

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	531.37	3.50	5.50	540.37	3.50	5.50	540.37	540.37
Personal Services	25,427,463	3,496,847	258,188	29,182,498	3,607,639	258,362	29,293,464	58,475,962
Operating Expenses	10,626,422	5,066,470	1,850,507	17,543,399	3,146,196	2,120,679	15,893,297	33,436,696
Equipment	1,105,964	147,858	1,000,000	2,253,822	37,484	0	1,143,448	3,397,270
Capital Outlay	121,347	13,771	0	135,118	13,771	0	135,118	270,236
Local Assistance	0	200,000	0	200,000	200,000	0	200,000	400,000
Grants	1,384,297	391,000	105,000	1,880,297	391,000	105,000	1,880,297	3,760,594
Transfers	809,421	150,475	5,000,000	5,959,896	167,930	5,000,000	5,977,351	11,937,247
Debt Service	380,807	98,013	0	478,820	98,013	0	478,820	957,640
Total Costs	\$39,855,721	\$9,564,434	\$8,213,695	\$57,633,850	\$7,662,033	\$7,484,041	\$55,001,795	\$112,635,645
General Fund	18,140,525	2,189,518	6,588,629	26,918,672	2,155,883	5,581,328	25,877,736	52,796,408
State/Other Special	20,004,366	7,135,522	1,725,066	28,864,954	5,282,580	2,002,713	27,289,659	56,154,613
Federal Special	1,710,830	239,394	(100,000)	1,850,224	223,570	(100,000)	1,834,400	3,684,624
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$39,855,721	\$9,564,434	\$8,213,695	\$57,633,850	\$7,662,033	\$7,484,041	\$55,001,795	\$112,635,645

Page Reference

Legislative Budget Analysis, C-130

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	531.37	544.37	540.37	(4.00)	544.37	540.37	(4.00)	
Personal Services	25,427,463	29,357,301	29,182,498	(174,803)	29,468,982	29,293,464	(175,518)	(350,321)
Operating Expenses	10,626,422	16,776,387	17,543,399	767,012	14,786,077	15,893,297	1,107,220	1,874,232
Equipment	1,105,964	2,736,172	2,253,822	(482,350)	1,545,948	1,143,448	(402,500)	(884,850)
Capital Outlay	121,347	135,118	135,118	0	135,118	135,118	0	0
Local Assistance	0	200,000	200,000	0	200,000	200,000	0	0
Grants	1,384,297	1,764,297	1,880,297	116,000	1,764,297	1,880,297	116,000	232,000
Transfers	809,421	5,959,896	5,959,896	0	5,977,351	5,977,351	0	0
Debt Service	380,807	478,820	478,820	0	478,820	478,820	0	0
Total Costs	\$39,855,721	\$57,407,991	\$57,633,850	\$225,859	\$54,356,593	\$55,001,795	\$645,202	\$871,061
General Fund	18,140,525	27,105,104	26,918,672	(186,432)	26,009,154	25,877,736	(131,418)	(317,850)
State/Other Special	20,004,366	28,447,658	28,864,954	417,296	26,510,039	27,289,659	779,620	1,196,916
Federal Special	1,710,830	1,855,229	1,850,224	(5,005)	1,837,400	1,834,400	(3,000)	(8,005)
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$39,855,721	\$57,407,991	\$57,633,850	\$225,859	\$54,356,593	\$55,001,795	\$645,202	\$871,061

General fund is \$318,000 lower than the executive proposal from the elimination of equipment purchases, map modernization efforts and surface water ground water studies.

The increase to state special revenue of \$1.1 million includes approximately \$1.5 million in restricted authority for emergency repairs to state owned water projects and a restoration coordinator. This is decreased by reductions of \$0.4 million of equipment purchases and water studies.

The federal special revenue adjustment is related to the decrease in state motor pool rental and leasing rates.

The executive budget requested a 13.00 FTE increase from FY 2006. This bill includes authority for an additional 10.00 FTE and the elimination of 1.0 FTE. FTE to study surface water ground water interactions and support conservation districts are not included in this bill.

Agency Highlights

Department of Natural Resources and Conservation Major Budget Highlights
<ul style="list-style-type: none"> ◆ FTE increases by 9.0 FTE to 533.87 due to: <ul style="list-style-type: none"> ● Inclusion of 3.00 FTE for GIS and IT related work, 0.50 FTE for inmate fire crew supervision, 2.00 FTE for trust lands, 1.50 FTE for administrative support of Water Rights and the St. Mary's Project, 1.00 FTE to act as a restoration coordinator and 1.00 FTE for administrative support of the Oil and Gas Program ● Elimination of 1.00 FTE from the Reserved Water Rights Compact Commission as it was no longer needed ◆ One-time only funding includes: <ul style="list-style-type: none"> ● Purchase prior liens for renewable resource loans and fire fighting equipment ● Rehabilitation on state water projects ● Access to oil and gas data ● Relocation costs for the oil and gas division during remodel of existing office space ● State share of the remediation of the Reliance Refinery site

Agency Discussion

Resource Indemnity Trust

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 renewable resource fund is approximately \$1.1 million over appropriated and the reclamation and development fund is \$300,000 over appropriated. This situation will require agencies to manage cash flow to meet obligations.

The following figure 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 potential changes associated with HB 116.

Related Funds	Resource Indemnity Funding								
	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 %
21 Centralized Services	\$ 4,689,924	\$ 1,387,979	\$ 174,995	\$ 6,252,898	5.55%
22 Oil & Gas Conservation Div.	-	4,760,866	-	4,760,866	4.23%
23 Conservation/Resource Dev Div	3,096,483	7,279,493	539,556	10,915,532	9.69%
24 Water Resources Division	14,619,908	12,299,106	398,457	27,317,471	24.25%
25 Reserved Water Rights Comp Com	1,360,967	-	-	1,360,967	1.21%
35 Forestry/Trust Lands	<u>29,029,126</u>	<u>30,427,169</u>	<u>2,571,616</u>	<u>62,027,911</u>	<u>55.07%</u>
Grand Total	<u>\$ 52,796,408</u>	<u>\$ 56,154,613</u>	<u>\$ 3,684,624</u>	<u>\$ 112,635,645</u>	100.00%

General fund supports operating costs across the department. The programs in the Forestry Division and the Reserved Water Rights Compact Commission receive the most general fund support. The agency receives funds from interest derived from the resource indemnity trust for projects and operational support. The grant and loan programs funded by the RIT interest are also managed by the agency. Other state special revenue is derived from fire protection taxes, oil and gas operating fees, forest improvement fees, and revenues retained from state land activities for administration costs. Federal funds come from a variety of sources such as the Federal Emergency Management Agency, the United States Department of Agriculture, and the Bureau of Land Management.

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	38.00	3.00	0.00	41.00	3.00	0.00	41.00	41.00
Personal Services	1,870,032	496,011	0	2,366,043	503,523	0	2,373,555	4,739,598
Operating Expenses	552,382	164,324	0	716,706	49,580	0	601,962	1,318,668
Equipment	0	125,000	0	125,000	45,000	0	45,000	170,000
Capital Outlay	0	10,000	0	10,000	10,000	0	10,000	20,000
Debt Service	2,316	0	0	2,316	0	0	2,316	4,632
Total Costs	\$2,424,730	\$795,335	\$0	\$3,220,065	\$608,103	\$0	\$3,032,833	\$6,252,898
General Fund	1,955,739	439,635	0	2,395,374	338,811	0	2,294,550	4,689,924
State/Other Special	388,359	336,337	0	724,696	274,924	0	663,283	1,387,979
Federal Special	80,632	19,363	0	99,995	(5,632)	0	75,000	174,995
Total Funds	\$2,424,730	\$795,335	\$0	\$3,220,065	\$608,103	\$0	\$3,032,833	\$6,252,898

Page Reference

Legislative Budget Analysis, C-152

Funding

The Centralized Services Division is funded primarily with general fund, a variety of resource based accounts such as revenue from timber sales and taxes on oil and gas wells, and federal indirect grant reimbursements. 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 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					385,310					392,987
Vacancy Savings					(90,215)					(90,521)
Inflation/Deflation					3,947					5,091
Fixed Costs					91,447					(12,478)
Total Statewide Present Law Adjustments					\$390,489					\$295,079
DP 2101 - GIS Enterprise Project IT	2.00	0	195,164	0	195,164	2.00	0	180,263	0	180,263
DP 2102 - CSD Operating Adjustment	1.00	0	104,758	0	104,758	1.00	0	107,839	0	107,839
DP 2104 - GIS Enterprise Equipment IT OTO	0.00	105,000	0	0	105,000	0.00	25,000	0	0	25,000
DP 6015 - State Motor Pool Rate Change	0.00	(65)	(6)	(5)	(76)	0.00	(65)	(13)	0	(78)
Total Other Present Law Adjustments	3.00	\$104,935	\$299,916	(\$5)	\$404,846	3.00	\$24,935	\$288,089	\$0	\$313,024
Grand Total All Present Law Adjustments					\$795,335					\$608,103

DP 2101 - GIS Enterprise Project IT - The bill includes 2.00 FTE and state special revenue authority to implement an enterprise geographical information system to provide an organization-wide approach that facilitates the integration, implementation, operation, and management of tabular and spatial information. This would assist in streamlining work processes, allowing integration of data and systems, improving accessibility and data management, reducing duplication of efforts and costs (hardware, software and personnel), providing rapid automated updating, and improving access to data for decision-making.

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: Currently the department creates and maintains most of its spatial data at a local, bureau or division level with little to no emphasis on an agency-wide (enterprise) approach. This has led to overlap and incompatibility of datasets along with other inefficiencies. The implementation of an enterprise GIS will provide an organization-wide approach that facilitates the integration, implementation, operation, and management of tabular and spatial information.

Goal: Implement an enterprise GIS system for DNRC to provide an organization-wide approach that facilitates the integration, implementation, operation and management of tabular and spatial information.

Performance Criteria: DNRC will work with ITSD to develop the GIS infrastructure that meets the needs of the agency and other agencies. A project plan will be developed with specific goals and tasks and progress measured against that plan. Technical requirements will be developed using agency GIS specialists working with an agency GIS coordinator.

Milestones: Work has already begun on planning the GIS Enterprise infrastructure. A team of IT staff and GIS staff from ITSD and DNRC are working on a plan for hardware and software to support GIS within the Water Resources Division of DNRC. Expanding this system to incorporate other divisions of DNRC would begin in the first quarter of FY 2008. A detailed implementation plan will be developed in conjunction with funding of this DP and will stage expansion of the infrastructure to include all divisions of DNRC. Key to this development is funding for a GIS coordinator in the IT Bureau and a GIS Analyst in the Forest Management Bureau of TLMD.

FTE: Work on this project will be done by the GIS Coordinator and GIS specialists. (A modified position was created for the GIS coordinator position in FY 2007 to complete critical assessment and planning measures.) Coordination will be provided by a project manager in ITSD and the IT Bureau Chief in DNRC. They will coordinate with ITSD staff on deployment of the hardware and software in the ITSD data center.

Funding: Funding is comprised of \$195,164 from state special revenue in FY 2008 and \$180,263 in FY 2009

Obstacles: Cooperation within the agency in accomplishing the goal of an Enterprise GIS system is critical. The project will need widespread agency support, proper training for staff supporting the systems and development of technology partnerships to succeed. This project has already received endorsement by GIS staff at all levels of DNRC and from GIS staff in other agencies. The project will require strong leadership, cooperation and adequate funding for hardware, software and training to succeed.

Risk: For many years DNRC relied on a staff of cartographers to draw maps showing boundaries of state lands, water resources, forests, natural resources, conservation efforts and other visual representations of the work of DNRC staff. Those cartographers are being replaced by GIS specialists who convert the information in databases to visual representations on computers using GIS. This work is happening now on individual desktops and in numerous data models. Not developing an enterprise GIS infrastructure could lead to data loss, incompatibility of data, data duplication, difficulty in finding GIS data and inability to meet the business requirements of the department.

DP 2102 - CSD Operating Adjustment - This bill includes 1.00 FTE and state special revenue authority for increased operating costs. The FTE would be a network administrator to assist end-users, work on security and provide software training to employees. Operating adjustments are requested for replacement computers, IT training, rent and contracted services.

DP 2104 - GIS Enterprise Equipment IT OTO - This bill includes one-time only general fund authority to fund the infrastructure for a GIS enterprise project. The infrastructure would include servers, server software, geodata storage, and connection of those systems to a proposed federated GIS system for the State of Montana. The proposal calls for a tiered approach with an initial hardware and software purchase in FY 2008 and expansion of that system in FY2009 to meet anticipated growth in the system during development.

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	20.50	0.00	1.00	21.50	0.00	1.00	21.50	21.50	
Personal Services	917,514	260,923	37,669	1,216,106	278,099	37,696	1,233,309	2,449,415	
Operating Expenses	376,782	447,286	272,500	1,096,568	448,911	272,500	1,098,193	2,194,761	
Equipment	48,345	5,000	0	53,345	5,000	0	53,345	106,690	
Grants	0	0	5,000	5,000	0	5,000	5,000	10,000	
Total Costs	\$1,342,641	\$713,209	\$315,169	\$2,371,019	\$732,010	\$315,196	\$2,389,847	\$4,760,866	
State/Other Special	1,256,978	798,872	315,169	2,371,019	817,673	315,196	2,389,847	4,760,866	
Federal Special	85,663	(85,663)	0	0	(85,663)	0	0	0	
Total Funds	\$1,342,641	\$713,209	\$315,169	\$2,371,019	\$732,010	\$315,196	\$2,389,847	\$4,760,866	

Page Reference

Legislative Budget Analysis, C-158

Funding

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 is authorized by statute (82-11-131, MCA) to set privilege and license taxes 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 \$300. 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 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				262,470					264,653	
Vacancy Savings				(47,197)					(47,287)	
Inflation/Deflation				2,797					3,159	
Fixed Costs				10,761					11,749	
Total Statewide Present Law Adjustments				\$228,831					\$232,274	
DP 2201 - O&G Regulatory Operating Adjustment	0.00	0	413,241	0	413,241	0.00	0	422,249	0	422,249
DP 2202 - Underground Injection Control (UIC) Operating Adj.	0.00	0	71,158	0	71,158	0.00	0	77,509	0	77,509
DP 6015 - State Motor Pool Rate Change	0.00	0	(21)	0	(21)	0.00	0	(22)	0	(22)
Total Other Present Law Adjustments	0.00	\$0	\$484,378	\$0	\$484,378	0.00	\$0	\$499,736	\$0	\$499,736
Grand Total All Present Law Adjustments				\$713,209					\$732,010	

DP 2201 - O&G Regulatory Operating Adjustment - The bill includes a base adjustment of state special revenue authority to restore the base budget authority for coal bed methane contracted studies not performed because of litigation. The remainder is attributable to board per diem, increases to contracted legal services, exempt staff pay, janitorial services, and rent.

DP 2202 - Underground Injection Control (UIC) Operating Adj. - The bill includes state special revenue of authority to restore board per diem, annualize contract budgets for the board attorney, agency legal services, janitorial and database services, fund exempt staff pay increases and increased travel, as well as cover other increased operating expenses.

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 2203 - O&G Public Assess Data System IT (OTO)	22	1.00	0	212,669	0	212,669	1.00	0	212,696	0	212,696
DP 2204 - O&G Education & Outreach (BIEN)	22	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
DP 2205 - O&G North American Prospect Exposition (BIEN/OTO)	22	0.00	0	7,500	0	7,500	0.00	0	7,500	0	7,500
DP 2208 - Temporary Relocation Costs (RST/OTO/BIEN)	22	0.00	0	32,500	0	32,500	0.00	0	32,500	0	32,500
Total	1.00	\$0	\$315,169	\$0	\$315,169	1.00	\$0	\$315,196	\$0	\$315,196	

DP 2203 - O&G Public Assess Data System IT (OTO) - This bill provides a one-time only appropriation for 1.00 FTE and special revenue authority to continue the historical records acquisition project started in the 2005 biennium. The appropriation is contingent on the program providing an annual progress report to the Environmental Quality Council. The project involves the scanning and microfilming of historical records and making them available for Internet or other public accessibility.

DP 2204 - O&G Education & Outreach (BIEN) - The bill includes a biennial appropriation of state special revenue to allow the division to contract with Montana Tech to provide summer petroleum workshops for teachers and to provide matching scholarship funds for an essay contest arising out of those workshops.

DP 2205 - O&G North American Prospect Exposition (BIEN/OTO) - The bill includes a biennial one-time only appropriation to provide funding for staff and board members to sponsor an information booth at the annual North American Prospect Expedition (NAPE) in Houston. Funding will provide travel, meals, lodging, registration, booth rental, and conference room costs.

DP 2208 - Temporary Relocation Costs (RST/OTO/BIEN) - The bill includes a one-time only biennial request for state special revenue of \$65,000 for temporary office space for the Billings staff and relocation costs. The current space is scheduled for remodeling to handle increased participation in oil and gas hearings.

Language

"O&G Public Assess Data System funding in fiscal year 2009 is contingent upon provision of an annual report to the environmental quality council by September 2008 detailing progress on the access project.

The department is authorized to decrease state special revenue money in the underground injection control program and increase federal special money by a like amount when the amount of federal environmental protection agency 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 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	24.50	0.00	1.00	25.50	0.00	1.00	25.50	25.50
Personal Services	1,264,390	225,843	66,583	1,556,816	229,125	66,630	1,560,145	3,116,961
Operating Expenses	1,331,953	293,092	423,917	2,048,962	302,182	423,870	2,058,005	4,106,967
Equipment	54,996	0	0	54,996	0	0	54,996	109,992
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	0	200,000	0	200,000	200,000	0	200,000	400,000
Grants	1,199,806	391,000	0	1,590,806	391,000	0	1,590,806	3,181,612
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$3,851,145	\$1,109,935	\$490,500	\$5,451,580	\$1,122,307	\$490,500	\$5,463,952	\$10,915,532
General Fund	1,299,129	146,594	101,500	1,547,223	148,631	101,500	1,549,260	3,096,483
State/Other Special	2,305,218	944,191	389,000	3,638,409	946,866	389,000	3,641,084	7,279,493
Federal Special	246,798	19,150	0	265,948	26,810	0	273,608	539,556
Total Funds	\$3,851,145	\$1,109,935	\$490,500	\$5,451,580	\$1,122,307	\$490,500	\$5,463,952	\$10,915,532

Page Reference

Legislative Budget Analysis, C-161

Funding

This program is primarily funded with general fund, resource indemnity trust (RIT) accounts, and coal severance taxes.

RIT funding is used to administer the Reclamation and 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 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				287,937					291,356	
Vacancy Savings				(62,094)					(62,231)	
Inflation/Deflation				4,867					5,710	
Fixed Costs				10,490					10,746	
Total Statewide Present Law Adjustments				\$241,200					\$245,581	
DP 2301 - CARDD Operating Adjustment	0.00	23,000	82,000	10,000	115,000	0.00	23,000	86,000	14,000	123,000
DP 2302 - Drinking Water Loan Program Assistance	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 2306 - Regional Water Systems	0.00	0	114,000	0	114,000	0.00	0	114,000	0	114,000
DP 2307 - Yellowstone River Council	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 2312 - Watershed Grants	0.00	0	91,000	0	91,000	0.00	0	91,000	0	91,000
DP 2335 - Grass Commission	0.00	9,000	0	0	9,000	0.00	9,000	0	0	9,000
DP 2336 - Purchase of Prior Liens (Rst/Bien/OTO)	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 6015 - State Motor Pool Rate Adj	0.00	0	(265)	0	(265)	0.00	0	(274)	0	(274)
Total Other Present Law Adjustments				\$868,735	0.00	\$32,000	\$830,726	\$14,000	\$876,726	
Grand Total All Present Law Adjustments				\$1,109,935					\$1,122,307	

DP 2301 - CARDD Operating Adjustment - The bill includes \$115,000 in FY 2008 and \$123,000 in FY 2009 of general, state special, and federal revenue authority to restore the base budget due to open positions, the continuation of the St. Mary's Project and work group, increased rent, contracted services, and operating costs. The general fund would be used for operating expenses in the Conservation District Bureau.

DP 2302 - Drinking Water Loan Program Assistance - The bill includes \$200,000 of state special revenue each year of the 2009 biennium to match federal authority for hardship communities in the Safe Drinking Water program. This would allow the state to provide assistance to disadvantaged communities who borrow from the program. The funding is from the interest derived from the investments of the revolving fund.

DP 2306 - Regional Water Systems - The bill includes an increase in base authority for the continued development of Dry Prairie, Dry Red Water, Central Montana, and the North Central Regional Water System. These systems will facilitate the construction of regional water systems for small communities. This would provide resources to maintain local support, work toward securing federal assistance, and negotiate needed agreements to work on engineering and environmental planning for the various systems.

DP 2307 - Yellowstone River Council - Thirteen conservation districts have joined together to coordinate comprehensive resource management issues on the Yellowstone River. This bill includes an increase in state special revenue of \$40,000 per year to pay for Yellowstone River Council expenses.

DP 2312 - Watershed Grants - The bill includes \$91,000 each year of the biennium for the watershed planning and assistance grant (WPAG) program. The program assists conservation districts and affiliated local watershed groups with

expenses associated with watershed planning. Grants can be used for the collection of baseline resource information, facilitators, development of a watershed management plan, training, educational efforts, and incidental costs associated with watershed planning.

DP 2335 - Grass Commission - The bill includes a \$9,000 per year increase to the grass commission.

DP 2336 - Purchase of Prior Liens (Rst/Bien/OTO) - The bill includes restricted, biennial, one-time only funding for the purchase of prior liens on projects financed through the renewable resources loan program.

DP 6015 - State Motor Pool Rate Adj - 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 2308 - Missouri River Council	23	0.00	0	114,000	0	114,000	0.00	0	114,000	0	114,000
DP 2314 - Conservation Dist Operating-Coal Bed Methane RST	23	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 2315 - State Grants & Restoration	23	1.00	0	175,000	0	175,000	1.00	0	175,000	0	175,000
DP 2350 - Montana Rural Water Systems (Rst/Bien/OTO)	23	0.00	101,500	0	0	101,500	0.00	101,500	0	0	101,500
Total	1.00	\$101,500	\$389,000	\$0	\$490,500	1.00	\$101,500	\$389,000	\$0	\$490,500	

DP 2308 - Missouri River Council - The bill includes base authority to pay expenses related to the council’s work. Fifteen conservation districts have joined together to coordinate comprehensive resource management issues on the Missouri River.

DP 2314 - Conservation Dist Operating-Coal Bed Methane RST - The bill includes state special revenue to provide funding to the conservation districts to process landowner claims for the coal bed methane protection program. Funds would provide legal and technical assistance to evaluate landowner claims.

DP 2315 - State Grants & Restoration - The bill includes 1.00 FTE and \$75,000 in state special revenue each year of the biennium for a state restoration coordinator. The FTE will work with all natural resource agencies, MDOT, local government and the public to maximize investment in restoration, remediation and infrastructure projects. This package includes \$100,000 of one-time only funding for contracted services for the initial planning and data coordination efforts.

DP 2350 - Montana Rural Water Systems (Rst/Bien/OTO) - This bill includes \$203,000 general fund for the support of Montana Rural Water Systems (MRWS). MRWS provides assistance to small regional water systems meet requirements of the safe drinking water act and the state non-degradation rule. Due to changes in federal funding, MRWS may not receive funding from the US Environmental Protection Agency. This appropriation is condition that if federal funding does become available, the general fund is reduced by a like amount.

Language

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

Missouri River Council funding in fiscal year 2009 is contingent upon provision of an annual report to the environmental quality council by September 2008 regarding the council's progress towards their goals.

Conservation District Operating-Coal Bed Methane is restricted to the costs associated with managing the coal bed methane water damage program.

During the 2009 biennium, the department is appropriation up to \$1 million of state special revenue from the coal bed methane account to fund potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

During the 2009 biennium, if Montana Rural Water Systems receives federal funding, Montana Rural Water Systems is reduced by a like amount."

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	149.50	0.00	2.50	152.00	0.00	2.50	152.00	152.00
Personal Services	7,033,696	1,139,151	102,474	8,275,321	1,340,483	102,540	8,476,719	16,752,040
Operating Expenses	2,459,393	3,120,793	102,915	5,683,101	1,350,422	95,309	3,905,124	9,588,225
Equipment	13,188	17,858	0	31,046	(12,516)	0	672	31,718
Capital Outlay	3,000	0	0	3,000	0	0	3,000	6,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	371,731	98,013	0	469,744	98,013	0	469,744	939,488
Total Costs	\$9,881,008	\$4,375,815	\$205,389	\$14,462,212	\$2,776,402	\$197,849	\$12,855,259	\$27,317,471
General Fund	6,271,348	769,690	139,629	7,180,667	1,035,565	132,328	7,439,241	14,619,908
State/Other Special	3,523,534	3,493,083	65,760	7,082,377	1,627,674	65,521	5,216,729	12,299,106
Federal Special	86,126	113,042	0	199,168	113,163	0	199,289	398,457
Total Funds	\$9,881,008	\$4,375,815	\$205,389	\$14,462,212	\$2,776,402	\$197,849	\$12,855,259	\$27,317,471

Page Reference

Legislative Budget Analysis, C-168

Funding

The Water Resource Division is predominantly funded with general fund, state special revenue, 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 Fees from water well contractors that support the Board of Water Well Contractors

General fund is utilized for personal services, general operating costs, and specific activities such as preparing for water litigation and map modernization. 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 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					1,475,107					1,501,111
Vacancy Savings					(340,356)					(341,388)
Inflation/Deflation					64,567					67,881
Fixed Costs					84,875					104,373
Total Statewide Present Law Adjustments					\$1,284,193					\$1,331,977
DP 2401 - Water Resources Operating Adjustment IT	0.00	86,538	142,700	13,500	242,738	0.00	67,005	142,427	13,500	222,932
DP 2402 - State Water Projects Rehabilitation (BIE/OTO)	0.00	0	1,895,000	0	1,895,000	0.00	0	25,000	0	25,000
DP 2404 - Community Assistance Program (CAP) Federal	0.00	0	0	85,000	85,000	0.00	0	0	85,000	85,000
DP 2408 - Flathead Basin Commission Operating Adjustment IT	0.00	50,000	11,800	0	61,800	0.00	50,000	8,000	0	58,000
DP 2409 - BWWC Operating Adjustment	0.00	0	26,500	0	26,500	0.00	0	26,500	0	26,500
DP 2430 - Broadwater Hydropower Equipment (Rst/Bien/OTO)	0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
DP 2431 - Broadwater-Missouri Diversion (Rst/Bien/OTO)	0.00	0	35,000	0	35,000	0.00	0	35,000	0	35,000
DP 2432 - Repair of State Water Projects (Rst/Bien/OTO)	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 2433 - RWRCC Implementation Staff	0.00	0	0	0	0	0.00	246,550	0	0	246,550
DP 6015 - State Motor Pool Rate Change	0.00	(4,416)	0	0	(4,416)	0.00	(4,557)	0	0	(4,557)
Total Other Present Law Adjustments	0.00	\$132,122	\$2,861,000	\$98,500	\$3,091,622	0.00	\$358,998	\$986,927	\$98,500	\$1,444,425
Grand Total All Present Law Adjustments					\$4,375,815					\$2,776,402

DP 2401 - Water Resources Operating Adjustment IT - This bill includes an increase to restore base operating expenses. The bill includes overtime at the Broadwater hydropower facility, increased contracted services for water right files and adjudication, the stream gauging program, regional and water right adjudication program rent, operating costs associated with the St. Mary's hydrologist position that was not filled until January 2006, and debt service for repayment of a federal loan for rehabilitation on the Middle Creek Dam.

DP 2402 - State Water Projects Rehabilitation (BIE/OTO) - This bill includes a one-time only biennial appropriation of \$1.9 million for the following:

- o \$1.1 million for design and construction documents for Ackley Lake Dam
- o \$75,000 for engineering evaluation for modification of Cataract Dam
- o \$75,000 for engineering consultation for design of outlet modifications and seepage control measures at Deadman’s Basin Dam
- o \$620,000 for replacement of the east fork siphon on Flint Creek
- o \$50,000 to obtain survey work on an as needed basis

DP 2404 - Community Assistance Program (CAP) Federal - The bill includes federal special revenue to continue local flood plain management programs funded through FEMA. The primary purpose of the grant is to reduce the damage claims to the National Flood Insurance program through education and training.

DP 2408 - Flathead Basin Commission Operating Adjustment IT - This bill includes a biennial increase of \$19,800 for the Flathead Basin Commission’s operational budget and \$100,000 for one-time only water studies related to the development of coal mines in Canada.

DP 2409 - BWWC Operating Adjustment - The bill includes state special revenue authority for the Board of Water Well Contractors (BWWC) per diem, contracted legal services, and other litigation costs, and for restoration of operating costs due to the board’s support position being vacant for six months of the base year.

DP 2430 - Broadwater Hydropower Equipment (Rst/Bien/OTO) - This bill includes restricted biennial one-time only funds for the purpose of replacing or repairing equipment at the Broadwater Dam.

DP 2431 - Broadwater-Missouri Diversion (Rst/Bien/OTO) - This bill includes restricted, biennial, one-time only funding for the purpose of repair, improvement or rehabilitation of the Broadwater-Missouri diversion.

DP 2432 - Repair of State Water Projects (Rst/Bien/OTO) - This bill includes restricted, biennial, one-time only funding for the repair, improvement or rehabilitation of state water projects.

DP 2433 - RWRCC Implementation Staff - This bill includes a transition plan for the RWRCC staff. This funding creates an implementation bureau in the last half of FY2009 with 5.00 FTE and related operating costs. A subsequent decrease is made in the RWRCC. (DP 2533)

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

Program	FTE	Fiscal 2008				Fiscal 2009					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2403 - Water Rights Records Optical Imaging-ITSD	24	1.00	0	117,961	0	117,961	1.00	0	117,978	0	117,978
DP 2405 - Yellowstone Compact Study and Hydrologist RST	24	1.00	119,602	0	0	119,602	1.00	113,794	0	0	113,794
DP 2406 - St. Mary Administrative Position	24	0.50	20,027	0	0	20,027	0.50	18,534	0	0	18,534
DP 2407 - Upper Clark Fork Steering Committee	24	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 2413 - DFWP Dam Engineer	24	0.00	0	(72,201)	0	(72,201)	0.00	0	(72,457)	0	(72,457)
Total	2.50	\$139,629	\$65,760	\$0	\$205,389	2.50	\$132,328	\$65,521	\$0	\$197,849	

DP 2403 - Water Rights Records Optical Imaging-ITSD - This bill includes 1.00 FTE and state special revenue authority to continue the conversion from microfilm to digital technology and utilization of document-scanning technology for water right records.

DP 2405 - Yellowstone Compact Study and Hydrologist RST - This bill includes 1.00 FTE and general fund authority to coordinate technical work associated with potential litigation of the Yellowstone River Compact. The position will also monitor surface water flow and precipitation and collect water samples for chemical analyses.

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: Provide any corresponding data that supports the activity. Protecting existing and future potential beneficial uses (agriculture, recreation, fisheries, drinking water) of water in the Yellowstone River basin, through securing Montana's water entitlements under the Yellowstone River Compact.

Goals:

- Quantify Montana's (and to the extent possible Wyoming's) pre-1950 and post-1950 water uses and entitlements (mainly irrigation and water storage) in Tongue and Powder River basins
- Monitor stream flow, precipitation and water quality
- Develop numerical models of surface and groundwater flows and water quality in the Tongue and Powder River
- To the extent possible, participate in joint water-use study with Wyoming State Engineers office
- Assist state Attorney General's office with development of technical basis for litigation with Wyoming to protect Montana's water

Performance Criteria:

- Technical analyses and project completion reports prepared on each task above
- Preparation of technical analyses in support of AG's office litigation
- Quarterly monitoring by Bureau Chief, Division Administrator and assistant Attorney General

Milestones: Specific milestones and target dates are contingent upon the degree of cooperation provided by Wyoming. If litigation before the U.S. Supreme Court is necessary, the duration of FTE would be about 10 years.

The joint water use study with Wyoming is contingent upon developing an acceptable joint study scope and would require about 2 years to complete (starting in July 2007 and ending in July 2009). Litigation might preclude completion of the study and unallocated funds would be used in support of litigation.

FTE: One hydrologist to be hired July 2007, no recruitment concerns.

Funding: General Fund

Obstacles: Depending upon the timing of litigation, information on Wyoming water uses may be difficult to obtain.

Risk: Lacking adequate resources significantly jeopardizes Montana's ability to effectively litigate with Wyoming. The division will attempt to re-allocate already limited staff resources to conduct technical studies in support of litigation with Wyoming if this package is not approved.

DP 2406 - St. Mary Administrative Position - This bill includes 0.50 FTE and general fund authority to provide administrative support for the St. Mary's rehabilitation project working group and staff.

DP 2407 - Upper Clark Fork Steering Committee - The bill includes \$40,000 of state special revenue authority for the biennium to fund the Upper Clark Fork River Basin Steering Committee. The requested funding would allow the steering committee to address its statutory mandates and to continue discussions with water users and policy makers on how the completion of adjudication will affect water management in Montana.

DP 2413 - DFWP Dam Engineer - This bill includes a reduction of state special revenue to eliminate general license funds from the DNRC budget. Services for dam safety and inspection will continue to occur, however, the Department of Fish, Wildlife and Parks will provide payment via an MOU with DNRC.

Language

“State Water Projects Rehabilitation is restricted to survey expenditures and rehabilitation of the following projects:

- (1) Ackley Lake dam
- (2) Cataract dam
- (3) Deadman's Basin dam
- (4) Flint Creek east fork siphon.

"If HB7 is passed and approved and includes funding for the Flathead basin commission (British Columbia - Montana action plan), then Flathead Basin Commission 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	9.00	(1.00)	0.00	8.00	(1.00)	0.00	8.00	8.00
Personal Services	586,759	(6,966)	0	579,793	(182,375)	0	404,384	984,177
Operating Expenses	118,640	6,300	97,500	222,440	(61,790)	97,500	154,350	376,790
Total Costs	\$705,399	(\$666)	\$97,500	\$802,233	(\$244,165)	\$97,500	\$558,734	\$1,360,967
General Fund	705,399	(666)	97,500	802,233	(244,165)	97,500	558,734	1,360,967
Total Funds	\$705,399	(\$666)	\$97,500	\$802,233	(\$244,165)	\$97,500	\$558,734	\$1,360,967

Page Reference

Legislative Budget Analysis, C-176

Funding

The commission is funded exclusively with general fund.

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					62,942					63,981
Vacancy Savings					(25,987)					(26,031)
Inflation/Deflation					1,288					1,534
Fixed Costs					144					703
Total Statewide Present Law Adjustments					\$38,387					\$40,187
DP 2502 - RWRCC Operating Adjustment	(1.00)	(38,988)	0	0	(38,988)	(1.00)	(37,735)	0	0	(37,735)
DP 2533 - RWRCC Transition Plan	0.00	0	0	0	0	0.00	(246,550)	0	0	(246,550)
DP 6015 - State Motor Pool Rate Change	0.00	(65)	0	0	(65)	0.00	(67)	0	0	(67)
Total Other Present Law Adjustments	(1.00)	(\$39,053)	\$0	\$0	(\$39,053)	(1.00)	(\$284,352)	\$0	\$0	(\$284,352)
Grand Total All Present Law Adjustments					(\$666)					(\$244,165)

DP 2502 - RWRCC Operating Adjustment - This bill includes a reduction of \$38,988 in FY 2008 and \$37,735 in FY 2009 which reflects the operational adjustments for commission per diem, rent, and removal of 1.00 FTE in anticipation of the commission sunset date of July 1, 2009.

DP 2533 - RWRCC Transition Plan - This bill includes a transition plan for the RWRCC staff. This decision package reduces the operations budget in the last half of FY2009 by 5.00 FTE and related operating costs. A subsequent increase (DP 2433) is made in the Water Resource Division to create an implementation bureau.

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 2501 - RWRCC Contracted Services OTO	25	0.00	97,500	0	0	97,500	0.00	97,500	0	0	97,500
Total		0.00	\$97,500	\$0	\$0	\$97,500	0.00	\$97,500	\$0	\$0	\$97,500

DP 2501 - RWRCC Contracted Services OTO - This bill includes a one-time only general fund of \$97,500 each year of the biennium to provide contract services for a fisheries biologist and engineer primarily to support negotiations with the Confederated Salish and Kootenai Tribe (CSKT).

Language

“The Reserved Water Rights Compact Commission fiscal year 2009 appropriation is contingent upon the delivery of a transition plan which addresses work load changes from negotiation to implementation of water compacts to the environmental quality council by June 30, 2008.”

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	289.87	1.50	1.00	292.37	1.50	1.00	292.37	292.37
Personal Services	13,755,072	1,381,885	51,462	15,188,419	1,438,784	51,496	15,245,352	30,433,771
Operating Expenses	5,787,272	1,034,675	953,675	7,775,622	1,056,891	1,231,500	8,075,663	15,851,285
Equipment	989,435	0	1,000,000	1,989,435	0	0	989,435	2,978,870
Capital Outlay	118,347	3,771	0	122,118	3,771	0	122,118	244,236
Grants	184,491	0	100,000	284,491	0	100,000	284,491	568,982
Transfers	809,421	150,475	5,000,000	5,959,896	167,930	5,000,000	5,977,351	11,937,247
Debt Service	6,760	0	0	6,760	0	0	6,760	13,520
Total Costs	\$21,650,798	\$2,570,806	\$7,105,137	\$31,326,741	\$2,667,376	\$6,382,996	\$30,701,170	\$62,027,911
General Fund	7,908,910	834,265	6,250,000	14,993,175	877,041	5,250,000	14,035,951	29,029,126
State/Other Special	12,530,277	1,563,039	955,137	15,048,453	1,615,443	1,232,996	15,378,716	30,427,169
Federal Special	1,211,611	173,502	(100,000)	1,285,113	174,892	(100,000)	1,286,503	2,571,616
Expendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$21,650,798	\$2,570,806	\$7,105,137	\$31,326,741	\$2,667,376	\$6,382,996	\$30,701,170	\$62,027,911

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Funding

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 support comes from forest improvement fees and forest protection fees. Forest improvement fees consist of \$25 for each slash hazard reduction agreement, and \$.060 per thousand board feet sold, plus any forfeited fire hazard reduction bonds. Fees are established when timber sales are approved based upon the state’s projected costs of slash disposal, road maintenance, and reforestation.

The department is also required to collect up to one-third of the state’s fire protection appropriation from private landowners through a forest protection fee. The other two-thirds are funded with general fund. 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 expenditure 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 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					1,937,027					1,996,228
Vacancy Savings					(627,676)					(630,049)
Inflation/Deflation					128,603					141,859
Fixed Costs					23,588					22,378
Total Statewide Present Law Adjustments					\$1,461,542					\$1,530,416
DP 3505 - Inmate Fire Suppression Crews (Requires Legislation)	0.50	20,508	10,564	0	31,072	0.50	20,532	10,577	0	31,109
DP 3506 - Forestry Operating Adjustment (Requires Legislation)	0.00	152,103	70,372	0	222,475	0.00	163,624	76,306	0	239,930
DP 3507 - Interagency Fire Support (Requires Legislation)	0.00	65,655	33,823	0	99,478	0.00	68,295	35,183	0	103,478
DP 3515 - Forestry Operating Base-Technical Adjustment	0.00	218,637	0	0	218,637	0.00	218,637	0	0	218,637
DP 3531 - Land Bank Reauthorization (BIE) (Requires Legislation)	0.00	0	122,000	0	122,000	0.00	0	122,000	0	122,000
DP 3534 - Access Acquisition BIEN	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 3536 - Trust Land Management Operating Adjustment	1.00	0	69,207	0	69,207	1.00	0	75,701	0	75,701
DP 3537 - Weed Management Projects	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 3545 - Historic Rights-of-Way Addition	0.00	0	15,000	0	15,000	0.00	0	15,000	0	15,000
DP 3556 - Federal Forestry Operating Adjustment	0.00	0	0	214,499	214,499	0.00	0	0	214,465	214,465
DP 6015 - State Motor Pool Rate Change	0.00	(1,683)	(6,421)	0	(8,104)	0.00	(1,736)	(6,624)	0	(8,360)
Total Other Present Law Adjustments	1.50	\$455,220	\$439,545	\$214,499	\$1,109,264	1.50	\$469,352	\$453,143	\$214,465	\$1,136,960
Grand Total All Present Law Adjustments					\$2,570,806					\$2,667,376

DP 3505 - Inmate Fire Suppression Crews (Requires Legislation) - The bill includes 0.50 FTE and approximately \$20,500 general fund and \$10,500 state special revenue each year of the 2009 biennium for a supervisor for a 10-person prison hand crew from the Department of Correction's work release program. This request is contingent on passage of and approval of a bill including an increase in the fire protection fee

DP 3506 - Forestry Operating Adjustment (Requires Legislation) - The bill includes an increase in base authority for increased rent and janitorial costs of the division’s regional offices to be covered with state special revenue authority. Federal authority is requested to provide for increased training and maintenance associated with federal assist fires and development costs for wildland engines. The general fund would be transferred to the air operations proprietary account for salaries, rent, and aircraft insurance to cover air operations fixed costs. This request is contingent on passage of a bill authorizing an increase in the fire protection fee.

DP 3507 - Interagency Fire Support (Requires Legislation) - The bill includes general fund and state special revenue to support interagency fire costs within the Northern Rockies region. This includes an increase for the department’s contract for fire protection services on state and private lands within the Flathead Indian Reservation and an increase in shared support costs associated with the Northern Rockies Coordinating Group (NRCG) for which DNRC is a partner. This request is contingent on passage and approval of a bill including an increase in the fire protection fee.

DP 3515 - Forestry Operating Base-Technical Adjustment - The bill includes a technical adjustment to correct an error in the fire suppression budget. An error in a budget adjustment caused the Forestry Division base budget a general fund reduction of \$218,637.

DP 3531 - Land Bank Reauthorization (BIE) (Requires Legislation) - The bill provides biennial state special revenue authority to defray the costs associated with preparing the sale of state land pursuant to land banking. This includes appraisals, cultural surveys, land surveys, advertising, realtor fees, and closing costs. This request is contingent on passage and approval of SB 131.

DP 3534 - Access Acquisition BIEN - The bill includes biennial state special revenue authority for purchasing access to forested state trust lands. Access to isolated trust lands has become a priority for the department and also increases the value of the land. Access is needed for timber harvest, forest improvement activities, land exchanges, recreational use by the public, and fire hazard reduction and suppression.

DP 3536 - Trust Land Management Operating Adjustment - This bill includes 1.00 FTE and a base adjustment for the Trust Land Management Division requests due to increased rent costs in the Helena, Bozeman, Conrad, Dillon, Lewistown, Glasgow, and Havre offices. The additional FTE is to be located in at the Northwest, Southwest and Central Land Office as a seasonal aggregate FTE for increase forest improvement workload, including burning and tree planting.

DP 3537 - Weed Management Projects - The bill includes state special revenue for contracted services for weed control, and to purchase herbicides, fund cooperative grant projects, and support bio-control efforts in order to complete additional weed control projects.

DP 3545 - Historic Rights-of-Way Addition - The bill includes an increase for contracted services associated with processing the Historic Rights-of-Way applications.

DP 3556 - Federal Forestry Operating Adjustment - This bill provides federal authority for increased training and maintenance associated with federal assist fires and development costs for wildland engines.

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

Program	FTE	Fiscal 2008				Fiscal 2009					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 3502 - Urban Forestry Funding Change	35	0.00	0	100,000	(100,000)	0	0.00	0	100,000	(100,000)	0
DP 3503 - Fire Fighting Equipment -(Rst/Bien/OTO)	35	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 3504 - On-Going General Fund Support for Fire Fighting	35	0.00	5,000,000	0	0	5,000,000	0.00	5,000,000	0	0	5,000,000
DP 3530 - NELO Land Use Specialist	35	1.00	0	55,137	0	55,137	1.00	0	52,996	0	52,996
DP 3535 - Land Exchange Reimbursement	35	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 3542 - Reliance Refinery Remediation (BIE/OTO)	35	0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
DP 3549 - Woody Biomass Utilization Program - OTO	35	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 3550 - Contract Timber Harvesting	35	0.00	0	0	0	0	0.00	0	280,000	0	280,000
Total	1.00	\$6,250,000	\$955,137	(\$100,000)	\$7,105,137	1.00	\$5,250,000	\$1,232,996	(\$100,000)	\$6,382,996	

DP 3502 - Urban Forestry Funding Change - The bill includes a funding switch to replace \$100,000 of federal special revenue with state special revenue to fund the 2.00 FTE and operating costs for the Urban Forestry Program. The remaining federal authority would be utilized to support the grant opportunities for cities and towns.

DP 3503 - Fire Fighting Equipment -(Rst/Bien/OTO) - The bill provides a \$1.0 million one-time only general fund appropriation for the Forestry Division to purchase fire fighting equipment. The priority use of this appropriation is to purchase the title to the department helicopters from the US Forest Service.

DP 3504 - On-Going General Fund Support for Fire Fighting - This bill includes an annual appropriation of \$5.0 million to support the cost of wildfire suppression in Montana. This appropriation is contingent on the passage and approval of HB 66.

DP 3530 - NELO Land Use Specialist - This bill provides state special revenue authority and 1.00 FTE for the minerals management program. This individual would coordinate and review oil and gas lease sale nominations for pre-leasing stipulations, issue seismic permits for exploration, analysis and review oil and gas developments, resolve conflicts between surface and subsurface state land uses, and monitor current lessees for oil and gas compliance.

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: Due to the surge in oil and natural gas prices, the exploration and development of the state land mineral estate has increased dramatically. Over the past five years the mineral management workload has significantly increased which warrants the FTE. Extensive oil and gas leasing has occurred in large blocks of state ownership that will require coordination of state surface and subsurface use. Due to large blocks of ownership, ancillary infrastructures required to support minerals development will be a significant component. This trend of increased workload is being witnessed in other areas/units across the state. The position will be made available to other areas/units on a case-by-case basis to assist with workload issues and increase trust revenues.

Goal: The purpose of this proposal is to develop state minerals for the state trust land beneficiaries while maintaining the long-term productivity of the land for surface uses.

Performance Criteria: This position would report to the Glasgow unit manager, who would be charged with monitoring the accomplishment of mineral program objectives. Oil and gas lease exploration and development activities are accounted on a quarterly basis by the Minerals Management Bureau. The workload associated with this FTE request has already occurred and is expected to increase as a result of recent increase in lease sale activity. .

Milestones: Quarterly oil and gas lease sales, annual oil and gas revenue amounts.

FTE: FTE will be hired by July 1, 2007. It may be difficult to compete with salary levels paid by private oil and gas companies.

Funding: Trust Land Administration Fund

Obstacles: None

Risk: The risk of not securing an FTE for oil and gas development will be the loss of revenue due to delays in the processing of exploration and development permits and potential environmental degradation due to lack of proper project analysis and lease compliance monitoring.

DP 3535 - Land Exchange Reimbursement - The bill provides state special revenue to enable DNRC to collect anticipated land exchange costs from the applicant, hire and pay the contractors (surveyors, appraisers, etc.), and reimburse the applicant for any unspent monies. Currently, land exchange applicants pay these costs directly to contractors.

DP 3542 - Reliance Refinery Remediation (BIE/OTO) - This bill includes \$1.0 million of state special revenue authority for the state's share of anticipated site remediation costs at the Reliance Refinery superfund site located in Kalispell, Montana. Per the settlement agreement, the state is responsible for 27.5 percent of invoiced costs after January 1, 2005.

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: Reliance Refinery is part of a state Superfund (CECRA) site under the regulatory authority of the Montana Department of Environmental Quality (DEQ). The department negotiated a consent decree with DEQ acknowledging the state's partial liability for site remediation and indemnifying the state from cross-claim litigation from other potentially liable parties. That consent decree was approved by the Montana First Judicial District Court. It requires the State of Montana to fund the state's proportionate share of the costs of site remediation. The share was established at 27.5 percent.

Goals: The primary goal is remediation of the site as required by CECRA. The secondary goal, relative to the state's ownership, is returning the state land to an appropriate productive use.

Performance Criteria: DEQ will evaluate the alternative remediation methods, select the remediation option that optimally meets the goals and objectives for remediation under CECRA, and produce a record of decision (ROD). This in turn provides the basis upon which to prepare a detailed site remediation plan, and solicit bid proposals for the selected remediation plan. Progress is dependent on DEQ's ability to complete these tasks, either on their own or in conjunction with potentially liable parties.

Milestones: DEQ estimates these project tasks will be complete or nearly complete by the end of FY 2009.

FTE: The work will be performed by DEQ and their contractors.

Funding: DEQ invoices liable parties for their costs, unless same are covered by other direct sources of funding. The department's settlement agreement with DEQ resulted in a negotiated settlement of \$126,890 for the State's share of costs invoiced through December 31, 2004. The department has already paid \$50,000 of this obligation.

Obstacles: As the regulator of state Superfund sites under CECRA, DEQ faces the technical challenge of selecting a final remediation alternative. The consent decree entered into between the department and DEQ resolves the state's share of liability. One other potentially liable party entered into a consent decree with DEQ. Other potentially liable parties have not settled, and litigation between liable parties and DEQ is ongoing.

Risk: The State of Montana is obligated to cover its share of costs associated with remediation of this CECRA site. If the state fails to meet that obligation, the DEQ, as regulator of the CECRA program, could seek to void the court-approved settlement agreement with DNRC. The state would ultimately still be responsible for its share of site remediation, but would also incur the cost of defending itself in further litigation, including cross-claims for liability brought against the state by other potentially liable parties. Any delay in DEQ's ability to proceed with the steps required for site remediation obviously delays the completion of that remediation. DEQ, pursuant to its CECRA authority, considers the site to pose a threat to the public health, safety, and welfare and to the environment.

DP 3549 - Woody Biomass Utilization Program - OTO - The bill provides a one-time-only general fund appropriation to continue and enhance the Woody Biomass Utilization Program, also referred to as Fuels for Schools program. The program facilitates and promotes the beneficial use of woody biomass "waste" from forest treatments.

DP 3550 - Contract Timber Harvesting - This bill includes state special revenue funding to implement the contract timber harvesting program as authorized in SB 25.

Language

"Fire Fighting Equipment is restricted to the purchase of title to the department's helicopters. If the purchase is less than one million dollars, the department may use the balance of the appropriation for the purchase of equipment for the county cooperative program.

If a bill containing increases to the forest protection fee is not passed and approved, Forestry Division is decreased by 0.5 FTE and \$238,266 in general fund money and by \$114,759 in state special revenue in fiscal year 2008 and by \$252,415 in general fund money and by \$122,066 in state special revenue in fiscal year 2009.

If Senate Bill No. 131 is not passed and approved, Forestry Division is decreased by \$122,000 in state special revenue in fiscal year 2008 and by \$122,000 in fiscal year 2009.

If House Bill No. 66 is not passed and approved, Forestry and Trust Lands is decreased by \$5.0 million general fund in fiscal year 2008 and by \$5.0 million general fund in fiscal year 2009."

Proprietary Rates

Proprietary Program Description

Air Operations Program

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 for the use of the aircraft and general fund and fire protection tax revenue for fixed costs. The program operates six medium helicopters, one light helicopter, 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 the Fire Protection Tax revenues since they must be paid regardless of the 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 DNRC, other state agencies, federal agencies and the state's wildfire suppression efforts. This revenue is also deposited in the proprietary account.

Proprietary Revenues and Expenses

The primary source of revenue is in the collection of aircraft rental charges. Additional transfer-in revenue is received from HB 805 transfers of fixed costs (FTE, insurance & rent) from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist our federal partners (U.S. Forest Service) with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state land managers for the DNRC. This involves initial attack of fires under state direct protection and federal and state agencies. Historic and projected trends are dependent on length and severity of the fire season.

The cost drivers for the aircraft rates are to try and recover 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. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs of major cost drivers. In FY 2006, non-typical expenditures were incurred in the building of a new helicopter (\$200,000).

Charges for services do not support any FTE for the aviation section. All FTE (12.26) are supported by the general fund and fire protection tax transfers-in.

Proprietary Rate Explanation

The reimbursement rates for the operation of the department aircraft are based on the time life of 5,000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5,000 hours, all parts should have been replaced and a new maintenance / operation cycle started.

Specific services

The section provides aircraft services and charges for reimbursement by hours and tenths of hours at the following rates

\$1,075.00	Bell UH-1/H Helicopters
\$475.00	Jet Ranger Helicopter
\$150.00	Cessna 180 Series Aircraft

Proprietary Program Description

Tree Nursery

The Montana Conservation Seedling Nursery produces and distributes seedlings for conservation plantings including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, and stream stabilization, as well as other conservation uses. The program mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of one million seedlings annually on 110 acres of state land and in 9,000 square feet of greenhouse space. Sixty-seven plant species are currently in production. Eight hundred ninety-five landowners purchased seedlings in FY 2006. The nursery program is funded solely from the nursery proprietary account. No general fund or federal dollars are used in the program.

Proprietary Revenues and Expenses

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and the sale of products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, the Conservation Reserve Program (CRP), tribal agencies, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two- to three-year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement, or for unforeseen expenses such as weather-related crop losses. Since the nursery is funded primarily by seedling sales, personal services, operating and capital equipment costs are included when setting prices.

Proprietary Rate Explanation

The price of each seedling type is set at the end of the previous fiscal year. Prices are based on the actual production costs for each seedling type. The variables involved in seedling production include seedling stock type (bare root vs. container), seed cost, propagation difficulty, cull rates, seedling age class, quantity produced, equipment costs, labor costs, and overhead charges. Given these variables, each of the 125-plus seedling types can have a different price, and the price must be adjusted annually to account for changes in fixed and variable costs.