

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	486.24	4.00	51.79	542.03	4.00	51.79	542.03	542.03
Personal Services	21,536,866	2,248,015	2,907,800	26,692,681	2,285,404	4,116,497	27,938,767	54,631,448
Operating Expenses	9,814,332	1,305,383	2,015,356	13,135,071	1,293,599	1,633,366	12,741,297	25,876,368
Equipment	667,807	71,193	417,567	1,156,567	26,693	381,000	1,075,500	2,232,067
Capital Outlay	75	0	0	75	0	0	75	150
Local Assistance	213,373	25,000	250,000	488,373	25,000	250,000	488,373	976,746
Grants	961,865	47,168	150,000	1,159,033	48,263	0	1,010,128	2,169,161
Benefits & Claims	1,000,000	(1,000,000)	0	0	(1,000,000)	0	0	0
Transfers	398,339	353,117	857,965	1,609,421	154,762	1,257,965	1,811,066	3,420,487
Debt Service	487,112	80,702	0	567,814	80,702	0	567,814	1,135,628
<b>Total Costs</b>	<b>\$35,079,769</b>	<b>\$3,130,578</b>	<b>\$6,598,688</b>	<b>\$44,809,035</b>	<b>\$2,914,423</b>	<b>\$7,638,828</b>	<b>\$45,633,020</b>	<b>\$90,442,055</b>
General Fund	16,825,529	247,734	2,561,093	19,634,356	(24,313)	3,285,506	20,086,722	39,721,078
State/Other Special	16,489,400	2,662,185	4,010,698	23,162,283	2,704,131	4,286,809	23,480,340	46,642,623
Federal Special	1,764,840	220,659	26,897	2,012,396	234,605	66,513	2,065,958	4,078,354
<b>Total Funds</b>	<b>\$35,079,769</b>	<b>\$3,130,578</b>	<b>\$6,598,688</b>	<b>\$44,809,035</b>	<b>\$2,914,423</b>	<b>\$7,638,828</b>	<b>\$45,633,020</b>	<b>\$90,442,055</b>

**Agency Description**

The Department of Natural Resources is tasked to:

1. Manage the state 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. Protect Montana's natural resources from wildfires through regulation and partnerships with federal, state, and local agencies;
3. Promote stewardship of state water, soil, forest, and rangeland resources, and regulate forest practices to protect water quality;
4. Provide administrative, legal, and technical assistance and financial grants to the conservation districts and provide natural resource conservation and development programs;
5. Resolve water resource use conflicts, manage state water projects, investigate water use violations, ensure dam safety compliance, and provide water adjudication support to the Water Court;
6. Provide administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies;
7. Provide 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, exercise the general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.

Agency Highlights

<b>Department of Natural Resources and Conservation</b>	
<b>Major Budget Highlights</b>	
◆	The legislature approved present law adjustments totaling \$6.0 million over the biennium of which \$5.2 million are state special revenue.
◆	With the passage of HB 22, \$1.9 million per year was appropriated to expedite the water adjudication process
◆	55.79 FTE were approved, a majority of which are attributed to the acceleration of the water rights adjudication program.
◆	\$1.0 million per year of general fund was approved to provide increased initial attack capacity to the Forestry Division in fighting wild land fires
◆	Supplemental appropriations were provided for: <ul style="list-style-type: none"> <li>◆ 2005 biennium fire costs, \$2.0 million</li> <li>◆ Prepayment of the crow tribe water compact settlement, \$9.0 million</li> </ul>
◆	The increased pay plan, HB 447, resulted in an increase of \$2.7 million over the biennium
◆	Resource indemnity trust funds are structurally balanced
◆	Language appropriations were reduced by \$1.5 million to assist with meeting the overall state expenditure cap

Agency Discussion

*Resource Indemnity Trust*

The legislature appropriated funds from the corpus of the trust, interest from the trust, and indemnity related taxes to provide \$26 million worth of support to two universities, four agencies, and numerous local governmental agencies through the grant and loan programs. The legislature also addressed issues raised regarding the utilization, management, and oversight of the funds.

The activity of the legislature is detailed in the following three figures. Figure 1 details the anticipated trust balance and the appropriation of excess corpus funds. After a transfer from the groundwater assessment fund, the corpus should have a balance slightly higher than the mandated \$100 million. Excess corpus above the \$100 million level can be appropriated by the legislature. The legislature chose to appropriate \$133,000 to the Commissioner of Higher Education for the Bureau of Groundwater at Montana Tech and with the passage of HB 782, \$98,000 was appropriated to the Judiciary for water adjudication activities.

Resource Indemnity Trust	FY2005	FY2006
Projected Beginning Balance	\$100,002,390	\$100,254,844
Transfer from Groundwater Assessment (02289)	252,454	
Transfer to Excess Corpus Fund (02567)		(252,454)
<b>Trust Balance</b>	<b><u>\$100,254,844</u></b>	<b><u>\$100,002,390</u></b>
 Excess Corpus Fund (02567)		 \$252,454
Commissioner of Higher Ed - Bureau Of Groundwater Trf		133,735
Judiciary - HB 782 Water Adjudication Funding		98,000
Balance		<b><u>\$20,719</u></b>

The taxes related to the trust and the actual interest of the trust is disbursed through statutory appropriation, statutory allocation, and the appropriations process. Figure 2 describes the distribution of these funds. Distribution is based on revenues adopted in HJR 2.

**Figure 2**  
Resource Indemnity Trust Interest and Related Taxes  
Estimated Revenues and Priority Allocations

Disposition of RIGWA taxes				
<u>Statutory Allocations</u>	FY 2005	FY 2006	FY 2007	2007 Biennium
CERCLA Bond Debt Service	\$0	\$160,000	\$320,000	\$480,000
Groundwater Assessment Fund (02289)	113,546	366,000	366,000	732,000
Reclamation & Development (02458)	431,500	318,000	312,000	630,000
Natural Resource Worker Scholarship Fund (02069)	93,508	13,508	13,508	27,016
Orphan Share Fund (02472)	<u>337,992</u>	<u>318,492</u>	<u>311,492</u>	<u>629,984</u>
Total RIGWA Taxes	<u>\$976,546</u>	<u>\$1,176,000</u>	<u>\$1,323,000</u>	<u>\$2,499,000</u>
Disposition of Oil and Gas Taxes				
<u>Statutory Allocations</u>	FY 2005	FY 2006	FY 2007	2007 Biennium
Coal Bed Methane Protection (02694)	\$793,616	\$839,416	\$889,832	\$1,729,248
Reclamation & Development (02458)	1,903,384	2,013,230	2,134,146	4,147,376
Orphan Share Fund (02472)	<u>1,903,384</u>	<u>2,013,230</u>	<u>2,134,146</u>	<u>4,147,376</u>
Total Applicable Oil & Gas Taxes	<u>\$4,600,384</u>	<u>\$4,865,876</u>	<u>\$5,158,124</u>	<u>\$10,024,000</u>
Disposition of Trust Interest				
	FY 2005	FY 2006	FY 2007	2007 Biennium
Estimated Interest Earnings	\$6,898,000	\$6,626,000	\$6,627,000	\$13,253,000
<u>Statutory Appropriations</u>				
MSU - Northern (02272)	240,000	240,000	240,000	480,000
<u>Statutory Allocations</u>				
Environmental Contingency Account (02017)	0	175,000	0	175,000
Oil & Gas Damage Mitigation Account (02010)	0	50,000	0	50,000
Water Storage (02216)	0	500,000	0	500,000
Groundwater Assessment Fund (02289)	300,000	300,000	300,000	600,000
Future Fisheries (02022)	350,000	500,000	500,000	1,000,000
Renewable Resource Grants & Loans (02272)	2,000,000	2,000,000	2,000,000	4,000,000
Reclamation and Development Grants & Loans (02458)	<u>1,200,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>3,000,000</u>
Total Allocations	\$4,090,000	\$5,265,000	\$4,540,000	\$9,805,000
Amount Available for Further Distribution	<u>\$2,808,000</u>	<u>\$1,361,000</u>	<u>\$2,087,000</u>	<u>\$3,448,000</u>

The remaining interest available is deposited to specific funds based on statutory requirement. These funds are then appropriated through HB 2, HB 6, or HB 7. Figure 3 explains the revenues received by each fund and the appropriations made from the funds.

Figure 3 also describes transfers approved to and from other funds based on legislative activities. Three pieces of legislation authorized transfers as follows:

- HB 6 authorized \$600,000 to be transferred into the renewable resources account to provide additional grants and loans
- HB 379 authorized the transfer of \$1.2 million per year from the orphan share fund to the Zortman-Landusky (Z/L) Water Treatment Trust
- SB 143 authorized \$600,000 of orphan share loans funds to the hazardous waste fund and the environmental quality protection fund

**Figure 3**  
Resource Indemnity Trust - Related Funds  
Projected 2007 Biennium Activity

Fund Title	Renewable Resource	Reclamation & Development	Haz. Waste CERCLA	Environmental Quality Protect.	Groundwater Assessment	Water Storage	Orphan Share
Fund Number	(02272)	(02458)	(02070)	(02162)	(2289)	(02216)	(02472)
Beginning Fiscal 2005 Fund Balance (SABHRS)	\$1,396,368	\$1,944,494	\$194,540	\$839,661	\$252,454	\$320,696	\$5,093,800
Continuing appropriations	(3,882,647)	(2,474,570)	(31,231)			(589,979)	0
Fiscal 2005 appropriations	(934,212)	(2,961,720)	(895,656)	(915,792)	(666,000)	0	(1,350,144)
Fiscal 2005 Adjustments	0	0	0	0	(252,454)	0	0
Fiscal 2005 revenues (RTIC, agency estimates)	3,802,517	5,339,484	619,760	725,560	666,000	138,000	2,254,000
<b>Projected Available Fund Balance Beginning FY2006</b>	<b>\$382,026</b>	<b>\$1,847,688</b>	<b>(\$112,587)</b>	<b>\$649,429</b>	<b>\$0</b>	<b>(\$131,283)</b>	<b>\$5,997,656</b>
<b>Revenues (RATC, agency estimates)</b>							
RIT Interest-direct	4,480,000	3,000,000			600,000	500,000	
RIT Interest-further allocation	1,034,400	1,206,800	896,480	310,320			
RIGWA Proceeds		4,777,376			732,000		4,777,360
Metal Mines Tax (7%)		1,311,000					
Coal Tax & Interest (from 04011)	516,009						
STIP/Other Interest	20,000		4,000	6,000		37,500	70,000
Cost Recoveries				1,023,800			
Transfers - SB 143 - Loans from Orphan Share			390,405	209,595			(600,000)
Transfers - HB 6 from General Fund	600,000						
Transfers - HB 379 Z-L Water Treatment Trust							(2,400,000)
Administrative Fees	14,000						
State-owned Project Revenue						240,000	
<b>Total Projected Available Revenues</b>	<b>\$7,046,435</b>	<b>\$12,142,864</b>	<b>\$1,178,298</b>	<b>\$2,199,144</b>	<b>\$1,332,000</b>	<b>\$646,217</b>	<b>\$7,845,016</b>
<b>Executive Appropriations</b>							
House Bills 6 and 7 Grants	\$ 4,600,000	\$ 4,856,187					
House Bill 6-Emergency/Private Grants	400,000						
House Bill 7-Transfers ( \$57,116 to ECA)	(400,000)	457,116					
MSU-Northern (statutorily appropriated)	480,000						
UM-Bureau of Mines					1,332,000		
DNRC-Centralized Services	10,000	12,000					
DNRC-Conservation and Resource Devel. Division	359,777	2,145,455					
DNRC-Water Resources Division		254,832				544,600	
DNRC-Flathead Basin Commission	16,002						
DEQ-Central Management		88,378	28,964				
DEQ-Planning, Prevention & Assistance			266,244				
DEQ-Enforcement		9,648					
DEQ-Remediation - SB 489							1,250,000
DEQ-Remediation			47,916	2,199,144			2,100,019
DEQ-Permitting & Compliance		3,243,521	833,174				
Judiciary-Water Court	1,533,510						
Library Commission-State Library Operations/NRIS		782,872					
HB 447 Pay Plan	98,810	130,978	43,968	55,155			1,571
<b>Total Appropriations</b>	<b>\$7,098,099</b>	<b>\$11,980,987</b>	<b>\$1,220,266</b>	<b>\$2,254,299</b>	<b>\$1,332,000</b>	<b>\$544,600</b>	<b>\$3,351,590</b>
<b>Projected 2007 Biennium Ending Balance</b>	<b>(\$51,664)</b>	<b>\$161,877</b>	<b>(\$41,968)</b>	<b>(\$55,155)</b>	<b>\$0</b>	<b>\$101,617</b>	<b>\$4,493,426</b>

Legislative appropriations are listed by agency and program. Two items, not typically seen in RIT appropriations include:

- o HB 7 transfers from the reclamation and development fund to the renewable resource fund and the environmental contingency account to provide increased funding for grants and loans and environmental emergencies
- o SB 489 provides \$1.25 million to the remediation division of the Department of Environmental Quality to establish a remediation plan for a multiple party site in northwestern Montana

The legislature maintained that funds should not be over appropriated. At the close of session, the renewable resource fund, the hazardous waste/CERCLA fund and the environmental quality protection fund are all in a negative position, predominantly due to pay plan allocations. The remaining funds end with a zero or positive balance. All projected balances could change based on the amount of the appropriation spent and the actual revenues.

*Increases in FTE*

Figure 4 illustrates the change in FTE as a result of legislative action. The Water Resource Division received the largest increase, 39.00 FTE, and \$3.2 million results from the passage of HB 22, providing for the expedition of water adjudication. The Forestry Division received 7.79 FTE through the adoption of decision packages related to increased resources for initial attack. The Conservation and Development Division received 4.00 FTE, two of which were positions eliminated by the 2003 Legislature. The legislature did not eliminate any positions within the department.

Division	FY 2006		FY2007		Description
	#FTE	Cost	# FTE	Cost	
Central Services	1.00	\$ 37,591	1.00	\$ 37,507	Attorney for Water Issues
Board of Oil and Gas	1.00	34,129	1.00	34,099	Public Access Data System Support
Conservation and Development	1.00	47,644	1.00	47,562	Regional Water Coordinator
	1.00	47,675	1.00	47,582	Conservation District Position
	1.00	47,611	1.00	47,515	Rangeland Coordinator
Water Resources	1.00	53,121	1.00	53,011	St. Mary's Project - Engineer
	39.00	1,618,934	39.00	1,615,607	Water Adjudication Staffing (HB 22)
	1.00	53,045	1.00	52,935	St. Mary's Project - Hydrologist
Trust Land Management	2.00	74,588	2.00	74,430	Foresters - Sustainable Yield
Forestry Management	4.00	178,408	4.00	178,174	County Cooperation Program
	3.79	110,968	3.79	110,929	Helitack Crews
Total FTE and Costs	<u>55.79</u>	<u>\$2,303,714</u>	<u>55.79</u>	<u>\$2,299,351</u>	

**Ongoing Issues**

*Resource Indemnity Trust*

Two issues were raised: 1) statute did not allow certain longstanding uses of funds; and 2) there is no centralized oversight of the funds and the allocation process. The legislature chose to address the issues of the trust through two means. First, language allowing the use of funds for activities outside of statute was added to HB 6 (Renewable Resource Loans and Grants) and HB 7 (Reclamation and Development Loans and Grants) for the 2007 biennium only. Second, the Joint Appropriations Committee for Natural Resources and Commerce introduced a resolution (HJ 36) to study the structure, historical usage and statutes related to the resource indemnity funds. This study was directed to the Legislative Fiscal Division and the assistance of the Environmental Quality Council will be made available. The outcome of the study is to provide alternatives to assure that funds are utilized in an appropriate manner, and suggest changes to statute to deal with the confusing and sometimes conflicting requirements.

*Trust Land Administration*

The Legislative Fiscal Division (LFD) raised two issues concerning the administration of trust lands. First, diversification of holdings to maximize revenues to the trust and second, the constitutionality of funding trust land administration with trust revenues.

While the legislature did not set specific policy regarding diversification of holdings, it did support a resolution to research the potential of timber leasing of state lands. Rather than the Trust Land Management Division developing and preparing contract timber sales, the study will determine that if the department sold logs directly from state lands, would funding increase for trust beneficiaries. Other states have experienced a revenue growth of as much as 30 percent over the contract method of timber sales.

The second issue regarding trust land administration was not resolved. Financing the administration of trust lands through the retention of trust revenues has been a legislative legal counsel issue of constitutionality for some time. The Legislative Audit Division echoed that concern in a recent financial audit of the department. Immediately prior to session the Montana Board of Regents pledged to mediate, not litigate a solution that would return the \$12.0 million allegedly diverted from university trusts for the purpose of land administration.

The legislature maintained the current funding mechanism. Consequently, the potential for a beneficiary or a group of beneficiaries to file suit to challenge the funding practice still exists. The financial risks of the situation include costs

related to legal challenges, funding the \$9.0 million in administration costs from other sources, and potentially repaying any alleged diversions.

#### *Water Rights Adjudication (HB22)*

Prior to 1973 there was no consistent statewide requirement that a water user file any type of record showing they were using water. A first in time, first in right prior appropriation doctrine was utilized. Over time, the statewide water adjudication process has slowed, and appropriations have not kept pace with time, and yet the importance of water rights rose on the regional and national level.

The Environmental Quality Council recommended certain actions in HB 22 to expedite the water adjudication process by providing funding through an adjudication fee, staffing, and specific program benchmarks. The entire bill was built on the premise that the long-standing backlog in the water adjudication could be reduced and the entire process finished in fifteen years.

The legislature passed and approved HB 22, appropriating \$1.9 million per year fees to the department for the FTE and operating costs necessary to expedite the process. This appropriation was to be funded through water adjudication fees to be collected in January of 2006. To collect the fees, HB 22 required that \$2.0 million dollars from other sources, each year of the biennium be line item appropriated for the water adjudication in order to collect the fee. While the water adjudication process does have \$2.0 million of other funding within the Water Resources Division, the Water Court and the Reserved Water Rights Compact Commission, the funds are not clearly identifiable in HB 2, as required in the HB 22 coordinating language.

Due to the fact that other funds were not line item appropriated, legal counsel determined the contingent voidness section of the bill was applicable. Subsequently a request has been made to the Attorney General for a legal opinion. In the meantime, codification is on hold until the opinion is received. There is also the possibility to fix the contingent voidness section in the proposed special session of December 2005.

Since HB 22, was passed and approved, the appropriations in HB 2 remain intact regardless of whether the bill is ultimately codified due to coordinating language. The appropriations are valid if cash is available. However, since the fee cannot be collected, the department is faced with a cash flow problem. With current appropriations of general fund, the department has chosen to proceed with the activities of hiring personnel.

#### *Fire Suppression Costs*

In response to the wild land fire audit, the legislature provided increased resources for the initial attack program. This includes:

- \$0.5 million transfer of general fund to the air operations proprietary fund to increase aviation support through the hiring of additional mechanics and pilots
- \$1.1 million for the county co-op program, including 4.00 FTE for rural fire coordination and capital funds to produce an additional 15 type six engines to replace aging county field equipment
- Increased helitack capacity by providing for \$240,000 and 3.59 FTE (mostly seasonal workers) to fully staff helicopter crews at three direct protection offices

This activity places additional emphasis on assuring that the department has the sufficient resources to attack fires initially to eliminate high cost fires before they occur.

The legislature also approved a resolution (HJR 10) to study fire related statutes regarding suppression and mitigation. This is a collaborative study to address dangerous environmental conditions and areas of wild land/urban interface, to improve wild land fire suppression and mitigation, and to recommend legislation to appropriately fund wild land fire protection and suppression costs.

**Supplemental Appropriations**

*2005 Biennium Fire Costs*

Figure 5 provides a break down of the fire costs for the 2005 biennium. The 2005 biennium fire costs are estimated at \$85.4 million, of which \$0.8 million is the amount set aside for 2005 spring fires. Other sources covered \$48.9 million and the majority of the \$36.1 million in of the state share was covered by one time federal funds received under the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA). The \$2.0 million supplemental provided in HB 745 represents the amount of funding not covered by JGTRRA, the Federal Emergency Management Agency (FEMA), the US Forest Service (USFS) or the National Park Service. The balance remaining of \$314,795 will be covered through non-incurred spring fire costs, or changes in negotiated recovery from FEMA or the USFS.

*Crow Tribe Settlement*

The legislature approved pre-payment of the \$9.0 million owed to the Crow Tribe as part of the water compact through HB 745. These funds will be placed into an account and transferred to the crow escrow account on an annual basis. When all terms of the compact are met, the crow tribe will receive all funds in escrow. A subsequent base adjustment of \$1.0 million per year was made to the department’s budget to account for this prepayment.

**Other Legislation**

House Bill 6 - This legislation appropriates \$4.6 million of RIT interest to the department for renewable resource grants. Of the total, \$100,000 is to be used by the department for emergency projects and \$ 300,000 is to be used for project planning grants. The remainder is available to state agencies, political subdivisions, and local government entities. See the Long Range Planning section in Volume 4 for a list of specific projects funded in HB 6.

House Bill 7 -This legislation appropriates \$4.9 million of RIT interest to the Department of Natural Resources and Conservation for reclamation and development projects. For a further discussion, see the Long-Range Planning section in Volume 4 for a list of specific projects funded in HB 7.

House Bill 8 - This legislation provides the authority for the loan portion of the renewable resource grant and loan program. The issuance of \$7,236,264 in coal severance tax bonds was approved by the legislature and the proceeds appropriated to the department for: 1) loans for new and re-authorized existing projects - \$6,578,422; and 2) establishment of a reserve for the bonds - \$657,842. See the Long Range Planning section in Volume 4 for a list of specific projects funded in HB 8.

House Bill 11 - This legislation appropriates \$5.3 million of interest earnings from the treasure state endowment regional water system special revenue account to the department to finance the state's share of regional water system projects in North Central Montana and in Northeastern Montana.

House Bill 22 - This legislation establishes a fee on water right holders to generate income to complete the water adjudication process in fifteen years. The legislation contains benchmarks to assure the process moves along. The

	FY 2004	FY 2005	2005 Biennium
<u>Part 1</u>			
Actual State Protection Costs - Paid	\$74,650,041	\$2,862,952	\$77,512,993
<u>Additional Costs - Still Owing:</u>			
US Forest Service (USFS)	6,765,411	326,374	7,091,785
Bureau of Land Management (BLM)	56,015		56,015
Estimated Spring 2005 Costs		825,140	825,140
DNRC Budgeted Cost	\$0	(50,000)	(50,000)
<b>Total Obligations</b>	<b>\$81,471,467</b>	<b>\$3,964,466</b>	<b>\$85,435,933</b>
<u>Part 2</u>			
Costs Recovered From Other Sources			
<u>Received to Date:</u>			
Federal Emergency Management	30,427,502	0	30,427,502
National Park Service	8,059	0	8,059
Bureau of Land Management	469,961	208,354	678,315
US Forest Service - Fire	11,420,268	604,414	12,024,682
US Forest Service - Hurricane*		172,547	172,547
<u>Awaiting Reimbursement:</u>			
Federal Emergency Management / USFS	3,568,978	0	3,568,978
Federal Emergency Management / BLM	2,062,492	0	2,062,492
<b>Total Funds Recovered</b>	<b>\$47,957,260</b>	<b>\$985,315</b>	<b>\$48,942,575</b>
<u>Part 3</u>			
<u>State Share of Reimbursements</u>			
Job Growth and Tax Relief Act Funds**	31,925,625	2,252,938	34,178,563
Supplemental Appropriation	1,273,787	726,213	2,000,000
<b>Total State Share</b>	<b>\$33,199,412</b>	<b>\$2,979,151</b>	<b>\$36,178,563</b>
<b>Estimated Remaining Fire Costs</b>	<b>\$314,795</b>	<b>\$0</b>	<b>\$314,795</b>
* Funds received for Montana Incident Management Teams dispatched to Florida to aid in hurricane recovery efforts			
** One time federal funds for tax relief set aside by Martz administration to cover fire costs			

legislature approved \$3.8 million in state special revenue over the biennium for this project. (This legislation was deemed void by the code commissioner due to the fact that sufficient funding was not made available from other sources. Subsequently a request for a legal opinion has been made to the Attorney General. Codification of the bill is on hold until this opinion is received.)

House Bill 236 – This legislation establishes a permanent role for the Clark Fork River Basin Task Force in state water planning activities. The legislature appropriated \$25,000 over the biennium to assist the taskforce with operating expenses.

House Bill 482– This bill revised the percentage of funding allocated to the coal severance shared account to 8.36 percent of coal severance taxes, an increase of 0.61 percent. The legislature provided authority of \$66,000 over the biennium to the Conservation and Development Division as a result of this increase.

House Bill 745 – Thus legislation appropriates \$2.0 million general fund for actual and anticipated wildfire suppression costs in the 2005 biennium and \$9.0 million for the Crow Tribe settlement related to the negotiated water compact.

House Bill 758 – This bill establishes a tax on oil and gas production to mitigate the impacts of oil, gas and natural resource development in Montana counties. This tax is a result of the decrease in the privilege and license tax from 0.26 percent to 0.18 percent. The difference of 0.08 percent becomes the tax that will feed the impact fund.

House Bill 782– This legislation requires that all issue remarks on a water rights claim be resolved prior to issuing final water decree. The legislation clarifies when the attorney general may intervene on cases where issue remarks have not been otherwise resolved. The legislature appropriated \$98,000 of one time only monies to hire an additional attorney to handle this workload.

House Joint Resolution 10– As suggested by the audit findings, the legislature backed a resolution to study fire related statutes regarding suppression and mitigation. This is a collaborative study to address dangerous environmental conditions and areas of wild land/urban interface, to improve wild land fire suppression and mitigation, and to recommend legislation to appropriately fund wild land fire protection and suppression costs.

House Joint Resolution 33 - This resolution requests an examination of the issues surrounding the possible implementation of a contract harvesting program for state lands in Montana, including but not limited to an examination of similar programs in other states, standards for log quality, accounting practices, standards for hiring loggers, stewardship contracting, revenue and expenses, and economic impacts to the logging industry.

House Joint Resolution 36 - This resolution requests a committee to review the funding sources, allocation, and utilization of resource indemnity trust funding. It also encourages the committee to suggest a simplified funding mechanism that meets the intent of statutes and provides sufficient resources for the affected agencies to accomplish their work.

Senate Bill 124– This bill authorizes the use of revenue bond proceeds to provide interim financing for regional water systems as federal funding does not become available until May each year. Federal funds will be utilized to pay off the bonds.

Senate Bill 449– This legislation creates an oil and gas education research fund to allow the board to accept donations, gifts or contributions for the purpose of promoting the oil and gas industry. The legislature approved \$125,000 over the biennium for this purpose.

Senate Bill 498– This act increases the limit to \$400,000 for a loan to a private person that is not a water users' association and to \$3.0 million for a loan to a water users' association or ditch company.

Senate Joint Resolution 9 – This resolution requests federal funds for the rehabilitation of the St. Mary’s diversion facilities and urges the support and leadership of the Montana congressional delegation to assist in finding funds for the project.

**Funding**

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

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
21 Centralized Services	\$ 4,001,859	\$ 950,624	\$ 163,888	\$ 5,116,371	5.66%
22 Oil & Gas Conservation Div.	-	4,228,748	-	4,228,748	4.68%
23 Conservation/Resource Dev Div	2,641,610	6,082,877	543,676	9,268,163	10.25%
24 Water Resources Division	14,993,260	9,090,647	191,354	24,275,261	26.84%
25 Reserved Water Rights Comp Com	1,630,468	-	-	1,630,468	1.80%
35 Forestry/Trust Lands	<u>16,453,881</u>	<u>26,289,727</u>	<u>3,179,436</u>	<u>45,923,044</u>	<u>50.78%</u>
Grand Total	<u>\$ 39,721,078</u>	<u>\$ 46,642,623</u>	<u>\$ 4,078,354</u>	<u>\$ 90,442,055</u>	<u>100.00%</u>

**Executive Budget Comparison**

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	486.24	491.24	542.03	50.79	491.24	542.03	50.79	
Personal Services	21,536,866	23,825,163	26,692,681	2,867,518	23,862,513	27,938,767	4,076,254	6,943,772
Operating Expenses	9,814,332	12,473,307	13,135,071	661,764	11,422,716	12,741,297	1,318,581	1,980,345
Equipment	667,807	760,695	1,156,567	395,872	709,500	1,075,500	366,000	761,872
Capital Outlay	75	75	75	0	75	75	0	0
Local Assistance	213,373	513,373	488,373	(25,000)	463,373	488,373	25,000	0
Grants	961,865	1,007,296	1,159,033	151,737	961,865	1,010,128	48,263	200,000
Benefits & Claims	1,000,000	0	0	0	0	0	0	0
Transfers	398,339	1,751,456	1,609,421	(142,035)	1,553,101	1,811,066	257,965	115,930
Debt Service	487,112	567,814	567,814	0	567,814	567,814	0	0
<b>Total Costs</b>	<b>\$35,079,769</b>	<b>\$40,899,179</b>	<b>\$44,809,035</b>	<b>\$3,909,856</b>	<b>\$39,540,957</b>	<b>\$45,633,020</b>	<b>\$6,092,063</b>	<b>\$10,001,919</b>
General Fund	16,825,529	18,486,871	19,634,356	1,147,485	18,229,824	20,086,722	1,856,898	3,004,383
State/Other Special	16,489,400	20,424,346	23,162,283	2,737,937	19,309,225	23,480,340	4,171,115	6,909,052
Federal Special	1,764,840	1,987,962	2,012,396	24,434	2,001,908	2,065,958	64,050	88,484
<b>Total Funds</b>	<b>\$35,079,769</b>	<b>\$40,899,179</b>	<b>\$44,809,035</b>	<b>\$3,909,856</b>	<b>\$39,540,957</b>	<b>\$45,633,020</b>	<b>\$6,092,063</b>	<b>\$10,001,919</b>

The legislature approved a biennial budget \$10.0 million higher than the executive request. This increase consists is 30 percent general fund, 69 percent state special revenue and less than one percent federal special revenue. The difference can be attributed to the following:

- o Passage of HB 22 provided \$3.8 million of state special revenue authority to expedite the water adjudication process
- o The implementation of HB 447, the pay plan, increases the budget by \$2.7 million
- o The addition of funding in the Forestry Division for increased initial attack preparedness accounts for \$2.0 million
- o \$1.1 million in initiatives was added in the Conservation and Resource Development Division, much of which was to reinstate reductions made by the 2003 Legislature
- o The remaining increase can be attributed to such items as:
  - o Staffing for the St. Mary’s rehabilitation project
  - o Contract services for the reserved water rights compact commission

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	37.00	1.00	0.00	38.00	1.00	0.00	38.00	38.00
Personal Services	1,744,660	160,438	56,542	1,961,640	160,536	144,750	2,049,946	4,011,586
Operating Expenses	543,492	38,491	0	581,983	(57,378)	0	486,114	1,068,097
Equipment	0	15,000	0	15,000	15,000	0	15,000	30,000
Debt Service	3,344	0	0	3,344	0	0	3,344	6,688
<b>Total Costs</b>	<b>\$2,291,496</b>	<b>\$213,929</b>	<b>\$56,542</b>	<b>\$2,561,967</b>	<b>\$118,158</b>	<b>\$144,750</b>	<b>\$2,554,404</b>	<b>\$5,116,371</b>
General Fund	1,819,275	130,164	56,542	2,005,981	31,853	144,750	1,995,878	4,001,859
State/Other Special	400,820	74,534	0	475,354	74,450	0	475,270	950,624
Federal Special	71,401	9,231	0	80,632	11,855	0	83,256	163,888
<b>Total Funds</b>	<b>\$2,291,496</b>	<b>\$213,929</b>	<b>\$56,542</b>	<b>\$2,561,967</b>	<b>\$118,158</b>	<b>\$144,750</b>	<b>\$2,554,404</b>	<b>\$5,116,371</b>

**Program Description**

The Centralized Services Division provides managerial and administrative support services to the department through, the Director's Office, which includes the director, legal staff, and public information; and 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. Division responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land.

**Program Highlights**

<b>Centralized Services Division Major Program Highlights</b>
<ul style="list-style-type: none"> <li>◆ The legislature approved funds to replace the phone system in the Billings office</li> <li>◆ 1.00 FTE was approved to hire an attorney to deal with water issues</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding		Program Funding Table Centralized Services					
		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,819,275	79.4%	\$ 2,005,981	78.3%	\$ 1,995,878	78.1%
	01100 General Fund	1,819,275	79.4%	2,005,981	78.3%	1,995,878	78.1%
02000	Total State Special Funds	400,820	17.5%	475,354	18.6%	475,270	18.6%
	02031 Forest Resources - Nursery	5,000	0.2%	5,000	0.2%	5,000	0.2%
	02039 Forestry-Fire Protection Taxes	43,000	1.9%	47,000	1.8%	47,000	1.8%
	02052 Rangeland Improvement Loans	15,000	0.7%	15,000	0.6%	15,000	0.6%
	02073 Forestry - Slash Disposal	-	-	5,000	0.2%	5,000	0.2%
	02145 Broadwater O & M	9,000	0.4%	9,500	0.4%	9,500	0.4%
	02272 Renewable Resources Grnt/Loans	-	-	5,000	0.2%	5,000	0.2%
	02280 Forest Resources-Timber Sales	75,000	3.3%	78,000	3.0%	78,000	3.1%
	02340 Coal Sev. Tax Shared Ssr	5,000	0.2%	5,000	0.2%	5,000	0.2%
	02430 Water Right Appropriation	27,000	1.2%	65,591	2.6%	65,507	2.6%
	02432 Oil & Gas Era	63,000	2.7%	63,500	2.5%	63,500	2.5%
	02449 Forest Resources-Forest Improv	29,000	1.3%	32,000	1.2%	32,000	1.3%
	02450 State Lands Res Dev	49,820	2.2%	51,263	2.0%	51,263	2.0%
	02458 Reclamation & Development	-	-	6,000	0.2%	6,000	0.2%
	02825 Water Well Contractors	5,000	0.2%	5,000	0.2%	5,000	0.2%
	02938 Tlmd - Administration	75,000	3.3%	82,500	3.2%	82,500	3.2%
03000	Total Federal Special Funds	71,401	3.1%	80,632	3.1%	83,256	3.3%
	03255 Csd Federal Indirect	71,401	3.1%	80,632	3.1%	83,256	3.3%
Grand Total		<u>\$ 2,291,496</u>	<u>100.0%</u>	<u>\$ 2,561,967</u>	<u>100.0%</u>	<u>\$ 2,554,404</u>	<u>100.0%</u>

The Centralized Services Division is primarily funded with general fund (78 percent), a variety of resource-based accounts (15.62 percent) such as revenue from timber sales and taxes on oil and gas wells, and federal indirect grant reimbursements (3.3 percent). To obtain funding the department charges overhead rates to other divisions to recover costs. The rate varies depending upon the type and amount of managerial, payroll, contract, and accounts payable services provided to the divisions.

**Present Law Adjustments**

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

	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					200,660					200,852
Vacancy Savings					(77,813)					(77,823)
Inflation/Deflation					(1,857)					(1,679)
Fixed Costs					21,886					(79,410)
<b>Total Statewide Present Law Adjustments</b>					<b>\$142,876</b>					<b>\$41,940</b>
DP 2101 - CSD Operating Adjustment										
0.00	9,231	0	9,231	18,462	0.00	11,856	0	11,855	23,711	
DP 2102 - Phone System Billings Office-OTO - Biennial										
0.00	7,500	7,500	0	15,000	0.00	7,500	7,500	0	15,000	
DP 2110 - Attorney										
1.00	0	37,591	0	37,591	1.00	0	37,507	0	37,507	
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$16,731</b>	<b>\$45,091</b>	<b>\$9,231</b>	<b>\$71,053</b>	<b>1.00</b>	<b>\$19,356</b>	<b>\$45,007</b>	<b>\$11,855</b>	<b>\$76,218</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$213,929</b>					<b>\$118,158</b>

DP 2101 - CSD Operating Adjustment - The legislature approved operating adjustments for increases in rent and janitorial services.

DP 2102 - Phone System Billings Office-OTO - Biennial - The legislature approved funds to replace the phone system at the DNRC Billings Office, due to age and difficulty in finding parts for repairs. This office houses four divisions: Forestry, Trust Lands, Water Resources, and Conservation and Resource Development, as well as the Department of Environmental Quality.

DP 2110 - Attorney - The legislature approved an addition 1.00 FTE for the legal unit. This position would augment the one existing attorney that is assigned to water matters. One half of the funding for this position will come from the water rights fund. The department is responsible for funding the other half from existing resources.

**New Proposals**

Program	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
21	0.00	56,542	0	0	56,542	0.00	144,750	0	0	144,750
<b>Total</b>	<b>0.00</b>	<b>\$56,542</b>	<b>\$0</b>	<b>\$0</b>	<b>\$56,542</b>	<b>0.00</b>	<b>\$144,750</b>	<b>\$0</b>	<b>\$0</b>	<b>\$144,750</b>

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.50	0.00	1.00	21.50	0.00	1.00	21.50	21.50
Personal Services	809,721	221,639	66,037	1,097,397	235,386	117,153	1,162,260	2,259,657
Operating Expenses	295,245	93,963	545,000	934,208	94,638	545,000	934,883	1,869,091
Equipment	38,307	11,693	0	50,000	11,693	0	50,000	100,000
<b>Total Costs</b>	<b>\$1,143,273</b>	<b>\$327,295</b>	<b>\$611,037</b>	<b>\$2,081,605</b>	<b>\$341,717</b>	<b>\$662,153</b>	<b>\$2,147,143</b>	<b>\$4,228,748</b>
State/Other Special	1,036,392	434,176	611,037	2,081,605	448,598	662,153	2,147,143	4,228,748
Federal Special	106,881	(106,881)	0	0	(106,881)	0	0	0
<b>Total Funds</b>	<b>\$1,143,273</b>	<b>\$327,295</b>	<b>\$611,037</b>	<b>\$2,081,605</b>	<b>\$341,717</b>	<b>\$662,153</b>	<b>\$2,147,143</b>	<b>\$4,228,748</b>

**Program Description**

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) 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.

**Program Highlights**

Oil and Gas Conservation Division Major Program Highlights	
◆	The legislature approved \$140,000 over the biennial to promote Montana's oil and gas industry
◆	\$600,000 was appropriated for the continuation of coal bed methane studies
◆	The legislature approved funding for 1.0 FTE to continue the development of public access to oil and gas well data

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table Oil & Gas Conservation D							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,036,392	90.7%	\$ 2,081,605	100.0%	\$ 2,147,143	100.0%
	02432 Oil & Gas Era	1,036,392	90.7%	2,081,605	100.0%	2,147,143	100.0%
03000	Total Federal Special Funds	106,881	9.3%	-	-	-	-
	03356 Oil & Gas Federal	106,881	9.3%	-	-	-	-
<b>Grand Total</b>		<b>\$ 1,143,273</b>	<b>100.0%</b>	<b>\$ 2,081,605</b>	<b>100.0%</b>	<b>\$ 2,147,143</b>	<b>100.0%</b>

The division is funded through taxes levied on oil and gas wells and the class II annual operating fee. By statute (15-36-324, MCA) a percentage of oil production taxes and natural gas taxes are deposited to the account for the board’s use. The board by statute (82-11-131, MCA) can set privilege and license tax up to 3/10 of 1 percent 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 set the fee at \$200. The division also receives federal funding from the Environmental Protection Agency (EPA) for the underground injection control program.

**Present Law Adjustments**

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

	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					225,809					224,419
Vacancy Savings					(41,420)					(41,366)
Inflation/Deflation					(1,984)					(1,977)
Fixed Costs					6,525					6,582
<b>Total Statewide Present Law Adjustments</b>					<b>\$188,930</b>					<b>\$187,658</b>
DP 2206 - O&G Regulatory Program Operating Adjustments	0.00	0	75,156	0	75,156	0.00	0	84,499	0	84,499
DP 2207 - O&G UIC Program Operating Adjustments	0.00	0	63,209	0	63,209	0.00	0	69,560	0	69,560
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$138,365</b>	<b>\$0</b>	<b>\$138,365</b>	<b>0.00</b>	<b>\$0</b>	<b>\$154,059</b>	<b>\$0</b>	<b>\$154,059</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$327,295</b>					<b>\$341,717</b>

DP 2206 - O&G Regulatory Program Operating Adjustments - The legislature approved present law adjustments for personal services exempt salary and related benefit increases, board per diem, and staff overtime. Operating increases include contracted legal, janitorial, and database services, increase rent in non-state owned buildings, and travel and related costs of a new field inspector.

DP 2207 - O&G UIC Program Operating Adjustments - The legislature approved a present law adjustment for personal services to include exempt salary and related benefit increases, board per diem, and staff overtime. Operating increases include contracted legal, janitorial and database services, travel and related costs of a new field inspector, and general operating costs such as phone, rent and supplies.

**New Proposals**

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2201 - Public Access Data System-OTO	22	1.00	0	209,129	0	209,129	1.00	0	209,099	0	209,099
DP 2203 - O&G Energy Education and Outreach-OTO -Biennial	22	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
DP 2204 - O&G North American Prospect Exposition-Biennial	22	0.00	0	7,500	0	7,500	0.00	0	7,500	0	7,500
DP 2205 - Coal Bed Natural Gas Baseline Studies	22	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 6010 - 2007 Biennium Pay Plan - HB 447	22	0.00	0	31,908	0	31,908	0.00	0	83,054	0	83,054
<b>Total</b>	<b>1.00</b>	<b>\$0</b>	<b>\$611,037</b>	<b>\$0</b>	<b>\$611,037</b>	<b>1.00</b>	<b>\$0</b>	<b>\$662,153</b>	<b>\$0</b>	<b>\$662,153</b>	

DP 2201 - Public Access Data System-OTO - The legislature approved state special revenue to expand upon an on-going data project started in the 2005 biennium to acquire and maintain historical oil and gas data, including well logs and field information, and scan the data for web delivery.

DP 2203 - O&G Energy Education and Outreach-OTO -Biennial - The legislature approved a one-time-only biennial appropriation of state special revenue to provide summer oil and gas workshops for teachers, provide curricula materials and field trips to students at all grade levels, and develop a science project competition.

DP 2204 - O&G North American Prospect Exposition-Biennial - The legislature approved an appropriation of state special revenue to sponsor a "Come to Montana" booth at the annual North American Prospect Expedition, a convention of oil and gas company representatives from all over the world.

DP 2205 - Coal Bed Natural Gas Baseline Studies - The legislature approved state special revenue each year to complete baseline studies and investigations to improve the effectiveness of the oil and gas regulatory program in relation to coal bed methane production. Funds will also be used to provide matching funds for Department of Energy research solicitations regarding coal bed methane production.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Language**

The legislature approved the following language for inclusion in HB2:

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

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	21.50	1.00	3.00	25.50	1.00	3.00	25.50	25.50
Personal Services	1,181,422	26,407	187,406	1,395,235	28,455	248,401	1,458,278	2,853,513
Operating Expenses	1,058,250	88,922	418,443	1,565,615	100,953	415,443	1,574,646	3,140,261
Equipment	24,404	0	0	24,404	0	0	24,404	48,808
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	213,373	25,000	250,000	488,373	25,000	250,000	488,373	976,746
Grants	924,622	47,168	150,000	1,121,790	48,263	0	972,885	2,094,675
Benefits & Claims	1,000,000	(1,000,000)	0	0	(1,000,000)	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	77,080	0	0	77,080	0	0	77,080	154,160
<b>Total Costs</b>	<b>\$4,479,151</b>	<b>(\$812,503)</b>	<b>\$1,005,849</b>	<b>\$4,672,497</b>	<b>(\$797,329)</b>	<b>\$913,844</b>	<b>\$4,595,666</b>	<b>\$9,268,163</b>
General Fund	2,316,762	(1,044,798)	27,243	1,299,207	(1,044,080)	69,721	1,342,403	2,641,610
State/Other Special	1,961,828	165,593	978,606	3,106,027	170,899	844,123	2,976,850	6,082,877
Federal Special	200,561	66,702	0	267,263	75,852	0	276,413	543,676
<b>Total Funds</b>	<b>\$4,479,151</b>	<b>(\$812,503)</b>	<b>\$1,005,849</b>	<b>\$4,672,497</b>	<b>(\$797,329)</b>	<b>\$913,844</b>	<b>\$4,595,666</b>	<b>\$9,268,163</b>

**Program Description**

The Conservation and Resource Development Division provides technical, administrative, financial, and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The programs include the state revolving fund, which currently includes \$150 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$45 million, and private loans for \$16.5 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs.

**Program Highlights**

<b>Conservation and Resource Development Division Major Program Highlights</b>
<ul style="list-style-type: none"> <li>◆ The legislature approved funding for 3.00 FTE for rangeland, conservation, and irrigation activities</li> <li>◆ The St. Mary's rehabilitation project was provided 1.00 FTE and operating costs for an engineer</li> <li>◆ An irrigation development program was established with an appropriation of \$150,000 per year</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted. This program is primarily funded with general fund, RIT accounts, and coal severance taxes.

Program Funding		Program Funding Table Conservation/Resource De					
		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 2,316,762	51.7%	\$ 1,299,207	27.8%	\$ 1,342,403	29.2%
	01100 General Fund	2,316,762	51.7%	1,299,207	27.8%	1,342,403	29.2%
02000	Total State Special Funds	1,961,828	43.8%	3,106,027	66.5%	2,976,850	64.8%
	02015 Tsep Regional Water System	360,370	8.0%	540,034	11.6%	542,932	11.8%
	02052 Rangeland Improvement Loans	8,111	0.2%	8,111	0.2%	8,111	0.2%
	02270 Treasure State Endowment	28,000	0.6%	28,000	0.6%	28,000	0.6%
	02272 Renewable Resources Grnt/Loans	315,177	7.0%	295,861	6.3%	302,732	6.6%
	02316 Go94B/Ban 93D Admin	15,095	0.3%	19,550	0.4%	20,400	0.4%
	02340 Coal Sev. Tax Shared Ssr	627,132	14.0%	798,554	17.1%	799,553	17.4%
	02433 Grazing District Fees	40,456	0.9%	43,956	0.9%	43,956	1.0%
	02458 Reclamation & Development	490,407	10.9%	1,044,881	22.4%	904,086	19.7%
	02490 Drinking Water Investment	-	-	250,000	5.4%	250,000	5.4%
	02997 Go 2004A Ww Srf Coi	77,080	1.7%	77,080	1.6%	77,080	1.7%
03000	Total Federal Special Funds	200,561	4.5%	267,263	5.7%	276,413	6.0%
	03178 Res Dev & Cons - Fed	35,650	0.8%	35,650	0.8%	35,650	0.8%
	03245 Wastewater Treatment Grant	74,907	1.7%	95,450	2.0%	99,600	2.2%
	03442 Dw Srf 03	68,841	1.5%	108,000	2.3%	110,000	2.4%
	03687 Drinking Water Srf Ffy02	<u>21,163</u>	<u>0.5%</u>	<u>28,163</u>	<u>0.6%</u>	<u>31,163</u>	<u>0.7%</u>
Grand Total		<u>\$ 4,479,151</u>	<u>100.0%</u>	<u>\$ 4,672,497</u>	<u>100.0%</u>	<u>\$ 4,595,666</u>	<u>100.0%</u>

RIT funding is used to administer the Reclamation Development Grants Program (RDGP) and the Renewable Resources Grant and Loan Program (RRGLP). The RDGP is a state-funded grant program that assists any department, agency, and division of state government, tribal government, board, or commission to indemnify the people of the state for the effects of mineral development on public resources. The RRGLP funds a variety of natural resource projects including groundwater studies, irrigation projects, water and soil conservation, and public wastewater projects primarily through grants administered by the department. Coal severance tax is used to provide grants to conservation districts for natural resource related projects such as streambed stabilization, soil conservation, educational activities, and demonstrations of new technologies.

The Natural Resource Development Bureau utilizes nearly half of the division general fund to administer grant and loan programs, provide assistance to conservation districts for the administration of water reservations, and assist landowners to develop new irrigation. The Conservation District Bureau utilizes just over half of the available general fund to assist Montana conservation and grazing districts. The remaining program funding includes miscellaneous state special revenue, federal drinking water and water pollution control funds, and miscellaneous federal sources used to supplement division activities.

**Present Law Adjustments**

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

Present Law Adjustments	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					27,085					29,321
Vacancy Savings					(48,342)					(48,428)
Inflation/Deflation					(5,234)					(5,152)
Fixed Costs					11,656					11,605
<b>Total Statewide Present Law Adjustments</b>					<b>(\$14,835)</b>					<b>(\$12,654)</b>
DP 2301 - CARDD Regional Water Coordinator	1.00	0	47,664	0	47,664	1.00	0	47,562	0	47,562
DP 2302 - CARDD Operating Adjustment	0.00	2,000	36,000	14,000	52,000	0.00	2,000	36,000	20,000	58,000
DP 2303 - Regional Water Systems	0.00	0	27,000	0	27,000	0.00	0	33,000	0	33,000
DP 2310 - Grazing District Commission-Biennial	0.00	0	3,500	0	3,500	0.00	0	3,500	0	3,500
DP 2313 - Crow Tribe Settlement Adjustment	0.00	(1,000,000)	0	0	(1,000,000)	0.00	(1,000,000)	0	0	(1,000,000)
DP 2314 - Conservation Districts Financial Assistance-BI	0.00	0	47,168	0	47,168	0.00	0	48,263	0	48,263
DP 2325 - Salinity Control	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>(\$998,000)</b>	<b>\$186,332</b>	<b>\$14,000</b>	<b>(\$797,668)</b>	<b>1.00</b>	<b>(\$998,000)</b>	<b>\$193,325</b>	<b>\$20,000</b>	<b>(\$784,675)</b>
<b>Grand Total All Present Law Adjustments</b>					<b>(\$812,503)</b>					<b>(\$797,329)</b>

DP 2301 - CARDD Regional Water Coordinator - The legislature approved 1.0 FTE for a regional water coordinator. This position coordinates the regional water system projects in the State of Montana from the state's perspective, coordinating between DNRC, Department of Environmental Quality, Montana Department of Transportation, and other state and federal agencies.

DP 2302 - CARDD Operating Adjustment - The legislature approved a base adjustment for rent increases in non-state owned buildings in Helena, Billings, and Miles City, and for contract services, travel, and supplies.

DP 2303 - Regional Water Systems - The legislature approved state special revenue for administrative expenses as necessary to continue to secure federal funding, maintain local support, and negotiate needed agreements to work on engineering and environmental planning for the various systems. The federal funding in the total will be in excess of \$400 million. The federal funds received to date are \$5 million.

DP 2310 - Grazing District Commission-Biennial - The legislature approved a base adjustment for the Grazing District Commission. The commission anticipates increased costs for its contract executive director position and operations.

DP 2313 - Crow Tribe Settlement Adjustment - The legislature removed \$1.0 million general fund from the base budget previously utilized to pay for the Crow Tribe settlement. The entire Crow Tribe settlement is proposed to be paid in FY 2005.

DP 2314 - Conservation Districts Financial Assistance-Biennial - The legislature approved a state special revenue biennial appropriation from shared coal severance tax for conservation district grants administrative support. This proposal would increase the department's conservation district administrative grant program the grant program for projects and activities.

DP 2325 - Salinity Control - The legislature approved an increase of state special revenue for the Montana Salinity Control Association. The association has received grant dollars from the department since 1989. This addition will provide increased operating funds to procure equipment, provide hands-on educational programs, and start new watershed projects.

**New Proposals**

New Proposals											
Program	FTE	Fiscal 2006				Fiscal 2007					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2304 - MT Drinking Water Loan Program											
23	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000	
DP 2305 - Central Montana Regional Water Project											
23	0.00	0	105,000	0	105,000	0.00	0	102,000	0	102,000	
DP 2320 - Conservation District Position											
23	1.00	0	70,475	0	70,475	1.00	0	70,382	0	70,382	
DP 2321 - Irrigation Development											
23	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000	
DP 2322 - Missouri River Conservation District Council											
23	0.00	0	80,000	0	80,000	0.00	0	80,000	0	80,000	
DP 2324 - Rangeland Management Position											
23	1.00	0	69,004	0	69,004	1.00	0	68,908	0	68,908	
DP 2327 - St. Mary's Project Engineer											
23	1.00	0	62,121	0	62,121	1.00	0	62,011	0	62,011	
DP 2360 - Conservation Districts Assistance OTO											
23	0.00	0	150,000	0	150,000	0.00	0	0	0	0	
DP 2365 - HB482 - Increased Coal Tax Shared Account											
23	0.00	0	30,250	0	30,250	0.00	0	30,250	0	30,250	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
23	0.00	27,243	11,756	0	38,999	0.00	69,721	30,572	0	100,293	
<b>Total</b>	<b>3.00</b>	<b>\$27,243</b>	<b>\$978,606</b>	<b>\$0</b>	<b>\$1,005,849</b>	<b>3.00</b>	<b>\$69,721</b>	<b>\$844,123</b>	<b>\$0</b>	<b>\$913,844</b>	

DP 2304 - MT Drinking Water Loan Program - The legislature approved an expansion of the State Revolving Fund Drinking Water Program to match the federal program authority for the Safe Drinking Water program. This program provides funds for training, technical assistance, and the issuance of low interest loans to local governmental entities to finance drinking water facilities and implement the Safe Drinking Water Act.

DP 2305 - Central Montana Regional Water Project - The legislature approved authority for the development of the Central Montana Regional Water Project. Funding would cover the administrative expenses associated with maintaining local support and negotiating agreements to work on engineering and environmental planning for the regional water system. This system would facilitate the construction of a regional water system for five small communities in the Musselshell Valley area. The service area includes Fergus, Judith Basin, Wheatland, Golden Valley, Yellowstone, and Musselshell counties and will serve up to 5,000 people.

DP 2320 - Conservation District Position - The legislature approved the restoration of 1.0 FTE that was removed in the 2003 legislative session. This position will work with conservation districts on a variety of projects, provide guidance on program issues, and secure cooperation with other state and federal agencies.

DP 2321 - Irrigation Development - The legislature approved state special revenue to provide grants to develop new irrigation or increase the value of existing agricultural land through improved irrigation. High value crops such as potatoes, sugar beets, and malt barley are targeted in this program.

DP 2322 - Missouri River Conservation District Council - The legislature approved state special revenue to support the work of the Missouri River Development Council. The council consists of 15 districts that have joined together to address natural resource issues along the Missouri River.

DP 2324 - Rangeland Management Position - The legislature approved 1.0 FTE to re-instate the range land management position. The funding for this position was eliminated in the 2003 legislative session.

DP 2327 - St. Mary's Project Engineer - The legislature approved state special revenue to fund 1.0 FTE to provide engineering oversight on the St. Mary's project. This engineer would review and evaluate the engineering work associated with the project as the plan progresses.

DP 2360 - Conservation Districts Assistance OTO - The legislature approved a one-time only appropriation of state special revenue to support the activities of the conservation districts.

DP 2365 - HB482 - Increased Coal Tax Shared Account - The legislature provided an increase in state special revenue for conservation district assistance. This is contingent on the passage of HB 482.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

### **Language**

The legislature approved the following language for inclusion in HB2:

"The department is appropriated up to \$600,000 for the 2007 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.

The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving loan programs and increase state special revenue by a like amount within the special administration account when:

- (1) the federal capitalization funds have been expended; or
- (2) federal funds and bond proceeds are used for other program purposes.

If grazing fees are raised during the 2007 biennium, up to \$20,000 of funds in the grazing district account is appropriated to the grass conservation commission for contingency operations.

During the 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist."

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	109.50	0.00	40.00	149.50	0.00	40.00	149.50	149.50
Personal Services	5,252,169	365,896	1,881,078	7,499,143	370,736	2,206,409	7,829,314	15,328,457
Operating Expenses	1,768,414	703,406	865,234	3,337,054	738,698	486,261	2,993,373	6,330,427
Equipment	5,772	28,500	36,695	70,967	0	0	5,772	76,739
Capital Outlay	75	0	0	75	0	0	75	150
Local Assistance	0	0	0	0	0	0	0	0
Transfers	0	0	600,000	600,000	0	1,000,000	1,000,000	1,600,000
Debt Service	389,042	80,702	0	469,744	80,702	0	469,744	939,488
<b>Total Costs</b>	<b>\$7,415,472</b>	<b>\$1,178,504</b>	<b>\$3,383,007</b>	<b>\$11,976,983</b>	<b>\$1,190,136</b>	<b>\$3,692,670</b>	<b>\$12,298,278</b>	<b>\$24,275,261</b>
General Fund	5,866,304	320,952	1,171,816	7,359,072	327,098	1,440,786	7,634,188	14,993,260
State/Other Special	1,464,378	849,569	2,209,666	4,523,613	854,722	2,247,934	4,567,034	9,090,647
Federal Special	84,790	7,983	1,525	94,298	8,316	3,950	97,056	191,354
<b>Total Funds</b>	<b>\$7,415,472</b>	<b>\$1,178,504</b>	<b>\$3,383,007</b>	<b>\$11,976,983</b>	<b>\$1,190,136</b>	<b>\$3,692,670</b>	<b>\$12,298,278</b>	<b>\$24,275,261</b>

**Program Description**

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. It manages and maintains the state-owned dams, reservoirs, and canals. The division also develops and recommends in-state, interstate, and international 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.

**Program Highlights**

<b>Water Resources Division Major Program Highlights</b>
<ul style="list-style-type: none"> <li>◆ With the passage of HB 22, the legislature appropriated \$1.9 million per year of water adjudication fees to expedite the adjudication process</li> <li>◆ The legislature approved \$2.0 million in general fund to improve the water rights data base and expedite the adjudication process</li> <li>◆ Routine repairs of state owned water projects were appropriated \$746,000 over the biennium</li> <li>◆ Emergency repairs will be funded through the budget amendment process</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Water Resources Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 5,866,304	79.1%	\$ 7,359,072	61.4%	\$ 7,634,188	62.1%
	01100 General Fund	5,866,304	79.1%	7,359,072	61.4%	7,634,188	62.1%
02000	Total State Special Funds	1,464,378	19.7%	4,523,613	37.8%	4,567,034	37.1%
	02104 Miscellaneous State Spec Rev	227,504	3.1%	308,206	2.6%	308,206	2.5%
	02145 Broadwater O & M	302,915	4.1%	355,503	3.0%	365,829	3.0%
	02147 Broadwater R & R	-	-	325,000	2.7%	325,000	2.6%
	02177 Cst 90 A Fisheries Mitigation	-	-	27,000	0.2%	27,000	0.2%
	02216 Water Storage St Sp Rev Acct	-	-	272,300	2.3%	272,300	2.2%
	02272 Renewable Resources Grnt/Loans	16,868	0.2%	20,501	0.2%	20,501	0.2%
	02351 Water Project Lands Lease Acct	8,642	0.1%	8,553	0.1%	8,557	0.1%
	02409 General License	15,658	0.2%	75,304	0.6%	77,933	0.6%
	02430 Water Right Appropriation	519,852	7.0%	685,459	5.7%	707,003	5.7%
	02431 Water Adjudication	-	-	1,991,600	16.6%	1,991,600	16.2%
	02458 Reclamation & Development	145,720	2.0%	111,085	0.9%	118,219	1.0%
	02470 State Project Hydro Earnings	161,538	2.2%	261,038	2.2%	261,038	2.1%
	02825 Water Well Contractors	65,681	0.9%	82,064	0.7%	83,848	0.7%
03000	Total Federal Special Funds	84,790	1.1%	94,298	0.8%	97,056	0.8%
	03034 Yellowstone Groundwater Nps	22,999	0.3%	22,999	0.2%	22,999	0.2%
	03094 Fema Federal Grants	61,554	0.8%	71,299	0.6%	74,057	0.6%
	03308 Water Resources - Federal	237	0.0%	-	-	-	-
Grand Total		<u>\$ 7,415,472</u>	<u>100.0%</u>	<u>\$ 11,976,983</u>	<u>100.0%</u>	<u>\$ 12,298,278</u>	<u>100.0%</u>

The Water Resource Division is predominantly funded with general fund (62.1 percent), state special revenue (37.1 percent), and a minor amount of federal revenue. Sources and purpose of state special revenue include:

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

Federal funds are from Federal Emergency Management Agency (FEMA) grants and the Bureau of Reclamation.

**Present Law Adjustments**

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

	-----Fiscal 2006-----				-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					599,143					604,190
Vacancy Savings					(234,047)					(234,254)
Inflation/Deflation					(18,472)					(17,855)
Fixed Costs					24,638					38,790
<b>Total Statewide Present Law Adjustments</b>					<b>\$371,262</b>					<b>\$390,871</b>
DP 2402 - Water Resources Operating Adjustments	0.00	78,531	91,485	0	170,016	0.00	66,541	90,498	0	157,039
DP 2403 - Rehab of N. Fork of Smith Dam and Nilan N. Dam OTO	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 2404 - Broadwater Power Project-FERC Fisheries Mitigation	0.00	0	43,000	0	43,000	0.00	0	43,000	0	43,000
DP 2405 - Water Projects Pre-construction Engineering OTO	0.00	0	206,800	0	206,800	0.00	0	206,800	0	206,800
DP 2406 - Water Well Litigation & PerDiem-RST-OTO	0.00	0	16,800	0	16,800	0.00	0	16,800	0	16,800
DP 2407 - FBC Operating Budget	0.00	0	(119,374)	0	(119,374)	0.00	0	(114,374)	0	(114,374)
DP 2411 - Broadwater Bridge Rebuild - Biennial OTO RST	0.00	0	325,000	0	325,000	0.00	0	325,000	0	325,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$78,531</b>	<b>\$728,711</b>	<b>\$0</b>	<b>\$807,242</b>	<b>0.00</b>	<b>\$66,541</b>	<b>\$732,724</b>	<b>\$0</b>	<b>\$799,265</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$1,178,504</b>					<b>\$1,190,136</b>

DP 2402 - Water Resources Operating Adjustments - The legislature approved general fund and state special revenue for the 2007 biennium for operating adjustments such as rent, utilities, contracted services, and leased vehicles through the state motor pool.

DP 2403 - Rehabilitation of N. Fork of Smith Dam and Nilan N. Dam OTO - The legislature approved a one-time only, restricted, biennial state special revenue appropriation for rehabilitation projects on the North Fork of Smith Dam and Nilan North Dam.

DP 2404 - Broadwater Power Project-FERC Fisheries Mitigation - The legislature approved a biennial appropriation of state special revenue to fund fisheries mitigation work required by the Federal Energy Regulatory Commission (FERC). Funds will be used to contract with the Department of Fish, Wildlife and Parks (DFWP) to perform annual fish population studies and evaluation of completed habitat improvement projects to mitigate impacts from the construction of the Broadwater Hydropower Plant.

DP 2405 - Water Projects Pre-construction Engineering OTO - The legislature approved a one-time-only, biennial appropriation of state special revenue for land surveying services and pre-construction engineering on two projects in need of major rehabilitation. Funds will be used to contract with private engineering firms to complete the pre-construction engineering on the Ruby Dam and the Painted Rock Dam. The engineering would establish the basis for funding and carrying out the actual rehabilitation construction stage.

DP 2406 - Water Well Litigation & PerDiem-RST-OTO - The legislature approved state special revenue for increased contracted legal and other litigation costs of the Board of Water Well Contractors. Bond revenues from contractors are not available prior to incurring these costs. The balance of the appropriation is for increased travel and per diem costs for the non-government representatives of the board.

DP 2407 - FBC Operating Budget - The legislature approved a reduction in the base budget to reflect operational changes. The Flathead Basin Commission (FBC) is charged to protect the natural resources and environment of the Flathead Basin.

DP 2411 - Broadwater Bridge Rebuild - Biennial OTO Restricted - The legislature approved a one-time-only, biennial appropriation of state special revenue to replace the Broadwater spillway bridge structure. Replacement of the existing spillway bridge structure is necessary to address public and worker safety, provide access for maintenance equipment, and comply with current engineering design criteria and building codes.

**New Proposals**

Program	-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2408 - Water Right Records Optical Imaging-OTO	24	0.00	0	108,551	0	108,551	0.00	0	89,556	0	89,556
DP 2409 - Water Adjudication Funding OTO	24	0.00	600,000	0	0	600,000	0.00	1,000,000	0	0	1,000,000
DP 2412 - Clark Fork Task Force	24	0.00	0	12,500	0	12,500	0.00	0	12,500	0	12,500
DP 2413 - Water Adjudication Database OTO	24	0.00	400,000	0	0	400,000	0.00	0	0	0	0
DP 2414 - St. Mary's Hydrologist	24	1.00	0	61,257	0	61,257	1.00	0	61,147	0	61,147
DP 2415 - Water Adjudication - HB 22	24	39.00	0	1,991,600	0	1,991,600	39.00	0	1,991,600	0	1,991,600
DP 6010 - 2007 Biennium Pay Plan - HB 447	24	0.00	171,816	35,758	1,525	209,099	0.00	440,786	93,131	3,950	537,867
<b>Total</b>	<b>40.00</b>	<b>\$1,171,816</b>	<b>\$2,209,666</b>	<b>\$1,525</b>	<b>\$3,383,007</b>	<b>40.00</b>	<b>\$1,440,786</b>	<b>\$2,247,934</b>	<b>\$3,950</b>	<b>\$3,692,670</b>	

DP 2408 - Water Right Records Optical Imaging-OTO - The legislature approved state special revenue to replace the microfilm system with an optical imaging system to capture water right information consisting of 350,000 plus files and over six million images. This system will transfer the information from a read only microfilm system to internet accessible files linked with the water rights database.

DP 2409 - Water Adjudication Funding OTO - The legislature approved general fund each year of the biennium to expedite the water rights adjudication process. The funds will be transferred to the water adjudication account.

DP 2412 - Clark Fork Task Force - The legislature approved \$12,500 per year of recreation and development funding for support of the task force. The task force provides monitoring and assistance in the development of the state water plan.

DP 2413 - Water Adjudication Database OTO - The legislature approved a general fund one-time-only restricted appropriation to implement database upgrades to expedite the water adjudication process.

DP 2414 - St. Mary's Hydrologist - The legislature approved 1.00 FTE for a hydrologist to assist the state's effort in the Milk River Basin rehabilitation of the aging St. Mary's facilities.

DP 2415 - Water Adjudication - HB 22 - The legislature approved a biennial appropriation of state special revenue generated fees from implementation of HB 22. This funding will be used to examine 57,000 water right claims by June 30, 2015 and issue a preliminary or temporary preliminary decrees on all basins by June 30, 2020. Funding includes 33.5 FTE for claims examination, 2.00 FTE for geographic information specialists, and 3.5 FTE for administrative assistants.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Language**

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However his authority to do so is questioned and may be challenged through legal action.

*The department shall present a written report to the environmental quality council at each meeting during the 2007 biennium on the status of the water right database project and the water adjudication process. The report must include the number and types of adjudications that have been completed on a monthly basis.*

During the 2007 biennium, up to \$70,000 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 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist."

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	530,733	27,891	15,187	573,811	27,705	38,523	596,961	1,170,772
Operating Expenses	133,717	(2,004)	97,500	229,213	(734)	97,500	230,483	459,696
<b>Total Costs</b>	<b>\$664,450</b>	<b>\$25,887</b>	<b>\$112,687</b>	<b>\$803,024</b>	<b>\$26,971</b>	<b>\$136,023</b>	<b>\$827,444</b>	<b>\$1,630,468</b>
General Fund	664,450	25,887	112,687	803,024	26,971	136,023	827,444	1,630,468
<b>Total Funds</b>	<b>\$664,450</b>	<b>\$25,887</b>	<b>\$112,687</b>	<b>\$803,024</b>	<b>\$26,971</b>	<b>\$136,023</b>	<b>\$827,444</b>	<b>\$1,630,468</b>

**Program Description**

The Montana Reserved Water Rights Compact Commission was created by the Legislature in 1979 as part of the statewide 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 the Indian tribes and federal agencies, which claim federal reserved water rights within the state, to establish a formal agreement (compact) on the amount of water to be allocated to each interest. Legal, technical, and administrative staff supports the commission.

**Program Highlights**

<b>Reserved Water Rights Compact Commission Major Program Highlights</b>
<ul style="list-style-type: none"> <li>◆ Present law adjustments were approved</li> <li>◆ One-time only contract services were approved to assist the commission to meet the termination date</li> </ul>

**Funding**

The commission is funded exclusively with general fund.

**Present Law Adjustments**

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

Present Law Adjustments	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					46,134					45,940
Vacancy Savings					(23,073)					(23,065)
Inflation/Deflation					(231)					(181)
Fixed Costs					(4,343)					(4,352)
<b>Total Statewide Present Law Adjustments</b>					<b>\$18,487</b>					<b>\$18,342</b>
DP 2501 - Reserved Water Rights Compact Commission Operating	0.00	7,400	0	0	7,400	0.00	8,629	0	0	8,629
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,400</b>	<b>0.00</b>	<b>\$8,629</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,629</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$25,887</b>					<b>\$26,971</b>

DP 2501 - Reserved Water Rights Compact Commission Operating - The legislature approved a present law adjustment to annualize the increase in rent and janitorial services. The adjustment also restores travel and per diem for the nine commission members.

**New Proposals**

New Proposals	-----Fiscal 2006-----					-----Fiscal 2007-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2502 - RWCC - Contracted Services - Biennial OTO	25	0.00	97,500	0	0	97,500	0.00	97,500	0	0	97,500
DP 6010 - 2007 Biennium Pay Plan - HB 447	25	0.00	15,187	0	0	15,187	0.00	38,523	0	0	38,523
<b>Total</b>	<b>0.00</b>	<b>\$112,687</b>	<b>\$0</b>	<b>\$0</b>	<b>\$112,687</b>	<b>0.00</b>	<b>\$136,023</b>	<b>\$0</b>	<b>\$0</b>	<b>\$136,023</b>	

DP 2502 - RWCC - Contracted Services - Biennial OTO - The legislature approved one-time-only biennial funding for contracted services of a biologist and an engineer. These activities are related to negotiations with tribal governments and the U.S. Forest Service.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	288.74	2.00	7.79	298.53	2.00	7.79	298.53	298.53
Personal Services	12,018,161	1,445,744	701,550	14,165,455	1,462,586	1,361,261	14,842,008	29,007,463
Operating Expenses	6,015,214	382,605	89,179	6,486,998	417,422	89,162	6,521,798	13,008,796
Equipment	599,324	16,000	380,872	996,196	0	381,000	980,324	1,976,520
Capital Outlay	0	0	0	0	0	0	0	0
Grants	37,243	0	0	37,243	0	0	37,243	74,486
Transfers	398,339	353,117	257,965	1,009,421	154,762	257,965	811,066	1,820,487
Debt Service	17,646	0	0	17,646	0	0	17,646	35,292
<b>Total Costs</b>	<b>\$19,085,927</b>	<b>\$2,197,466</b>	<b>\$1,429,566</b>	<b>\$22,712,959</b>	<b>\$2,034,770</b>	<b>\$2,089,388</b>	<b>\$23,210,085</b>	<b>\$45,923,044</b>
General Fund	6,158,738	815,529	1,192,805	8,167,072	633,845	1,494,226	8,286,809	16,453,881
State/Other Special	11,625,982	1,138,313	211,389	12,975,684	1,155,462	532,599	13,314,043	26,289,727
Federal Special	1,301,207	243,624	25,372	1,570,203	245,463	62,563	1,609,233	3,179,436
<b>Total Funds</b>	<b>\$19,085,927</b>	<b>\$2,197,466</b>	<b>\$1,429,566</b>	<b>\$22,712,959</b>	<b>\$2,034,770</b>	<b>\$2,089,388</b>	<b>\$23,210,085</b>	<b>\$45,923,044</b>

**Program Description**

*Forestry*

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

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

*Trust Land Management*

The Trust Land Management Division is responsible for managing Montana's trust land resources to provide revenues for the trust beneficiaries while considering environmental factors and protecting future income generating capacity of the land. The division provides this through four primary programs: forest management, agriculture and grazing management, special use management and minerals management.

**Program Highlights**

<b>Trust Lands/Forestry Division Major Program Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Trust land management received appropriations for:                             <ul style="list-style-type: none"> <li>◆ Continuation of commercial leasing and land banking activities</li> <li>◆ 2.00 FTE to assist with increased timber harvests</li> </ul> </li> <li>◆ Forestry received appropriations for:                             <ul style="list-style-type: none"> <li>◆ \$2.0 million for increased initial attack activities</li> <li>◆ Fire pay exception for seasonal fire fighters to maintain competitiveness</li> </ul> </li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 6,158,738	32.3%	\$ 8,167,072	36.0%	\$ 8,286,809	35.7%
	01100 General Fund	6,158,738	32.3%	8,167,072	36.0%	8,286,809	35.7%
02000	Total State Special Funds	11,625,982	60.9%	12,975,684	57.1%	13,314,043	57.4%
	02031 Forest Resources - Nursery	372,726	2.0%	458,520	2.0%	487,672	2.1%
	02039 Forestry-Fire Protection Taxes	2,335,114	12.2%	2,614,847	11.5%	2,616,783	11.3%
	02073 Forestry - Slash Disposal	106,269	0.6%	142,360	0.6%	147,772	0.6%
	02241 Dsl Recreational Use Account	70,273	0.4%	89,859	0.4%	92,465	0.4%
	02280 Forest Resources-Timber Sales	3,021,755	15.8%	3,363,429	14.8%	3,488,553	15.0%
	02324 State Land Bank	-	-	153,000	0.7%	153,000	0.7%
	02449 Forest Resources-Forest Improv	1,551,189	8.1%	1,581,953	7.0%	1,599,821	6.9%
	02450 State Lands Res Dev	496,124	2.6%	507,503	2.2%	525,769	2.3%
	02681 Historic Right-Of-Way Acct	5,000	0.0%	5,000	0.0%	5,000	0.0%
	02836 Commercial Leases - Tlmd	-	-	30,000	0.1%	32,000	0.1%
	02938 Tlmd - Administration	3,667,532	19.2%	4,029,213	17.7%	4,165,208	17.9%
03000	Total Federal Special Funds	1,301,207	6.8%	1,570,203	6.9%	1,609,233	6.9%
	03068 Forest Resources-Fire	759,071	4.0%	997,282	4.4%	1,017,917	4.4%
	03069 Forest Resources - Pfa	<u>542,136</u>	<u>2.8%</u>	<u>572,921</u>	<u>2.5%</u>	<u>591,316</u>	<u>2.5%</u>
Grand Total		<u>\$ 19,085,927</u>	<u>100.0%</u>	<u>\$ 22,712,959</u>	<u>100.0%</u>	<u>\$ 23,210,085</u>	<u>100.0%</u>

The Forestry Division is supported with a mix of general fund, state special revenue, and federal funding. General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

State special revenue from the sale of nursery stock and forest improvement fees is used to support the nursery. The land board approves the variable forest improvement fee when timber sales are approved based upon the state’s projected costs of slash disposal, road maintenance, and reforestation. Fees consist of \$25 for each slash hazard reduction agreement, and \$.06 per thousand board feet sold, plus any forfeited fire hazard reduction bonds.

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

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

**Present Law Adjustments**

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

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,720,709					1,738,420
Vacancy Savings					(549,553)					(550,264)
Inflation/Deflation					(41,825)					(41,089)
Fixed Costs					87,857					118,728
<b>Total Statewide Present Law Adjustments</b>					<b>\$1,217,188</b>					<b>\$1,265,795</b>
DP 3502 - Fire Seasonal Pay Exception	0.00	0	66,000	134,000	200,000	0.00	0	66,000	134,000	200,000
DP 3503 - Forestry Operating Adjustment	0.00	106,657	109,813	30,673	247,143	0.00	107,743	118,951	30,668	257,362
DP 3506 - Build additional UH-1 Helicopter-OTO	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 3521 - Trust Land Management Operating Adjustment	0.00	0	11,544	0	11,544	0.00	0	14,183	0	14,183
DP 3522 - Trust Lands Recreational Use	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 3523 - Trust Land Commercial Leasing	0.00	0	30,000	0	30,000	0.00	0	32,000	0	32,000
DP 3524 - Trust Land Banking	0.00	0	153,000	0	153,000	0.00	0	153,000	0	153,000
DP 3525 - Trust Land Road Maintenance	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 3526 - Trust Land Replacement Equipment-OTO	0.00	0	16,000	0	16,000	0.00	0	0	0	0
DP 3527 - Forest Management Sustained Yield FTE	2.00	0	74,588	0	74,588	2.00	0	74,430	0	74,430
<b>Total Other Present Law Adjustments</b>	<b>2.00</b>	<b>\$306,657</b>	<b>\$508,945</b>	<b>\$164,673</b>	<b>\$980,275</b>	<b>2.00</b>	<b>\$107,743</b>	<b>\$506,564</b>	<b>\$164,668</b>	<b>\$778,975</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$2,197,463</b>					<b>\$2,044,770</b>

DP 3502 - Fire Seasonal Pay Exception - The legislature approved a pay exception for DNRC seasonal fire fighters. This will grant the department the ability to offer a pay exception for seasonal firefighters to make a pay matrix similar to that of surrounding states with similar programs.

DP 3503 - Forestry Operating Adjustment - The legislature approved operations adjustments for rent and aircraft insurance for the department's Fire and Aviation Management program, maintenance and training needs associated with federal assist fires, increased operating costs within the nursery, for increased slash inspections associated with increased logging activity on state and private land funded through slash disposal fees, and for rent increases of state offices located outside of the Capitol Complex.

DP 3506 - Build additional UH-1 Helicopter-OTO - The legislature approved one-time-only general fund to build an additional UH-1 helicopter to increase the fire fighting capabilities of the state helicopter fleet.

DP 3521 - Trust Land Management Operating Adjustment - The legislature approved an operations adjustment for increased rent costs for non-state owned buildings in the Helena, Billings, and Miles City offices.

DP 3522 - Trust Lands Recreational Use - The legislature approved additional state special revenue authority for weed management and road maintenance. Revenues from recreational use fees will provide the funding.

DP 3523 - Trust Land Commercial Leasing - The legislature approved state special revenue for the future commercial and industrial development of state trust lands to increase revenue to the trust beneficiaries.

DP 3524 - Trust Land Banking - The legislature approved state special revenue to support the land bank program. Land banking provides the department the ability to sell and purchase parcels of state land to increase revenue generating capacity, divest trust holdings, reduce the number of isolated land parcels, increase efficiency in state land management, and protect the corpus of the trust.

DP 3525 - Trust Land Road Maintenance - The legislature approved state special revenue each year of the biennium in the forest improvement program to pay for increases in road maintenance and road use in the northwestern and southwestern land offices.

DP 3526 - Trust Land Replacement Equipment-OTO - The legislature approved one-time-only spending authority in FY 2006 for the replacement of the phone system at the Stillwater unit of the northwestern land office due to performance and service factors.

DP 3527 - Forest Management Sustained Yield FTE - The legislature approved funding to support 2.00 FTE to meet the workload of the increased annual sustainable yield on forested state lands. The 2003 legislature directed the department to conduct a sustained yield study, and the results of that study increased the annual sustainable yield for timber harvest on school trust land from 42 million board feet per year to 53 million board feet per year.

**New Proposals**

Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 3504 - Interagency Fire Support	35	0.00	21,108	11,609	2,463	35,180	0.00	21,108	11,609	2,463	35,180
DP 3510 - Aviation Support	35	0.00	257,965	0	0	257,965	0.00	257,965	0	0	257,965
DP 3511 - County Co-op Support	35	4.00	587,280	0	0	587,280	4.00	587,174	0	0	587,174
DP 3512 - Increased Helitack Capacity	35	3.79	136,967	0	0	136,967	3.79	136,911	0	0	136,911
DP 6010 - 2007 Biennium Pay Plan - HB 447	35	0.00	189,485	199,780	22,909	412,174	0.00	491,068	520,990	60,100	1,072,158
<b>Total</b>	<b>7.79</b>	<b>\$1,192,805</b>	<b>\$211,389</b>	<b>\$25,372</b>	<b>\$1,429,566</b>	<b>7.79</b>	<b>\$1,494,226</b>	<b>\$532,599</b>	<b>\$62,563</b>	<b>\$2,089,388</b>	

DP 3504 - Interagency Fire Support - The legislature approved funding to support interagency fire costs related to contract fire protection within the Flathead reservation and participation in the Northern Rockies Coordinating Group (NRCC) of which DNRC is a partner.

DP 3510 - Aviation Support - The legislature approved general fund for 5.11 FTE for the aviation program, 2.11 FTE to adequately staff the five division helicopters and 3.0 FTE to provide aviation mechanics for the nine department aircraft. This general fund will be transferred to the air operations proprietary fund.

DP 3511 - County Co-op Support - The legislature approved general fund for 4.00 FTE for rural fire coordination and mechanic support to engines and additional capital dollars to develop 15 type six engines. The FTE would restore reductions made in the 2002 special session and the additional capital would address the aging engines in the field.

DP 3512 - Increased Helitack Capacity - The legislature approved general fund for 3.79 FTE to provide full helitack crews for Helena, Kalispell, and Missoula direct protection land offices. These FTE translate into 3 permanent and 17 seasonal staff and related operating expenses.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

### **Language**

The legislature approved the following language for inclusion in HB2:

“The department shall establish a proprietary account for the operations of the state nursery program.”

### **Proprietary 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 four 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 the department, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is deposited to the proprietary account.

### **Proprietary Revenues and Expenses**

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

In FY 2004, non-typical expenditures of \$266,000 were incurred in the building of a new helicopter. A budget amendment was approved to provide \$150,000 in Jobs and Growth Tax Reconciliation and Relief Act funds to offset this expenditure. The balance (\$116,000) was covered with funds from the proprietary account.

### **Proprietary Rate Explanation**

The reimbursement rates for the operation of the department aircraft are based on the time life of 5000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5000 hours, all parts will have been replaced and a new maintenance / operation cycle started. The customer base is very specific and is made up of department land managers and the U.S. Forest service. The aviation section provides aircraft for fire operations. The aviation section uses this reimbursement rate strictly to maintain the aircraft in flyable condition. The department maintains a high fund balance due to the high price of aircraft parts.

In addition, the FAA and the manufacturer can issue service and technical bulletins that mandate compliance to continue operation of that aircraft. The customer is billed at the fixed rate based on the amount of hours and tenths of hours flown. All costs are direct and fixed with no indirect costs associated with the rates.

The legislature approved the continuation of the 2005 biennium rates through the 2007 biennium.

Actual rates

Bell UH-1H	\$875.00 per hour
Bell Jet Ranger	\$355.00 per hour
Cessna 180 series	\$ 95.00 per hour