

Agency Legislative Budget

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

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	362.79	7.00	6.50	376.29	7.00	6.50	376.29	376.29
Personal Services	17,573,187	3,385,908	364,956	21,324,051	3,453,985	365,268	21,392,440	42,716,491
Operating Expenses	21,927,137	8,748,032	772,451	31,447,620	8,599,341	252,948	30,779,426	62,227,046
Equipment	122,112	50,005	250,000	422,117	50,005	0	172,117	594,234
Grants	1,637,948	357,000	0	1,994,948	385,000	0	2,022,948	4,017,896
Benefits & Claims	0	750,000	0	750,000	750,000	0	750,000	1,500,000
Debt Service	1,807	0	0	1,807	0	0	1,807	3,614
Total Costs	\$41,262,191	\$13,290,945	\$1,387,407	\$55,940,543	\$13,238,331	\$618,216	\$55,118,738	\$111,059,281
General Fund	3,780,841	2,991,025	823,927	7,595,793	2,794,081	73,982	6,648,904	14,244,697
State/Other Special	17,501,602	4,813,671	313,095	22,628,368	4,841,674	306,107	22,649,383	45,277,751
Federal Special	19,979,748	5,486,249	250,385	25,716,382	5,602,576	238,127	25,820,451	51,536,833
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$41,262,191	\$13,290,945	\$1,387,407	\$55,940,543	\$13,238,331	\$618,216	\$55,118,738	\$111,059,281

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Legislative Budget Analysis, C-63

Executive Budget Comparison

The following table compares the proposed budget for the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	362.79	382.29	376.29	(6.00)	382.29	376.29	(6.00)	
Personal Services	17,573,187	21,676,391	21,324,051	(352,340)	21,745,071	21,392,440	(352,631)	(704,971)
Operating Expenses	21,927,137	34,248,142	31,447,620	(2,800,522)	33,582,839	30,779,426	(2,803,413)	(5,603,935)
Equipment	122,112	422,117	422,117	0	172,117	172,117	0	0
Grants	1,637,948	1,994,948	1,994,948	0	2,022,948	2,022,948	0	0
Benefits & Claims	0	2,050,000	750,000	(1,300,000)	2,050,000	750,000	(1,300,000)	(2,600,000)
Debt Service	1,807	1,807	1,807	0	1,807	1,807	0	0
Total Costs	\$41,262,191	\$60,393,405	\$55,940,543	(\$4,452,862)	\$59,574,782	\$55,118,738	(\$4,456,044)	(\$8,908,906)
General Fund	3,780,841	7,812,902	7,595,793	(217,109)	6,870,284	6,648,904	(221,380)	(438,489)
State/Other Special	17,501,602	26,821,248	22,628,368	(4,192,880)	26,842,589	22,649,383	(4,193,206)	(8,386,086)
Federal Special	19,979,748	25,759,255	25,716,382	(42,873)	25,861,909	25,820,451	(41,458)	(84,331)
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$41,262,191	\$60,393,405	\$55,940,543	(\$4,452,862)	\$59,574,782	\$55,118,738	(\$4,456,044)	(\$8,908,906)

The biennial budget contained in this bill is \$8.9 million lower than the executive request.

General fund reductions relate to database management and energy planning functions not approved by the legislature.

The reduction to state special revenue includes \$5.4 million in Superfund bonding proceeds withdrawn by the executive. The remaining \$2.9 million is the result of reduction of the orphan share program, removal of air on-line compliance activities, and non approval of funds to relocate the air resource bureau.

Federal special revenue reductions include match for activities of the public water supply program.

The executive budget requested 19.50 new FTE, while this bill includes authority for 13.5 additional FTE. The FTE not included in the bill were 2.00 FTE for the business process improvement initiative, 2.00 FTE for energy planning functions, and an FTE for the state energy building program as well as the public water supply program.

Agency Highlights

Department of Environmental Quality Major Budget Highlights
<ul style="list-style-type: none"> ◆ 13.5 FTE are included to address an array of permitting issues, enforcement activities, major facility siting, methamphetamine lab cleanup, and the wetlands program ◆ Increases to base operations include: <ul style="list-style-type: none"> • Adjustments to account for open positions and delays in federal funding • Remediation activities of \$750,000 per year • \$5.1 million in hard rock bond forfeitures and \$0.9 million in major facility siting activities ◆ \$6.3 million in one-time only funding is included to provide for: ◆ Project management to improve the efficiency of internal systems to improve cash flow ◆ Accelerated remediation activities in the upper Blackfoot mining complex ◆ Orphan share funding for CMC asbestos ◆ Temporary assistance in the air quality program ◆ Contracted services to develop waste water training and guidance materials ◆ Equipment for biofuels testing

Agency Discussion

Resource Indemnity Trust (RIT)

Several accounts receive a portion of their revenues from the resource indemnity trust (RIT) interest or tax. Over time the funds have been utilized to increase support to natural resource activities in lieu of accessing general fund. The current revenue streams are not sufficient to maintain a positive ending fund balance in each RIT related fund. Three funds end in a negative position, two of which are utilized by the department.

The department utilizes a number of resource indemnity related funds for planning, enforcement, remediation and permitting activities. Of these funds, the hazardous waste fund is over appropriated by \$976,733 due to the funding of activities that are not provided for in statute. In addition, the reclamation and development fund is \$342,267 over appropriated.

Figure 1 provides the ending fund balances for the RIT funds. This includes actions contained in this bill and the recommendations of the long range planning subcommittee. It does not include any affects of HB 116.

Resource Indemnity Funding									
Related Funds	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02162 EQPF	02216 Wa Sto	02272 Ren Res	02289 GRW	02458 Rec Dev	02472 Orphan Share
Beginning FY2007 Fund Balance	\$219,561	\$1,032,311	\$89,346	\$419,457	\$716,170	\$1,950,372	\$0	\$4,293,817	\$8,752,332
RIT Interest	\$47,000	\$500,000	\$287,300	\$1,363,265		\$2,000,000	\$300,000	\$1,500,000	
RIT Additional Interest						240,000		386,750	
RIT Other						331,500			
Excess coal tax proceeds from debt service and interest						50,000			
STIP						5,000			
RIGWA							366,000	401,000	401,150
Metal Mines Tax								1,111,000	
Oil and Gas Tax								2,819,890	2,819,890
FY 2007 Total Revenues & Fund Balance	\$266,561	\$1,532,311	\$376,646	\$1,782,722	\$716,170	\$4,576,872	\$666,000	\$10,512,457	\$11,973,372
FY 2007 Appropriations	(193,099)		(620,221)	(1,119,630)	(374,079)	(5,740,819)	(666,000)	(7,497,451)	(4,097,366)
GF Transfer						600,000			
Reserved for Capital Appropriations	-	(1,532,311)							
Grant Reversion							20,000	300,000	
Projected Fund Balance Ending FY 2007	\$73,462	\$0	(\$243,575)	\$663,092	\$342,091	(\$543,947)	\$0	\$3,315,006	\$7,876,006
RIT Interest - Direct	50,000	1,000,000	389,740	134,910	500,000	4,929,700	600,000	3,524,650	
RIGWA							732,000	476,601	476,602
Excess coal tax proceeds from debt service and interest						250,000			
Short Term Investment Pool - Interest						5,000			
Admin Fees						25,000			
Metal Mines Tax								2,270,000	
Oil and Gas Tax								6,621,719	6,621,719
Agency Generated Revenues	40,000		18,000	1,512,000	430,000				
Transfers						4,800,000		(4,300,000)	(2,400,000)
Projected Fund Balance - Biennium Beginning FY 2008	\$163,462	\$1,000,000	\$164,165	\$2,310,002	\$1,272,091	\$9,465,753	\$1,332,000	\$11,907,976	\$12,574,327
Appropriations for 2009 Biennium									
House Bills 6 and 7 Grants - LRP Committee						6,400,000		5,296,500	
MSU-Northern (Statutory)						480,000			
UM-Bureau of Mines							1,332,000		
DNRC - Centralized Services						54,577		288,705	
DNRC - Conservation and Resource Devel. Division						1,549,564		1,975,123	
DNRC-Water Resources Division					625,000	24,130		173,051	
DNRC-Flathead Basin Commission						13,682		172,709	
DNRC - Board of Oil & Gas	0								
DNRC - Forestry/Trust Lands						200,000			1,000,000
DEQ-Central Management			0					94,416	
DEQ-Planning, Prevention & Assistance			245,927						
DEQ-Enforcement								8,571	
DEQ-Remediation			58,050	1,495,853					1,535,026
DEQ-Permitting & Compliance			792,953					3,327,318	
FWP - HB 5 - LRP Committee		1,000,000							
Judiciary-Water Court						1,775,445			
Library Commission-State Library Operations/NRIS								782,872	
HB 13 Pay Plan - Estimate			43,968	55,155		98,810		130,978	1,571
Total Appropriations	0	1,000,000	1,140,898	1,551,008	625,000	10,596,208	1,332,000	12,250,243	2,536,597
Ending Fund Balance	\$163,462	\$0	(\$976,733)	\$758,994	\$647,091	(\$1,130,455)	\$0	(\$342,267)	\$10,037,730

Funding

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

Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
10 Central Management Program	\$ 2,527,425	\$ 2,650,810	\$ 1,116,141	\$ 6,294,376	5.67%
20 Plan.Prevent. & Assist.Div.	6,029,199	2,340,813	18,133,714	26,503,726	23.86%
30 Enforcement Division	1,018,731	699,866	628,548	2,347,145	2.11%
40 Remediation Division	2,000,000	6,351,165	17,872,336	26,223,501	23.61%
50 Permitting & Compliance Div.	2,669,342	31,889,637	13,786,094	48,345,073	43.53%
90 Petro Tank Release Comp. Board	-	1,345,460	-	1,345,460	1.21%
Grand Total	\$ 14,244,697	\$ 45,277,751	\$ 51,536,833	\$ 111,059,281	100.00%

The department's largest source of funding at 53 percent is state special revenue. This revenue is derived from permitting fees, fines, and bonds proceeds and is utilized to support specific department functions such as permitting, enforcement and remediation. The federal revenue is provided from the US Environmental Protection Agency (EPA) performance partnership grant, the Superfund Program, and other federal grant resources. The partnership grant is a block grant to the state to provide funding the EPA had previously made through individual grants. Federal grants have varying match requirements. Wetland grants require 25 percent match, drinking water capital improvement requires 20 percent match, and non point source funding can require as much as 40 percent match. General fund is utilized for personal services and related operating expenses such as travel, communications, and equipment.

Program Legislative Budget

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	541,448	187,245	0	728,693	190,968	0	732,416	1,461,109
Operating Expenses	1,133,321	1,359,319	0	2,492,640	1,167,306	0	2,300,627	4,793,267
Equipment	0	20,000	0	20,000	20,000	0	20,000	40,000
Total Costs	\$1,674,769	\$1,566,564	\$0	\$3,241,333	\$1,378,274	\$0	\$3,053,043	\$6,294,376
General Fund	316,482	1,045,930	0	1,362,412	848,531	0	1,165,013	2,527,425
State/Other Special	1,125,281	195,401	0	1,320,682	204,847	0	1,330,128	2,650,810
Federal Special	233,006	325,233	0	558,239	324,896	0	557,902	1,116,141
Total Funds	\$1,674,769	\$1,566,564	\$0	\$3,241,333	\$1,378,274	\$0	\$3,053,043	\$6,294,376

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Legislative Budget Analysis, C-71

Funding

The majority of the functions in the division are funded with non-budgeted proprietary funds, and not appropriated through HB 2. The proprietary funding is based upon a negotiated indirect rate with the federal Environmental Protection Agency (EPA). The indirect rate is assessed against funding all personal services, temporary services, and work-study projects within each division, and transferred to the Central Management Program to fund operating costs. A further discussion is included in the proprietary rate section.

Appropriated funds consist of general fund for support of the Board of Environmental Review, a business process improvement initiative, and general operating costs; state special revenue, predominantly Montana Environmental Protection Act fees; and numerous small federal grants.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the proposed adjusted base budget. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					217,607					221,486
Vacancy Savings					(30,362)					(30,518)
Inflation/Deflation					915					1,134
Fixed Costs					(30,341)					(29,771)
Total Statewide Present Law Adjustments					\$157,819					\$162,331
DP 1001 - Business Process Improvement OTO	0.00	987,619	0	0	987,619	0.00	788,773	0	0	788,773
DP 1002 - Central Management Operating Adjust	0.00	38,664	90,439	20,692	149,795	0.00	39,583	96,899	19,501	155,983
DP 1003 - Central Management Information Technology Grants	0.00	0	0	271,363	271,363	0.00	0	0	271,219	271,219
DP 6015 - State Motor Pool Rate Change	0.00	(9)	(23)	0	(32)	0.00	(9)	(23)	0	(32)
Total Other Present Law Adjustments	0.00	\$1,026,274	\$90,416	\$292,055	\$1,408,745	0.00	\$828,347	\$96,876	\$290,720	\$1,215,943
Grand Total All Present Law Adjustments					\$1,566,564					\$1,378,274

DP 1001 - Business Process Improvement OTO - This bill includes \$1.8 million of general fund for the department to analyze its existing business processes to identify and implement improvements in quality of service, efficiency, timeliness, consistency and cost-effectiveness. This adjustment would support this effort in two major areas – accounts receivable, and subdivision permit application and review.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The DEQ was formed from parts of three former departments, each with multiple systems and processes that created an environment of inefficient operations, complicated accounting, reduced internal controls, impaired effective communication between the DEQ enterprise database (CEDARS) and various federally mandated databases, and limited ability to report and compare activity across the agency for the purposes of measuring productivity, efficiency, and results. This infrastructure leads to costly inefficiencies and delayed revenue collections.

Goals:

1. To consolidate multiple accounts receivable processes into one uniform system using standardized processes administered by the DEQ Office of Financial Services.
2. To develop an online web-based subdivision permit application and fee collection, which will expedite permitting, reduce errors and re-submittals, and accelerate cash collection.
3. To optimize the subdivision review process for efficiency, quality of service, and timeliness while maintaining environmental protection standards.
4. To apply cost effective improvements identified in the subdivision permitting process to other department permit functions, where appropriate.

Performance Criteria: Work progress and implementation will be the responsibility of the project team(s), composed of the business process management (BPM) lead, contract employees, and DEQ Financial Services, Information Technology, and Program representatives. The chief financial officer (CFO) would be the process owner and responsible for oversight to insure AR (accounts receivable) goals and milestones are met. The Permitting and Compliance Division Administrator would be the process owner and responsible for oversight to ensure subdivision permitting goals and milestones are met.

Accounts Receivable System

Work/performance measurement and monthly reporting to project owner:

1. Identify “as is” processes and establish a timeline for completion of work flow documentation for each process within project scope. Provide project owner with monthly reports comparing work progress to scheduled time line.
2. Schedule conversion, testing and implementation of standard processes for identified systems.
3. Compare average processing time for billing, fee collection, cost recovery, and revenue recognition before and after new system implementation.
4. Evaluate and report effectiveness of online fee collection and cost recovery process.
5. Assess project cost-effectiveness by documenting achieved benefits and improvements compared to development costs.

Subdivision Permitting Application and Review

1. Identify “as is” processes and establish a timeline for completion of work flow documentation for each process within project scope. Provide project owner with monthly reports comparing work progress to scheduled time line.
2. Schedule conversion and implementation of standard processes for identified systems.
3. Compare incidence of incomplete and deficient applications requiring multiple reviews and repeat correspondence before and after new system implementation.
4. Compare number and types of complaints before and after new system implementation.
5. Compare average permit handling time before and after implementation of improvements.
6. Assess project cost-effectiveness by documenting achieved benefits and improvements compared to development costs.
7. Determine whether subdivision changes could be cost effectively applied in whole or in part to other permit functions.

Milestones:

Accounts Receivable System

1. Inventory existing systems and document high level “as is” processes for all department programs by June 2008.
2. Identify common elements, process improvements and standard practices by September 2008.
3. Complete design of uniform system and create online web-based payment processing and convert at least one work unit by January 2009.
4. Convert and implement uniform system, including online web-based payment processing for at least two more work units by June 2009.

Subdivision Permitting Application and Review

1. Document existing subdivision permit processes by January 2008.
2. Identify improvements and determine the types of subdivisions that fit online application process by June 2008.
3. Implement manual improvements by January 2009.
4. Create and implement online application for selected types of subdivisions by June 2009

FTE: The department proposed hiring 2.00 modified FTEs to provide overall project management and coordination activities, as well as several contractors. *The legislature converted the FTE request to contracted services.*

Funding: Goals (#1 and #4) of centralizing accounts receivable and applying the subdivision permit process to other areas will ultimately affect all programs. General fund is being requested because of the department-wide nature of the project.

Obstacles:

1. The current workload of both accounts receivable and subdivision review staff limits the ability for front-line employees to share their knowledge of these systems and processes and to offer improvements.
2. Meeting greater institutional resistance than anticipated. Initial indications from select customers are positive; however, if resistance develops we will organize an education effort to explain consumer benefits.
3. Meeting greater resistance to change than anticipated from front-line staff. Hopefully, the merits of the AR and subdivision permit application will sell themselves; however, if necessary we will institute an education effort to convey overall department benefits.
4. Until these new systems are developed, debugged, and fully operational, existing systems must remain in place, which creates potential for duplication.
5. Uncovering bigger problems than anticipated, requiring more time and money to fix.
6. Creating unanticipated derivative problems when making system changes.

Risks:

1. Delayed revenue due to poor cash management, billing, and collection processes.
2. Decreased productivity due to inefficient and labor intensive processing of accounts receivable/billing activities.
3. Increased public frustration, criticism and complaints due to inconsistent and cumbersome accounts receivable and subdivision permit processing.
4. Increased potential for misstatement of financials due to inadequate and inconsistent accounting of A/R transaction.

DP 1002 - Central Management Operating Adjust - The bill includes a base adjustment for the Central Management Division consisting of adjustments totaling \$305,778 over the biennium to contracted services, office supplies, and travel. The remaining is attributable to indirect costs. The package also reduces the base expenses in office rent, copy costs, and web services and increases indirect costs in order for the department to implement a change in the manner indirect costs are calculated.

DP 1003 - Central Management Information Technology Grants - This bill includes the addition of approximately \$540,000 to upgrade databases and hardware to achieve the long-term goal of participating in the environmental information network to provide access to information to assist in decision making in the event of national disasters and/or terrorist activities funded by the Environmental Protection Agency (EPA).

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

Proprietary Rates**Proprietary Program Description**

The Central Management Program provides management services, public information, legal services, and human resources, as well as fiscal services such as budgeting, accounting, payroll, procurement and contract management support to the programs within the department. The information technology office provides information technology services support to the same customers.

Proprietary Revenues and Expenses

The department has one proprietary fund, an internal service fund used to account for the department's indirect cost activity. The department negotiates an indirect rate with EPA based on services mutually agreed upon. The legislation moves some operating expenses previously directly charged to programs to proprietary funding. This includes office rent, copier costs and web services.

Expense Description: The major cost drivers within this program are personal services costs, contracts and fixed operating expenses. Expenses are determined by projecting increases or decreases in program staff, contacted activities and fixed operating expenses. For FY 2006 the proprietary fund expended \$4.4 million, while the estimated expenditures

for both FY 2008 and FY 2009 is \$5.5 million. An increase in \$1.1 million that is attributable to the inclusion of rent and copier services for the entire department and non-legislative pay increases for FTE funded with proprietary dollars.

Working Capital: The objective of program management is to recover costs to fund necessary, ongoing operation of the Central Management Program. The fund normally carries a 60-day working capital balance to meet immediate cash needs for covering payroll and various operating costs that are not charged equally throughout the year.

Fund Equity: The department does not reserve a fund balance on the accounting records nor does it try to maintain a fund balance. The revenues generated should be enough to cover the current year's operations. However, due to timing factors, the fund balance does not always equal zero.

Proprietary Rate Explanation

The legislation includes a cap for the indirect rate. The department negotiates the annual indirect rate the EPA. The included rate is a fixed rate which may be slightly lower than the cap set by this legislation, but never higher.

The rates included in this legislation are 22.5 percent applied against personal services and 3 percent applied against operating costs for FY 2008, and 21 percent and 4 percent respectively for FY 2009.

Program Legislative Budget

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	89.58	1.00	0.00	90.58	1.00	0.00	90.58	90.58
Personal Services	4,246,220	892,487	0	5,138,707	910,937	0	5,157,157	10,295,864
Operating Expenses	5,998,514	1,831,484	0	7,829,998	1,862,698	0	7,861,212	15,691,210
Equipment	97,490	35,836	250,000	383,326	35,836	0	133,326	516,652
Total Costs	\$10,342,224	\$2,759,807	\$250,000	\$13,352,031	\$2,809,471	\$0	\$13,151,695	\$26,503,726
General Fund	2,155,109	730,160	250,000	3,135,269	738,821	0	2,893,930	6,029,199
State/Other Special	801,695	375,416	0	1,177,111	362,007	0	1,163,702	2,340,813
Federal Special	7,385,420	1,654,231	0	9,039,651	1,708,643	0	9,094,063	18,133,714
Total Funds	\$10,342,224	\$2,759,807	\$250,000	\$13,352,031	\$2,809,471	\$0	\$13,151,695	\$26,503,726

Page Reference

Legislative Budget Analysis, C-79

Funding

The division is funded with general fund and a variety of state special and federal revenue sources. The division’s primary state special revenue funds are the fees collected for air quality permits and the interest from the investments made in community drinking water projects. The largest portion of federal funds are provided through the Environmental Protection Agency (EPA) programs, including the performance partnership grant and funds for non-point source water projects under the federal Clean Water Act.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the proposed adjusted base budget. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
FTE	-----Fiscal 2008-----				-----Fiscal 2009-----					
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,052,677					1,071,848	
Vacancy Savings				(211,959)					(212,721)	
Inflation/Deflation				20,084					21,472	
Fixed Costs				(189,037)					(183,908)	
Total Statewide Present Law Adjustments				\$671,765					\$696,691	
DP 2005 - Increase Waste Reduction & Recycling	0.00	0	35,000	0	35,000	0.00	0	35,000	0	35,000
DP 2009 - Wetland Pilot Project FTE	1.00	18,100	0	54,301	72,401	1.00	17,537	0	52,611	70,148
DP 2010 - PPA Operating Adjustment	0.00	314,983	325,061	1,262,087	1,902,131	0.00	312,293	322,669	1,294,469	1,929,431
DP 2013 - State Building Energy Conservation FTE	0.00	80,103	0	0	80,103	0.00	79,814	0	0	79,814
DP 6015 - State Motor Pool Rate Change	0.00	(341)	(167)	(1,085)	(1,593)	0.00	(343)	(171)	(1,099)	(1,613)
Total Other Present Law Adjustments	1.00	\$412,845	\$359,894	\$1,315,303	\$2,088,042	1.00	\$409,301	\$357,498	\$1,345,981	\$2,112,780
Grand Total All Present Law Adjustments				\$2,759,807					\$2,809,471	

DP 2005 - Increase Waste Reduction & Recycling - This bill provides \$35,000 per year of solid waste management fees for increased operating expenses. This would allow the division to expand waste reduction and recycling efforts, including regional events to improve efficiency and reduce costs to local programs, increased education to consumers and local program operators, recycling technologies demonstration and market development for recycled materials to be used locally. This adjustment would increase the base budget for the program to \$120,000 per year.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The Montana Integrated Waste Management Act (75-10-838, MCA) establishes targets to increase the amount of material that is recycled and composted. Those targets are 17 percent of the waste stream by 2008 and 19 percent by 2011, as compared to a current rate of about 15 percent. An increased effort is needed to reach these targets.

Goal: To increase the amount of material that is recycled or composted in Montana by developing local markets for recycled goods, demonstrating technologies for recycling and composting, providing opportunities for local programs to participate in regional or statewide initiatives, and educating consumers.

Performance Criteria: The department will meet its goals by increasing the number of opportunities to recycle, expanding the type of goods that can be recycled, providing regional or statewide opportunities to increase efficiency, and educating consumers. Services offered will be increased over 2006 in the following ways:

- Coordinating two regional hazardous waste collection events
- Coordinating five electronics recycling events
- Developing new markets for one recycled product within the state
- Developing and distributing educational materials on waste reduction and composting that can be used statewide or tailored for local communities.

Results will be collected and analyzed following each event and will be reported annually including the amount and type of materials recycled, number and type of events held, and educational materials produced.

Milestones:

- Regional hazardous waste events – 2007
- Electronic waste recycling events—3 in 2007, 2 in 2008
- New market for recycled product—2008
- Educational materials – 1 in 2007 and 1 in 2008

FTE: No additional FTE are being requested. Existing staff in the Air, Energy and Pollution Prevention Bureau will complete the work. No other work will be forgone in the process.

Funding: The funding source would be a \$35,000 annual appropriation from existing solid waste fees.

Obstacles: The rural nature of Montana, size of waste streams and distance to major market centers creates a challenge for collecting and processing goods to be recycled and natural materials to be composted.

Risk: The lack of additional operating expenses for this program activity can compromise the ability of the Department to meet waste reduction targets mandated by the Montana Integrated Waste Management Act.

DP 2009 - Wetland Pilot Project FTE - This bill provides one additional Water Quality Specialist position to complete work on a three-year wetland demonstration program grant to develop two different assessment tools to track wetland gains and losses.

DP 2010 - PPA Operating Adjustment - The bill includes the restoration of base operating expenses and delayed contracted services due to personnel vacancies. The Planning Division had 19 positions that were vacant from some period of time during the 2007 biennium. The majority of the request is for contracted services to cover delayed contracts, travel expenses and department indirect charges.

DP 2013 - State Building Energy Conservation FTE - This bill includes approximately \$80,000 general fund each year of the biennium to provide support for the State Building Energy Conservation Program.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2007 - Biofuels Testing - OTO										
20	0.00	250,000	0	0	250,000	0.00	0	0	0	0
Total	0.00	\$250,000	\$0	\$0	\$250,000	0.00	\$0	\$0	\$0	\$0

DP 2007 - Biofuels Testing - OTO - The bill includes a \$250,000 one-time only general fund appropriation to purchase equipment to test Montana-produced biofuels to ensure they meet national standards. This would allow the biofuels to be sold on the national market.

Language

"The department is authorized to decrease federal special revenue in the water pollution control and/or drinking water revolving loan programs and to increase state special revenue by a like amount within the special administration account when the amount of federal capitalization funds has been expended or federal funds and bond proceeds will be used for other program purposes."

Program Legislative Budget

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

Program Legislative Budget									
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09	
FTE	14.00	1.00	0.00	15.00	1.00	0.00	15.00	15.00	
Personal Services	706,737	136,485	0	843,222	139,216	0	845,953	1,689,175	
Operating Expenses	308,921	26,462	0	335,383	13,666	0	322,587	657,970	
Total Costs	\$1,015,658	\$162,947	\$0	\$1,178,605	\$152,882	\$0	\$1,168,540	\$2,347,145	
General Fund	404,184	109,851	0	514,035	100,512	0	504,696	1,018,731	
State/Other Special	251,636	98,488	0	350,124	98,106	0	349,742	699,866	
Federal Special	359,838	(45,392)	0	314,446	(45,736)	0	314,102	628,548	
Total Funds	\$1,015,658	\$162,947	\$0	\$1,178,605	\$152,882	\$0	\$1,168,540	\$2,347,145	

Page Reference

Legislative Budget Analysis, C-86

Funding

The division is funded with general fund and a variety of state special and federal revenue sources. The division’s primary state special revenue funds are the fees collected for air, asbestos control, and discharge permits, as well as subdivision review fees. The largest percentage of federal funds is provided through the Environmental Protection Agency (EPA) programs, predominantly the performance partnership grant.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the proposed adjusted base budget. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					120,016					122,821
Vacancy Savings					(33,070)					(33,182)
Inflation/Deflation					4,894					5,187
Fixed Costs					(27,376)					(26,579)
Total Statewide Present Law Adjustments					\$64,464					\$68,247
DP 3001 - Enforcement Operations Adjustments	0.00	8,574	6,872	6,173	21,619	0.00	6,601	5,292	4,752	16,645
DP 3002 - Enforcement Division New FTE	1.00	77,230	0	0	77,230	1.00	68,368	0	0	68,368
DP 6015 - State Motor Pool Rate Change	0.00	(146)	(117)	(103)	(366)	0.00	(151)	(122)	(105)	(378)
Total Other Present Law Adjustments	1.00	\$85,658	\$6,755	\$6,070	\$98,483	1.00	\$74,818	\$5,170	\$4,647	\$84,635
Grand Total All Present Law Adjustments					\$162,947					\$152,882

DP 3001 - Enforcement Operations Adjustments - This bill provides additional base authority for operating expenses such as lab analysis, in-state travel, and agency indirect payments. The indirect increase is a change in the indirect calculations. The other adjustments relate to increased costs associated with program activities.

DP 3002 - Enforcement Division New FTE - The bill includes general fund for an additional environmental enforcement specialist position to address violations and citizen complaints within statutory guidelines.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

Program Legislative Budget

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	61.76	0.00	0.00	61.76	0.00	0.00	61.76	61.76
Personal Services	2,847,299	617,299	0	3,464,598	628,959	0	3,476,258	6,940,856
Operating Expenses	7,983,127	891,977	0	8,875,104	920,800	0	8,903,927	17,779,031
Equipment	5,831	(5,831)	0	0	(5,831)	0	0	0
Benefits & Claims	0	750,000	0	750,000	750,000	0	750,000	1,500,000
Debt Service	1,807	0	0	1,807	0	0	1,807	3,614
Total Costs	\$10,838,064	\$2,253,445	\$0	\$13,091,509	\$2,293,928	\$0	\$13,131,992	\$26,223,501
General Fund	0	1,000,000	0	1,000,000	1,000,000	0	1,000,000	2,000,000
State/Other Special	3,472,724	(297,177)	0	3,175,547	(297,106)	0	3,175,618	6,351,165
Federal Special	7,365,340	1,550,622	0	8,915,962	1,591,034	0	8,956,374	17,872,336
Total Funds	\$10,838,064	\$2,253,445	\$0	\$13,091,509	\$2,293,928	\$0	\$13,131,992	\$26,223,501

Page Reference

Legislative Budget Analysis, C-89

Funding

The remediation division is funded with a mix of general fund, state special, and federal revenue sources. General fund is for mine site clean up for the 2009 biennium. State special revenue comes from the \$.00075 gas tax for petroleum tank cleanup, registration fees for underground storage tanks, and interest proceeds from the resource indemnity trust deposited to the environmental quality protection, orphan share, and hazardous waste funds. Federal special revenue is derived from the federal Environmental Protection Agency (EPA) for Superfund oversight and various other activities, and the federal Office of Surface Mining for the Abandoned Mine Lands (AML) program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the proposed adjusted base budget. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					761,663					773,803
Vacancy Savings					(144,364)					(144,844)
Inflation/Deflation					17,680					18,868
Fixed Costs					(108,899)					(104,812)
Total Statewide Present Law Adjustments					\$526,080					\$543,015
DP 4001 - Remediation Operations Adjustment	0.00		0 (352,039)	(136,396)	(488,435)	0.00		0 (357,047)	(107,805)	(464,852)
DP 4003 - Hazardous Waste Cleanup Bureau LUST Trust BIE	0.00		0 99,881	0	99,881	0.00		0 99,880	0	99,880
DP 4006 - Mine Waste Cleanup Bureau Libby Troy (BIEN)	0.00		0 0	366,753	366,753	0.00		0 0	366,752	366,752
DP 4007 - Orphan Share Claims Payments (RST/BIEN/OTO)	0.00		0 750,000	0	750,000	0.00		0 750,000	0	750,000
DP 4008 - Accelerated Remediation - CECRA Sites (Rst /OTO)	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 6015 - State Motor Pool Rate Change	0.00		0 (28)	(806)	(834)	0.00		0 (38)	(829)	(867)
Total Other Present Law Adjustments	0.00	\$1,000,000	\$497,814	\$229,551	\$1,727,365	0.00	\$1,000,000	\$492,795	\$258,118	\$1,750,913
Grand Total All Present Law Adjustments					\$2,253,445					\$2,293,928

DP 4001 - Remediation Operations Adjustment - This bill provides a base adjustment consisting of two parts: 1) an increase in operating expenses in relation to vacancies during the base year; and 2) a decrease in contracted services related to the adjustment in federal abandoned mine lands funding. The net effect is a decrease of approximately \$0.5 million per year.

DP 4003 - Hazardous Waste Cleanup Bureau LUST Trust BIE - The bill includes a \$199,761 state special revenue biennial appropriation for the department’s Petroleum Release Section. The department is required to recover federal grant funds expended in the cleanup of contamination from certain federally defined tanks. Under leaking underground storage tank (LUST) federal law, any state-recovered monies must continue to be used for cleanup of other sites also meeting federal LUST site criteria.

DP 4006 - Mine Waste Cleanup Bureau Libby Troy (BIEN) - This bill includes \$733,505 in biennial federal special revenue for additional investigation and remediation planning at the Libby Troy Asbestos site. The grant provides for the department to prepare to take the role of the lead regulatory agency at this site.

DP 4007 - Orphan Share Claims Payments (RST/BIEN/OTO) - The bill includes \$750,000 state special revenue each year of the biennium to reimburse remedial action costs claimed for the orphan’s share of eligible remedial action costs for the CMC Asbestos facility in Bozeman.

DP 4008 - Accelerated Remediation - CECRA Sites (Rst /OTO) - Included in this bill is \$2 million in general fund authority for contracted services at the Upper Blackfoot Mining Complex (UBMC) facility, a state Superfund site to conduct remedial investigation and subsequent cleanup activities to address contaminants affecting human health and the environment. The expenditures at these sites are cost recoverable from the potentially liable parties - ASARCO and ARCO.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The department will use the requested funding and spending authority to conduct various phases of investigation and cleanup work at the Upper Blackfoot Mining Complex where the potentially liable persons are not accomplishing the necessary work in a proper and expeditious manner.

Goal: To conduct the remedial investigations needed to fill previously identified data gaps so that the nature and extent of the contamination at the facility can be determined.

Performance Criteria: At the Upper Blackfoot Mining Complex, progress will be measured by the completion of the remedial investigation work plan, field work, and remedial investigation report. Contract task orders include specific reporting and financial requirements that will be overseen by department staff. Department staff will also review draft contractor work products and provide necessary additional guidance for completion.

Milestones: Major milestones at the Upper Blackfoot Mining Complex include:

- December 2007 – completion of the remedial investigation work plan
- September 2008 – completion of field work
- January 2009 – completion of remedial investigation report

FTE: Existing department staff will continue to provide oversight and technical expertise and contractor services will be used to assist with technical and field work.

Obstacles: Obstacles at the Upper Blackfoot Mining Complex include:

- Uncertainty regarding the outcome of the Asarco bankruptcy
- Potentially liable persons are unwilling to properly complete work
- An impact to USFS lands –The department and the USFS have developed a working group to share information, avoid duplication, and develop approaches to address contamination on public and private lands concurrently where possible and in a logical fashion

Risk: The department is currently in litigation with potentially liable persons and until that litigation is resolved, no remedial investigation will be completed. Providing cost recoverable funding to complete the work would allow the department to move the facility closer to final cleanup and may help expedite resolution of the litigation.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

Language

“Orphan Share claim payments are restricted to eligible claims for reimbursement for the remediation of the Chicago Milwaukee corporation asbestos facility.

Accelerated Remediation--Selected CERCA Sites is limited to remedial investigation of the Upper BlackFoot Mining Complex. The funding in fiscal year 2009 is contingent upon providing semiannual reports to the Environmental Quality Council regarding the progress toward the following milestones:

- (1) December 2007 -Completion of the remedial investigation plan
- (2) September 2008 -Completion of field work; and
- (3) January 2009 - Completion of the remedial investigation report.”

Program Legislative Budget

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	181.45	5.00	6.50	192.95	5.00	6.50	192.95	192.95
Personal Services	8,938,144	1,537,852	364,956	10,840,952	1,568,178	365,268	10,871,590	21,712,542
Operating Expenses	6,176,660	4,601,676	772,451	11,550,787	4,596,658	252,948	11,026,266	22,577,053
Equipment	18,791	0	0	18,791	0	0	18,791	37,582
Grants	1,637,948	357,000	0	1,994,948	385,000	0	2,022,948	4,017,896
Total Costs	\$16,771,543	\$6,496,528	\$1,137,407	\$24,405,478	\$6,549,836	\$618,216	\$23,939,595	\$48,345,073
General Fund	905,066	105,084	573,927	1,584,077	106,217	73,982	1,085,265	2,669,342
State/Other Special	11,230,333	4,389,889	313,095	15,933,317	4,419,880	306,107	15,956,320	31,889,637
Federal Special	4,636,144	2,001,555	250,385	6,888,084	2,023,739	238,127	6,898,010	13,786,094
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$16,771,543	\$6,496,528	\$1,137,407	\$24,405,478	\$6,549,836	\$618,216	\$23,939,595	\$48,345,073

Page Reference

Legislative Budget Analysis, C-95

Funding

The division is funded with general fund and a variety of state and federal special revenue sources. The general fund provides 4.5 percent of the total funding and supports operating expenses.

State special revenue consists of forfeited hard rock reclamation bonds, and fees collected for various activities such as air permits, junk vehicle fines, public water supply connections, and subdivision reviews. These funds are used to administer related permits and compliance operations in the division. The division also receives Resource Indemnity Trust (RIT) interest via the reclamation and development account.

Federal special revenue sources include the Environmental Protection Agency (EPA) and the Bureau of Land Management (BLM). Federal funds are directed toward specific sites or for primacy costs of the permitting programs.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the proposed adjusted base budget. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,684,099					1,715,395	
Vacancy Savings				(424,894)					(426,137)	
Inflation/Deflation				40,217					43,234	
Fixed Costs				(324,343)					(314,596)	
Total Statewide Present Law Adjustments				\$975,079					\$1,017,896	
DP 5001 - Oil & Gas Well Registration FTE	3.00	0	183,451	103,320	286,771	3.00	0	176,569	99,774	276,343
DP 5002 - Permitting Major Sources of Air Pollution FTE	1.00	0	75,076	0	75,076	1.00	0	71,922	0	71,922
DP 5005 - Air Pollutant Emission Tracking	1.00	0	75,076	0	75,076	1.00	0	71,922	0	71,922
DP 5009 - PCD Vehicles Owned and Leased	0.00	2,727	24,875	10,565	38,167	0.00	3,026	26,511	11,098	40,635
DP 5011 - Aerial Reconnaissance in Coal Mine Inspection	0.00	0	7,725	0	7,725	0.00	0	7,800	0	7,800
DP 5012 - Hard Rock & MFSA Projects-RST/BIE	0.00	0	1,820,367	1,240,764	3,061,131	0.00	0	1,837,867	1,253,264	3,091,131
DP 5015 - Industrial Wastewater Operator Cert BIE/OTO	0.00	0	33,438	0	33,438	0.00	0	33,750	0	33,750
DP 5016 - High Strength Wastewater Standards BIE/OTO	0.00	0	30,900	0	30,900	0.00	0	31,200	0	31,200
DP 5017 - Subdivision Training IT	0.00	0	51,500	0	51,500	0.00	0	52,000	0	52,000
DP 5019 - Subdivision Grants to Counties	0.00	0	243,000	0	243,000	0.00	0	243,000	0	243,000
DP 5024 - Brownsfields Grant BIEN	0.00	0	0	119,600	119,600	0.00	0	0	118,450	118,450
DP 5026 - Permitting & Compliance Division Base Adjustments	0.00	58,878	832,694	270,380	1,161,952	0.00	57,723	827,802	267,937	1,153,462
DP 5027 - On-site Wastewater Operator Certification OTO/BIE	0.00	0	82,400	0	82,400	0.00	0	83,200	0	83,200
DP 5028 - Air Regulatory Assistance RST/OTO/BIEN	0.00	0	257,500	0	257,500	0.00	0	260,000	0	260,000
DP 6015 - State Motor Pool Rate Change	0.00	(201)	(1,946)	(640)	(2,787)	0.00	(208)	(2,007)	(660)	(2,875)
Total Other Present Law Adjustments					\$5,521,449	5.00	\$60,541	\$3,721,536	\$1,749,863	\$5,531,940
Grand Total All Present Law Adjustments					\$6,496,528					\$6,549,836

DP 5001 - Oil & Gas Well Registration FTE - This bill includes 3.0 additional FTE and state special and federal authority of approximately \$563,000 for the biennium to implement current regulatory requirements applicable to conventional oil and gas well facilities and to provide technical support to the Bureau of Land Management (BLM). The department anticipates increased new registrations or permit applications from oil and gas facilities and an increase in air quality permit applications.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The proposal for additional staff is needed because of the recent and dramatic increase in the number of oil and gas well facilities subject to the Montana and federal Clean Air Acts.

Goals: To issue currently required permits or registrations, provide compliance assistance, ensure compliance with all applicable air quality requirements, and protect public health through reduction of emissions of hazardous air pollutants.

Performance Criteria:

Performance criteria will include issuance of permits or registrations and compliance determinations.

- The department will issue 25 percent of the backlogged permits or registrations each fiscal year
- The department will conduct compliance determinations on 15 percent of the permitted or registered facilities each fiscal year

Milestones: The department is proposing to issue 25 percent of the existing permits/registrations per year. This will continue for a period of four years. Once the backlog has been eliminated the department will continue to issue any new source permits/registrations within the statutory timeframes, while conducting on-site inspections at about 15 percent of the facilities per year.

FTE: Three FTE have been requested. One FTE will be located in Miles City to provide technical support and assistance to the BLM. The other two FTE will be located in Helena. These FTE would handle the permitting and compliance activities associated with ensuring that conventional oil and gas well facilities are complying with the requirements of the Montana and federal Clean Air Acts. Recruitment would begin in July of 2007 and take up to 90 days to fill all positions.

Obstacles: The main challenge will be educating the regulated universe. The increase in activity associated with oil and gas development has occurred in the last several years, so many of these facilities are not familiar with the applicable environmental regulations.

Risk: Existing oil and gas well facilities would continue to operate without a permit and would be subject to enforcement action by EPA or a citizen's suit. The department would be in violation of the permitting requirements contained in the Montana Clean Air Act, and could be subject to a writ of mandamus, where a court would order the Department to issue the outstanding permits within a specific timeframe or be subject to sanctions. This would adversely affect issuance of permits for new facilities or processing of permit modifications for other existing facilities. This could potentially slow economic growth or create pressure for facilities to operate without a permit.

DP 5002 - Permitting Major Sources of Air Pollution FTE - The bill includes an increase of 1.00 FTE and state special revenue of \$75,076 in FY 2008 and \$71,922 in FY 2009 for personal services and associated operating costs. Title V of the Federal Clean Air Act requires regulatory agencies to conduct detailed compliance evaluations to ensure companies are complying with all applicable air quality regulations, and to ensure that human health is being protected.

DP 5005 - Air Pollutant Emission Tracking - The bill includes 1.00 FTE special revenue authority to inventory and track emissions of air pollutants from all emission sources in order to implement the requirements of the New Source Review permitting program, and to implement the requirements of the Montana and Federal Clean Air Acts.

DP 5009 - PCD Vehicles Owned and Leased - This bill includes replacement of six vehicles that are currently owned by the department and two leased vehicles from the state Motor Pool.

DP 5011 - Aerial Reconnaissance in Coal Mine Inspection - This bill includes special revenue authority to provide thirty hours of helicopter flight time and GPS, computer and camera services by contracted individuals for the inspection program. This would provide electronically documented landscape references or standards for comparison between pre-mine and reclamation landscapes for future administrative and regulatory purposes.

DP 5012 - Hard Rock & MFSA Projects-RST/BIE - This bill provides \$3,061,131 in FY 2008 and \$3,091,131 in FY 2009 of restricted biennial state and federal special revenue for projects administered by the Hard Rock and Major Facility Siting Act (MFSA) Programs and associated indirect costs. This would allow the department to:

- Utilize proceeds from the sale of general obligation bonds to conduct on mine reclamation
- Expend proceeds from forfeited bonds or settlement agreements for reclamation on related sites
- Remediate mine sites with federal funds from the Bureau of Land Management and the US Forest Service
- Collect major facility sitting act (MFSA) fees to complete sitting certification review

DP 5015 - Industrial Wastewater Operator Cert BIE/OTO - This bill includes a biennial one-time only appropriation to examine wastewater certification categories, develop new categories, and develop corresponding prescriptive industrial wastewater exams and study materials.

DP 5016 - High Strength Wastewater Standards BIE/OTO - This bill includes spending authority to prepare a new circular or addition to DEQ-4 on non-residential strength wastewater treatment. Existing standards only pertain to residential strength wastewater and are inadequate for non-residential strength wastewater facilities, such as food processing or packaging facilities, restaurants, laboratories, and RV dump stations. The program would contract with an outside consulting firm to research and prepare the document.

DP 5017 - Subdivision Training IT - During the current biennium, the Subdivision Program utilized outside contractors to perform simple reviews, thereby freeing program staff to concentrate on performing the more difficult reviews within the mandated timeframes. The department also started developing internet-based training to educate individuals in the subdivision application process. This bill includes state special revenue to continue both activities.

DP 5019 - Subdivision Grants to Counties - The bill includes \$243,000 of state special revenue authority each year of the 2009 biennium for increased payments to counties that perform contracted subdivision reviews.

DP 5024 - Brownsfields Grant BIEN - This bill includes biennial federal authority to expend an awarded Brownsfields response grant. This would be used to establish and enhance the Hazardous Waste Section Brownsfields response program. Projects funded by the grant would include contaminated site inventories; all publicly available geographic information system (GIS) mapping systems; inventorying hazardous school laboratory chemical; and school lab safety training for middle and high school science teachers and administrators.

DP 5026 - Permitting & Compliance Division Base Adjustments - The bill includes approximately \$1.2 million each year of the biennium of all fund types to restore the base operating budget for the division. The base adjustment is attributed to the following areas.

- o \$104,000 per year for operating costs not expended due to vacancies
- o \$148,000 per year of contracted services costs for delayed contracting due to vacancies
- o \$355,000 per year to annualize the operator reimbursement program and the junk vehicle grant program to historical levels
- o \$366,000 per year for indirect adjustments to account for vacant positions and the proposed change in indirect calculations
- o \$215,000 to restore authority associated with a missed year end accrual

DP 5027 - On-site Wastewater Operator Certification OTO/BIE - This bill includes restricted one-time only state special revenue to develop an operator certification program for on-site wastewater treatment systems in accordance with 37-42-101, MCA. An on-site public wastewater system would be any system that serves 25 or more people daily or has 15 or more service connections and consists primarily of a septic tank and underground drain field.

DP 5028 - Air Regulatory Assistance RST/OTO/BIEN - This bill includes state special revenue to contract for permit application review, permit writing, preparation of environmental reviews required under the Montana Environmental Policy Act, and compliance activities to assure that permit conditions and other applicable requirements are being met. This is a one-time only biennial request.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

New Proposals

New Proposals Program	-----Fiscal 2008-----					-----Fiscal 2009-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 5013 - MFSA/MEPA FTE	50	1.00	0	75,679	0	75,679	1.00	0	71,865	0	71,865
DP 5014 - Subdivision Review FTE	50	2.00	0	162,416	0	162,416	2.00	0	159,242	0	159,242
DP 5020 - Coal Bed Methane Compliance Monitoring FTE	50	2.00	0	0	250,385	250,385	2.00	0	0	238,127	238,127
DP 5021 - METH Staff - Re-Instate FTE	50	1.50	73,927	0	0	73,927	1.50	73,982	0	0	73,982
DP 5029 - Swift Gulch Drainage System OTO/BIE	50	0.00	500,000	0	0	500,000	0.00	0	0	0	0
DP 5050 - Coal Bed Methane Emergency Discharge Permits	50	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
Total	6.50	\$573,927	\$313,095	\$250,385	\$1,137,407	\$1,137,407	6.50	\$73,982	\$306,107	\$238,127	\$618,216

DP 5013 - MFSA/MEPA FTE - This bill includes state special revenue for 1.00 FTE for Major Facilities Siting (MFSA) projects and Montana Environmental Policy Act (MEPA) analysis.

DP 5014 - Subdivision Review FTE - The bill includes 2.0 FTE and corresponding operating expenses to provide resources to increase turnaround time on plan reviews. One FTE, a hydro-geologist specializing in water availability issues, would be located in Helena, the other FTE, and a professional engineer, located in a field office.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The number of heavy workload subdivision applications exceeding 100 lots increased by 400 percent last year. These larger, more complicated subdivisions require more information to be submitted by professional engineers, which must be reviewed by professional engineers.

Goals: To improve customer service with faster turn-around time on the review and approval of subdivision applications and provide a more detailed consideration of water impacts.

Performance Criteria: The main criteria that can be tracked are the time it takes to review and approve applications and the number of applications each reviewer has to work on. Assuming that the level of subdivision activity remains relatively stable, the time to review an application should be reduced from the current 60 days to 50 days or less within one year of hiring the FTEs. New rules and guidelines for water availability should be ready within 12 months..

Milestones: Both positions are currently being advertised and were expected to be filled by October 1, 2006

FTE: Professional Engineer – this position will be responsible for full file review. Senior hydrogeologist – this position will be responsible for developing standards, writing new rules, doing water related research for new rules, and reviewing water availability information for subdivision applications.

Funding: Both positions will be funded by fees.

Obstacles: At this point there are no obstacles unless qualified applicants are not available.

Risk: If this proposal is not approved file review times will continue to meet or exceed the 60 day statutory time period. Standards will not be developed for water related review issues and the existing staff may make mistakes in determining if adequate water is available for subdivisions.

DP 5020 - Coal Bed Methane Compliance Monitoring FTE - The bill includes 2.00 FTE federal special revenue to assist with energy related development. This includes developing discharge permits under the Water Quality Act related to coal bed methane and monitoring the compliance of such permits.

DP 5021 - METH Staff - Re-Instate FTE - This bill includes 1.50 FTE and general fund authority for the methamphetamine cleanup program authorized by the 2005 Legislature in HB 60.

DP 5029 - Swift Gulch Drainage System OTO/BIE - Included in this bill is \$500,000 of general fund authority for the 2009 biennium to be used to design and construct a semi-passive treatment system for the Swift Gulch drainage northwest of the Zortman-Landusky (Z/L) mine site in Eastern Montana. The ponds would allow for settling of metallic precipitates from the water, but the treatment system would remove iron from the water. Because of the remoteness of the location and the lack of electricity, the treatment system must rely on gravity and water flow.

DP 5050 - Coal Bed Methane Emergency Discharge Permits - This bill includes \$75,000 of state special revenue per year to implement the requirements of SB 407 to issue general permits for limited discharges of water produced from coal bed methane extraction.

Language

"If Senate Bill No. 407 is not passed and approved, Coal Bed Methane Emergency Discharge Permits is void."

Program Legislative Budget

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

Program Legislative Budget									
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09	
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00	6.00	
Personal Services	293,339	14,540	0	307,879	15,727	0	309,066	616,945	
Operating Expenses	326,594	37,114	0	363,708	38,213	0	364,807	728,515	
Total Costs	\$619,933	\$51,654	\$0	\$671,587	\$53,940	\$0	\$673,873	\$1,345,460	
State/Other Special	619,933	51,654	0	671,587	53,940	0	673,873	1,345,460	
Total Funds	\$619,933	\$51,654	\$0	\$671,587	\$53,940	\$0	\$673,873	\$1,345,460	

Page Reference

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Funding

The program is funded solely through a portion of the \$0.0075 fee on gasoline, diesel, heating oil, and aviation fuel distributed in Montana.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the proposed adjusted base budget. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
FTE	-----Fiscal 2008-----				-----Fiscal 2009-----					
	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				27,370					28,604	
Vacancy Savings				(12,830)					(12,877)	
Inflation/Deflation				46					71	
Fixed Costs				(13,320)					(13,032)	
Total Statewide Present Law Adjustments				\$1,266					\$2,766	
DP 9001 - PTRCB Operations Adjustment	0.00	0	50,388	0	50,388	0.00	0	51,174	0	51,174
Total Other Present Law Adjustments	0.00	\$0	\$50,388	\$0	\$50,388	0.00	\$0	\$51,174	\$0	\$51,174
Grand Total All Present Law Adjustments				\$51,654					\$53,940	

DP 9001 - PTRCB Operations Adjustment - This bill includes state special revenue of \$50,388 in FY 2008 and \$51,174 in FY 2009 for increased legal costs associated with claim subrogation, increased travel, and indirect charges. Authority for legal services would increase by 15 percent to \$250,000 annually, in order to keep pace with rising subrogation costs. The cost of subrogation the last six years has been \$706,080 and corresponding collections have been \$1,305,039.

Language

"The department is appropriated up to \$250,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2009 biennium for the purpose of paying contract expenses related to the recovery of funds."