary increases.

DP 2420 - Water Well Bond Forfeitures - The legislature approved \$16,000 each fiscal year as a one-time restricted appropriation of forfeited bond funds that may be needed for administrative costs.

DP 2424 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	
4	Water Rights Inspections	.00	0	85,856	.00	0	85,868
13	Water Rights Adjudication Switch	.00	170,935	0	.00	170,246	0
22	Bair and Nevada Creek Dam Study	.00	0	550,000	.00	0	0
26	Dam Safety Enhancement	.00	25,000	75,000	.00	25,000	75,000
28	FEMA Flood Mitigation Assistance	.00	47,500	177,500	.00	47,500	177,500
33	Broadwater Arbitration	.00	0	300,000	.00	0	0
2422	Rocky Boys/N. Central Water System	.00	0	100,000	.00	0	0
2423	Fort Peck/Dry Prairie Water System	.00	0	100,000	.00	0	0
2427	HB69--De-earmark State Special Rev.	.00	2,500	0	.00	2,500	0
2428	HB69--Eliminate Statutory Approp.	.00	0	23,000	.00	0	23,000
Total New Proposals		.00	\$245,935	\$1,411,356	.00	\$245,246	\$361,368

New Proposals

DP 4 - Water Rights Inspections - The legislature approved a one-time restricted appropriation of water right fees for: 1) contracted services - \$59,644 in fiscal 2000 and \$59,238 in fiscal 2001; and 2) associated travel and operating costs - \$26,212 in fiscal 2000 and \$26,630 in fiscal 2001. The funding will provide inspections of water appropriation works for substantial compliance with the water appropriation permit.

DP 13 - Water Rights Adjudication Switch - The legislature approved an executive request to increase general fund and correspondingly decrease funding from the water adjudication account. With approval of the funding switch, the legislature amended HB 69 to eliminate the water adjudication account and de-earmark the revenues to the general fund.

DP 22 - Bair and Nevada Creek Dam Study - The legislature approved a one-time, restricted, and biennial appropriation for \$550,000 in fiscal 2000 to fund rehabilitation studies for Bair Dam and Nevada Creek Dam. Funding is from: 1) electricity sales (\$80,000); and 2) the water storage RIT account (\$470,000). Since these dams are state-owned projects, the responsibility for these structures and the liability inherent in them lie directly with the State of Montana. These dams have structural deficiencies and may not be able to safely route the required inflow design flood for dams of their size and hazard classification. Major structural concrete replacement is required at each project to correct the deficiencies, and both dams are classified high hazard under the Montana Dam Safety Act, which means that failure could cause loss of life.

DP 26 - Dam Safety Enhancement - The legislature appropriated \$75,000 each year of the biennium for various dam safety enhancements. Funding is from the: 1) general fund for general operational costs of \$25,000 each fiscal year; and 2) federal funds for grants of \$50,000 each fiscal year. The federal funds will be used to: 1) educate dam owners, downstream residents, and others about the hazards associated with dam failures; and 2) provide technical training for state dam safety engineers to keep them abreast of the changing construction techniques, materials, and design standards. The general fund will assist dam owners in preparing and testing emergency action plans for their high-hazard dams for the protection of downstream residents and property owners.

DP 28 - FEMA Flood Mitigation Assistance - The legislature approved a one-time restricted appropriation of \$177,500 each year of the biennium for flood mitigation assistance. Funding is from the: 1) general fund for general operational costs - \$47,500 each fiscal year; and 2) federal Emergency Management Agency funds for grants - \$130,000 each fiscal year. Since the state serves as the grantee and program administrator for the federal Flood Mitigation Assistance Program, the money will be granted to the state and used to provide preventative or pre-disaster grants to communities. The Flood Mitigation Assistance Program was created as part of the National Flood Insurance Reform Act of 1994 (42 U.S.C. 4101) with the goal of reducing or eliminating claims under the National Flood Insurance Program. The money will be used to contract for personnel to ensure counties and municipalities are meeting minimum state flood plain standards, assist them in procuring renewable resource grants to complete delineations, and providing grants to cities and towns.

DP 33 - Broadwater Arbitration - The legislature approved a one-time, restricted, and biennial appropriation of \$300,000 in fiscal 2000 from the Broadwater arbitration account. The appropriation will be spent to: 1) design and construct an effective and reliable trash handling system, make structural changes to the power house, and fund wetlands mitigation - \$272,000; and 2) pay potential costs associated with litigation in the ongoing curtailment case with the Montana Power Company - \$28,000.

DP 2422 - Rocky Boy/North Central Water System - The legislature approved a \$100,000 one-time biennial appropriation from the renewable resources RIT account to: 1) continue a contract with Bear Paw Development; 2) conduct an educational program for elected officials, and participating systems and users; 3) fund travel expenses for the coordinating committee; 4) provide legal services; and 5) contract for engineering services.

DP 2423 - Fort Peck/Dry Prairie Water System - The legislature approved a \$100,000 biennial appropriation from the renewable resources RIT account to fund staff, office, travel, technical, and legal expenses for: 1) public participation; 2) coordination between the state, federal, tribal, and local entities; and 3) environmental and engineering analyses.

DP 2427 - HB69-De-earmark State Special Revenue - HB 69 de-earmarked certain funds from state special revenue to the general fund and eliminated certain statutory appropriations. This adjustment adds \$5,000 general fund over the biennium due to the de-earmarking of water adjudication fees and reduces state special revenue by a like amount.

DP 2428 - HB69-Eliminate Statutory Appropriation - HB 69 de-earmarked certain funds from state special revenue to the general fund, and eliminated certain statutory appropriations. This adjustment adds \$46,000 federal funds over the biennium to assist with the monitoring and management of groundwater near Yellowstone National Park due to the elimination of the statutory appropriation for the same purpose.

Language

"During the 2001 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account are appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility."

"During the 2001 biennium, up to \$20,000 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 2001 biennium, up to \$500,000 of funds currently in or to be deposited in the state project hydropower earnings account are appropriated for the purpose of repairing, improving, or rehabilitating department state water projects."

"Because of the elimination of the statutory appropriation for the Yellowstone ground water area water compact by House Bill No. 69, item 5 [Water Resources Division] has been increased by \$23,000 in federal special revenue funds in fiscal year 2000 and by \$23,000 in federal special revenue funds in fiscal year 2001. If House Bill No. 69 is not passed and approved in a form that eliminates the statutory appropriation, then the federal special revenue amounts in item 5 [Water Resources Division] are reduced by \$23,000 in fiscal year 2000 and by \$23,000 in fiscal year 2001."

"Because of the de-earmarking of water adjudication fees by House Bill No. 69, item 5 [Water Resources Division] has been reduced by \$2,500 in state special revenue funds in fiscal year 2000 and by \$2,500 in state special revenue funds in fiscal year 2001 and general fund amounts have been increased by the same amounts. If House Bill No. 69 is not passed and approved in a form that de-earmarks the state special revenue funds, then the general fund amounts in item 5 [Water Resources Division] are reduced by \$2,500 in fiscal year 2000 and by \$2,500 in fiscal year 2001 and the state special revenue amounts are increased by the same amounts."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	11.00	.00	1.00	12.00	.00	1.00	12.00	12.00
Personal Services	434,789	39,156	45,531	519,476	38,486	45,205	518,480	1,037,956
Operating Expenses	134,420	9,709	3,500	147,629	10,984	0	145,404	293,033
Equipment	0	0	0	0	0	0	0	0
Debt Service	1,431	(1,431)	0	0	(1,431)	0	0	0
Total Costs	\$570,640	\$47,434	\$49,031	\$667,105	\$48,039	\$45,205	\$663,884	\$1,330,989
General Fund	199,193	418,881	49,031	667,105	419,486	45,205	663,884	1,330,989
State/Other Special	371,447	(371,447)	0	0	(371,447)	0	0	0
Total Funds	\$570,640	\$47,434	\$49,031	\$667,105	\$48,039	\$45,205	\$663,884	\$1,330,989

Program Description

The Reserved Water Rights Compact Commission was created by the legislature in 1979 as part of the water rights adjudication effort. It consists of four members appointed by the governor, two by the president of the senate, two by the speaker of the house of representatives, and one by the attorney general. Members serve for four years. The commission negotiates water rights with Indian tribes and federal agencies that 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.

Funding

The funding reflects the legislature's acceptance of the executive proposal to replace all RIGWAT proceeds and RIT interest funding (traditionally, the major source of funding) with general fund (see Table 7 in the "Agency Discussion" section). Because of the present law adjustment funding switch approved by the legislature, this division is funded entirely with general fund.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund
Statewide Present Law						
	Personal Services			30,560		29,924
	Inflation/Deflation			1,080		876
	Fixed Costs			6,366		6,377
	Total Statewide Adjustments			\$38,006		\$37,177
Present Law Adjustments						
21	Eliminate RIT-Increase General Fund	.00	407,185	0	.00	406,631
2502	Fixed Costs-Net Increase	.00	5,209	5,209	.00	6,677
2503	Civil Engineer Pay Increase	.00	4,688	4,688	.00	4,654
2504	Statewide Fixed Costs	.00	(469)	(469)	.00	(469)
	Total PL Adjustments	.00	\$416,613	\$9,428	.00	\$417,493
	Present Law Adjustments Total			\$47,434		\$48,039

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 21 - Eliminate RIT-Increase General Fund - The legislature approved an executive request for a switch in funding to increase general fund and reduce funding from RIT accounts. The action reduces expenditures from the renewable resources account by \$27,425 in fiscal 2000 and \$27,388 in fiscal 2001 and from the reclamation and development account by \$379,760 in fiscal 2000 and \$379,243 in fiscal 2001.

DP 2502 - Fixed Costs-Net Increase - The legislature appropriated additional general fund consisting of the following net adjustments: 1) a reduction of \$1,431 each fiscal year due to the termination of a major computer system annual lease payment; 2) an increase of \$3,908 each fiscal year for board per diem; and 3) an increase of \$2,732 in fiscal 2000 and \$4,200 in fiscal 2001 for non-state building rent.

DP 2503 - Civil Engineer Pay Increase - Due to a pay exception approved by the Department of Administration for civil engineers, the legislature approved additional personal services to fund the additional costs for the one civil engineer position in this program.

DP 2504 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Increased Compact Negotiations	1.00	49,031	49,031	1.00	45,205	45,205
Total New Proposals	1.00	\$49,031	\$49,031	1.00	\$45,205	\$45,205

New Proposals

DP 1 - Increased Compact Negotiations - The legislature approved general fund for an additional 1.00 FTE agricultural engineer and operating costs to speed completion of reserved water rights compacts. The legislature anticipates increased work on the Blackfeet Tribe, Crow Tribe, and Confederated Salish and Kootenai Tribes water rights compacts and in completing the Milk River basin.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	167.49	.20	.00	167.69	.66	.00	168.15	168.15
Personal Services	5,047,099	495,074	0	5,542,173	488,917	0	5,536,016	11,078,189
Operating Expenses	2,372,373	506,930	0	2,879,303	531,960	0	2,904,333	5,783,636
Equipment	213,073	481,000	0	694,073	488,000	0	701,073	1,395,146
Transfers	355,419	0	0	355,419	0	0	355,419	710,838
Debt Service	21,292	0	0	21,292	0	0	21,292	42,584
Total Costs	\$8,009,256	\$1,483,004	\$0	\$9,492,260	\$1,508,877	\$0	\$9,518,133	\$19,010,393
General Fund	4,924,753	652,802	0	5,577,555	648,278	0	5,573,031	11,150,586
State/Other Special	2,227,271	442,689	0	2,669,960	426,907	0	2,654,178	5,324,138
Federal Special	857,232	387,513	0	1,244,745	433,692	0	1,290,924	2,535,669
Total Funds	\$8,009,256	\$1,483,004	\$0	\$9,492,260	\$1,508,877	\$0	\$9,518,133	\$19,010,393

Program Description

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

- 1) 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.
- 2) Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana.
- 3) Administering Montana's 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.
- 4) Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses and communities.
- 5) Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

Funding

Table 12 shows the specific funding sources for the division. The Forestry Division contains six programs funded with general fund, state special revenue, and federal funds. General fund, as a part of the funding for the Air Operations Bureau, is transferred to and spent from the bureau's proprietary fund account for fixed costs. Although the legislature no longer appropriates the proprietary funds, it does set the hourly rates charged for use of department aircraft. Revenue from this charge is also deposited in the proprietary account. Historically, the aviation program's variable costs, such as fuel and maintenance, are financed from the proprietary fund, while its fixed costs are paid with general fund. However, the legislature replaced a portion of the general fund transfer with fire protection tax revenue.

Funding Source	Fiscal 2000	Fiscal 2001
General Fund	\$5,577,555	\$5,573,031
State Special Revenue		
Fire Protection Taxes	\$2,169,396	\$2,154,600
Nursery Fees	282,784	281,766
Timber Slash Disposal Fees	172,538	172,564
Forest Improvement Fees	45,242	45,248
Subtotal	\$2,669,960	\$2,654,178
Federal Funds		
Forest Resources-Fire	\$805,304	\$803,840
Forest Resources-PFA	\$439,441	\$487,084
Subtotal	\$1,244,745	\$1,290,924
Total Funds	\$9,492,260	\$9,518,133

State special revenue generated from the sale of nursery stock and forest improvement fees is used to fund the nursery

program. The Land Board approves the variable forest improvement fee when timber sales are approved based on the state's expected costs of slash disposal, road access and maintenance, and reforestation. Landowner fire protection taxes are paid by private forest landowners for wildfire protection. The department is required by statute to collect up to one-third of the state's fire protection appropriation from private landowners (section 76-13-207, MCA). The other two-thirds is funded with general fund and federal funds. The department is required to set the tax so that collections equal the amount appropriated by the legislature. Other state special revenues include money from the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fees of \$25 for each slash hazard reduction agreement and \$0.60 per thousand board feet sold, plus forfeited fire hazard reduction bonds are collected for use by the department.

Federal funds finance a portion of the fire protection, other services, and service forestry programs. General fund, reimbursed from federal agencies to the state for the state's wildfire costs, is appropriated at \$350,000 federal funds each year. These funds are reimbursements received from federal agencies for general fund the department spent in assisting them in fire suppression and from equipment rental. Since these funds would have been deposited in the general fund, these appropriations reduce the amount of general fund deposits.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			486,065			460,619
	Inflation/Deflation			6,806			6,168
	Fixed Costs			105,530			138,994
	Total Statewide Adjustments			\$598,401			\$605,781
Present Law Adjustments							
2	Federal Fire Reimbursements	.00	0	262,662	.00	0	262,662
3	Fire Vehicle Replacement	.00	87,000	130,000	.00	87,000	130,000
5	BMP Audits	.00	20,500	20,500	.00	4,000	4,000
8	Inmate Fire Suppression Crews	.20	54,905	82,427	.66	40,047	60,370
13	Forest Health Monitoring Program	.00	0	39,000	.00	0	78,000
30	Air Ops. Transfer Funding Switch	.00	(98,873)	0	.00	(98,873)	0
3501	Leased Vehicles	.00	29,657	40,355	.00	43,979	63,277
3503	Office Rent & Storage	.00	8,687	9,205	.00	8,987	9,505
3504	Communication Equipment	.00	7,240	7,240	.00	0	0
3505	Timber Slash Disposal Program	.00	0	3,000	.00	0	3,000
3507	Nursery Spending Authority	.00	0	10,000	.00	0	10,000
3508	Fire Training	.00	3,350	5,000	.00	3,350	5,000
3509	Maintenance and Equipment	.00	52,193	77,900	.00	52,193	77,900
3511	Increased Aviation Costs	.00	4,995	7,500	.00	4,995	7,500
3513	Equipment	.00	79,730	119,000	.00	86,895	126,000
3514	Protective Fire Gear	.00	17,755	26,500	.00	17,755	26,500
3515	Interagency Dispatch	.00	20,100	30,000	.00	17,755	26,500
3516	Local Wildfire Protection	.00	4,310	21,546	.00	4,310	21,546
3518	Statewide Fixed Costs	.00	(7,232)	(7,232)	.00	(8,664)	(8,664)
	Total PL Adjustments	.20	\$284,317	\$884,603	.66	\$263,729	\$903,096
	Present Law Adjustments Total			\$1,483,004			\$1,508,877

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Federal Fire Reimbursements - The legislature appropriated additional federal funds as restricted appropriations to, when added to base expenditures, bring the total appropriations for fire reimbursements to \$350,000 each fiscal year. The money is to be spent to: 1) contract for replacement help when state personnel are responding to emergency situations, such as wildfires - \$100,000; and 2) repair, maintain, and replace equipment that supports the state-county cooperative fire

program - \$250,000. The money is part of federal reimbursements to the state for its costs incurred in suppressing wildfires on land under federal jurisdiction and would otherwise be deposited in the general fund.

DP 3 - Fire Vehicle Replacement - The legislature appropriated additional funding to replace vehicles in the fire protection program according to their replacement schedule. Funding is: 1) general fund - \$87,000 each fiscal year; and 2) fire protection tax revenue - \$43,000 each fiscal year.

DP 5 - BMP Audits - The legislature appropriated additional general fund to coordinate forestry best management practices audits, defray audit-team expenses, analyze results, and publish and distribute a formal audit report.

DP 8 - Inmate Fire Suppression Crews - The legislature appropriated funding for 0.20 FTE in fiscal 2000 and 0.66 FTE in fiscal 2001 (\$9,009 in fiscal 2000 and \$28,298 in fiscal 2001) to create two 20-person inmate firefighting crews, based at the regional correctional facilities being built in Great Falls and Missoula. The appropriations provide \$73,418 in fiscal 2000 and \$32,072 in fiscal 2001 for the basic level of protective gear and firefighting equipment necessary to operate two hand crews, including their supervision on projects, transportation, and training. The funding also provides for procuring, refurbishing and equipping two federal excess property 20-passenger buses, buying two pickup trucks, and developing a wildland engine. It is anticipated the department will use the inmate crews for fire suppression and support work an average of 60 days per year. Funding is: 1) general fund - \$54,905 in fiscal 2000 and \$40,047 in fiscal 2001; and 2) fire protection tax revenue - \$27,522 in fiscal 2000 and \$20,323 in fiscal 2001.

DP 13 - Forest Health Monitoring Program - The U.S. Forest Service has established a new forest health monitoring program, and the legislature provided a one-time appropriation to spend these new federal funds. The money will be used to contract for two years with a private, forest pathologist to monitor forest health, identify health risks and problems, report survey results, and make recommendations to the department. The pathologist will be shared with the Idaho Department of State Lands.

DP 30 - Air Operations Transfer Funding Switch - The legislature approved an executive proposal to decrease the general fund that is transferred to the air operations proprietary account by \$98,973 and replace it with fire protection tax revenue. The air operations program is funded from a proprietary account, which historically has received revenue from two sources: 1) general fund that is transferred to the account to pay fixed costs (rent, personal services, insurance); and 2) revenue from hourly rates charged to users of the aircraft to pay variable costs (fuel, scheduled maintenance, repairs). These hourly rates are set by the legislature (see the Proprietary Rates section below). With this action, a portion of the fixed costs will be funded from fire protection taxes. In total, the legislature has appropriated \$355,419 for fixed costs: \$256,446 general fund and \$98,973 fire protection tax revenue.

DP 3501 - Leased Vehicles - Since the Governor's budget office determined that it is more economical for state agencies to lease vehicles from the Department of Transportation than to purchase vehicles, the legislature approved additional funding for vehicle leasing. The appropriations provide for the annualized costs of three vehicles leased in fiscal 1998 and two new vehicles leased in fiscal 1999. It also provides for six new leased vehicles in fiscal 2000 and six more in fiscal 2001. The request is the net of: 1) increases for motor pool vehicles - \$46,405 in fiscal 2000 and \$75,327 in fiscal 2001; and 2) decreases for other vehicle costs - \$6,050 in fiscal 2000 and \$12,050 in fiscal 2001. Funding is: 1) general fund - \$29,657 in fiscal 2000 and \$43,979 in fiscal 2001; and 2) federal funds - \$10,698 in fiscal 2000 and \$19,298 in fiscal 2001.

DP 3503 - Office Rent & Storage - The legislature appropriated additional funding for rent (\$7,635 in fiscal 2000 and \$7,935 in fiscal 2001) and storage (\$1,570 each fiscal year) at its land offices. Funding is: 1) general fund - \$8,687 in fiscal 2000 and \$8,987 in fiscal 2001; and 2) fire protection tax revenue - \$518 each fiscal year.

DP 3504 - Communication Equipment - The legislature approved a one-time restricted general fund appropriation in fiscal 2000 to up-date the current telephone system at Missoula and Lincoln land offices.

DP 3505 - Timber Slash Disposal Program - The legislature appropriated an additional \$3,000 each fiscal year to rent heavy equipment to conduct slash disposal work that is not in compliance with state law.

DP 3507 - Nursery Spending Authority - The legislature approved an additional \$10,000 one-time restricted appropriation of nursery sale revenue each fiscal year for potential, but unknown, costs associated with tree orders. As approved, the nursery program is funded from nursery sale revenue (\$282,764 in fiscal 2000 and \$281,766 in fiscal 2001) and forest improvement fees (\$45,242 in fiscal 2000 and \$45,248 in fiscal 2001).

DP 3508 - Fire Training - The legislature appropriated an additional \$5,000 each fiscal year to contract for fire training. Funding is: 1) general fund - \$3,350 each fiscal year; and 2) fire protection tax revenue - \$1,650 each fiscal year.

DP 3509 - Maintenance and Equipment - The legislature appropriated additional funding for radios, radio maintenance, vehicle maintenance, computer equipment, and shop supplies. Funding is: 1) general fund - \$52,193 each fiscal year; and 2) fire protection tax revenue - \$25,707 each fiscal year.

DP 3511 - Increased Aviation Costs - The division rents helicopters and fixed-wing aircraft from the air operations program for fire detection and training at rates set by the legislature. Because the legislature approved increases in the rates (see the Proprietary Rate section below), the legislature also appropriated additional funding to pay the increased charges. In addition, money was appropriated to pay costs for additional use of the aircraft by the department in training federal crews in exchange for federal support of the interagency fire dispatch/support centers. Funding is: 1) general fund - \$4,995 each fiscal year; and 2) fire protection tax revenue - \$2,505 each fiscal year.

DP 3513 - Equipment - The legislature appropriated additional funding to replace equipment such as vehicles used by fire management personnel for administrative purposes, a copy machine, aircraft radios, and engine analyzers. Funding is: 1) general fund - \$79,730 in fiscal 2000 and \$86,895 in fiscal 2001; and 2) fire protection tax revenue - \$39,270 in fiscal 2000 and \$39,105 in fiscal 2001.

DP 3514 - Protective Fire Gear - Due to the changes in national standards and requirements for personal protective equipment that require additional expenditures to meet OSHA standards and national guidelines set by the National Fire Protection Association Standard #1977, the legislature appropriated additional funding for protective fire clothing and equipment. Funding is: 1) general fund - \$17,755 each fiscal year; and 2) fire protection tax revenue - \$8,745 each fiscal year. Of the total approved, \$20,000 each year is a one-time restricted appropriation to meet exposure guidelines that restrict the time one can remain in high radio frequency fields and which require equipment to monitor radio frequency radiation. The department will test and bring into compliance the various radio communications sites that it operates.

DP 3515 - Interagency Dispatch - The legislature appropriated additional funding to pay a larger share of interagency fire dispatch and coordination center operational costs in Miles City, Kalispell, Missoula, Libby, and Plains. The department and federal agencies share operational costs such as supplies and materials, rent, utilities, and repair and maintenance. The Miles City interagency dispatch center is a new location established in fiscal 1998. Funding is: 1) general fund - \$20,100 in fiscal 2000 and \$17,755 in fiscal 2001; and 2) fire protection tax revenue - \$9,900 in fiscal 2000 and \$8,745 in fiscal 2001.

DP 3516 - Local Wildfire Protection - The legislature appropriated funding of: 1) \$15,082 each fiscal year (federal funds) to improve local government and rural fire departments' firefighting capabilities; and 2) \$6,464 each fiscal year to pay for increased fire protection services on state and private lands within the Flathead Reservation. Funding is: 1) general fund - \$4,310 each fiscal year; 2) fire protection tax revenue - \$2,154 each fiscal year; and 3) federal funds - \$15,082 each fiscal year.

DP 3518 - Statewide Fixed Costs - The legislature reduced the fixed cost rates that the Department of Administration charges for rent and data network services. Therefore, less needs to be appropriated in this division's budget for these services.

Language

"Item 7d [Federal Fire Reimbursements] are those funds received from nonstate entities for the use of department personnel and for equipment to assist them in managing emergency incidents, such as fire suppression activities. Only funds up to \$100,000 received as reimbursement of personnel expenses credited against the department's operational budget and up to \$250,000 of funds received as payment under equipment use agreements are considered fire reimbursement funds. All other funds received must be deposited in the general fund. It is the intent of the legislature that funds reimbursed for the use of department equipment be expended for the repair, maintenance, and replacement of equipment that supports the state-county cooperative fire program. The department shall report fire reimbursement expenditures on state accounting records, and the records must be separate from present law operations."

Proprietary Rates**Program Description**

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 to agencies that use the aircraft and general fund for fixed costs. The program operates three medium helicopters, two light helicopters, 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. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DRNC, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is also deposited to the proprietary account.

Rate Explanation

The hourly rates approved by the legislature for the 2001 biennium are:

- 1) fixed-wing - \$90
- 2) light helicopters - \$345
- 3) medium helicopters - \$850