

# The Legislative Fiscal Division

Presents:

Profile of...

## Dept. Nat. Resource/Conservation

State of Montana



Agency Profile

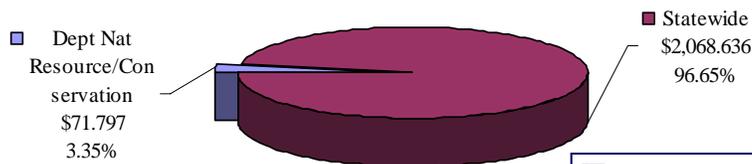
This agency profile will discuss...

- structure and funding
- primary functions and
- historical expenditures

The profile also includes information on how decisionmakers can effect change in the agency's expenditures along with a listing of pertinent statistics. For an explanation of terms used in this profile, consult the "Background on the Agency Profiles" at: <http://leg.mt.gov/css/fiscal/default.asp>

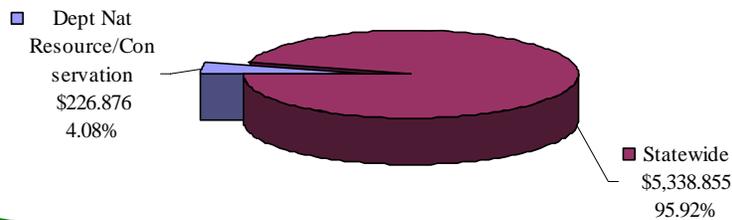
Oct. 2008

### General Fund Statewide Comparison FY 2008 (In Millions)



Let's begin by putting the agency's size in perspective by comparing it to state government as a whole.

### Total Funds Statewide Comparison FY 2008 (In Millions)



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Section C  
Natural Resources & Transportation



## What the Agency Does

The department is responsible for managing state trust land, protecting Montana's natural resources from wildfire, promoting stewardship of state water, soil, forest, and rangeland resources, providing assistance to the conservation districts, providing natural resource conservation education, and providing support to the Reserved Water Rights Compact Commission and the Board of Oil and Gas Conservation.

The department also administers the State Board of Land Commissioners, composed of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State. This board exercises general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.

Total FTE: 545.37



## How Services Are Provided

The department consists of seven divisions with the following functions:

- **The Centralized Services Division** provides managerial and administrative support services to the entire department with 41.0 FTE. This support includes legal, public information, all financial activities, information systems, and procurement. The division also performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and mail. Responsibilities also include trust, loan, and bond revenue collection. The division is financed primarily with general fund and overhead cost recovery charges to other divisions.



- **The Oil and Gas Conservation Division** administers activities through the quasi-judicial Board of Oil and Gas Conservation and the technical and administrative staff of the division. Their activities include issuing orders and deficiency reports, classifying wells, issuing drilling permits, and administering bonds to ensure proper plugging and surface reclamation. The division also handles the plugging of orphaned, abandoned, or problem wells and is empowered to levy civil and criminal fines. There are seven board members supported by 21.5 FTE. State special revenue generated from the gas privilege and license tax and the annual injection well fee support the division. The division is headquartered in Billings with an administrative office in Helena.

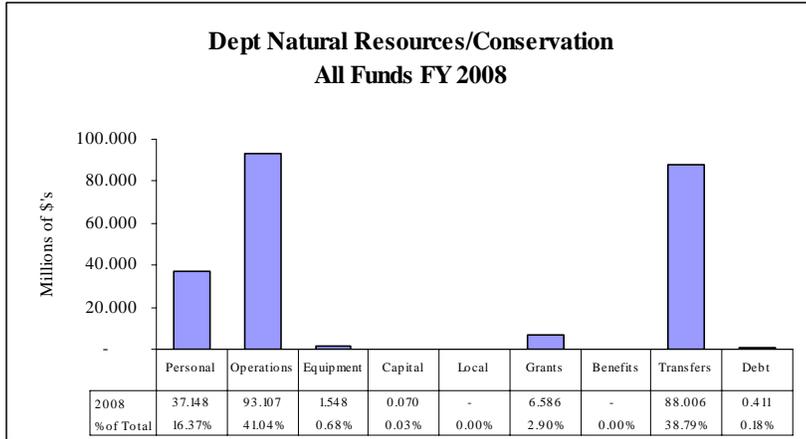
- **The Conservation and Resource Development Division** provides administrative, financial, and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. Loan programs are supported through the release of general obligation bonds to match federal dollars plus the interest and principal payment on outstanding loans, creating a revolving loan pool. Grant programs administered by the division include the Reclamation and Development, Renewable Resource, and Conservation District grant programs. Core funding for the 25.50 FTE is from the general fund, resource indemnity trust interest (RIT, see LFD pocket guide for more information), and coal severance taxes.



- **The Water Resources Division** is responsible for programs associated with the uses, development, and protection of Montana's water, including the adjudication of water rights. It manages and maintains the state-owned dams, reservoirs, and canals. The division also develops and recommends in-state, interstate, and international water policy to the director, Governor, and legislature. The division has a staff of 157 FTE.
- **The Reserved Water Rights Compact Commission** was created by the legislature in 1979 as part of the water rights adjudication effort. The commission negotiates water rights with the Indian tribes and federal agencies, which claim federal reserved water rights within the state, to establish an out of court settlement regarding the amount of water to be allocated to each interest. The work of the 8 FTE is supported solely with general fund. The commission is scheduled to sunset pursuant to statute July 1, 2009, not completed compacts will then go through litigation proceedings.
- **The Forestry Division** is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting Montana's natural resources from wildfire, regulating forest practices, providing a variety of services to private forest landowners, enforcing streamside management zone regulations, administering Montana's Fire Hazard Reduction Law, providing technical forestry assistance to private landowners, businesses, and communities, and growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.
- **The Trust Land Management Division** provides for the administration and management of trust lands granted to the State of Montana by The Enabling Act of 1889 and the Morrill Acts. These lands currently total approximately 5.2 million surface acres and 6.2 million mineral acres. Additionally, the division is responsible for the administration of approximately 6,000 miles (40,000+ acres) of the beds of navigable waterways. The Trust Land Management Division is divided into four primary programs: forest management; agriculture and grazing management; real estate management; and minerals management.



The agency utilizes a large number of contracts to fight wildfires, accounting in large measure for the dominance of operating expenses. For most activities, the department utilizes permanent state employees.

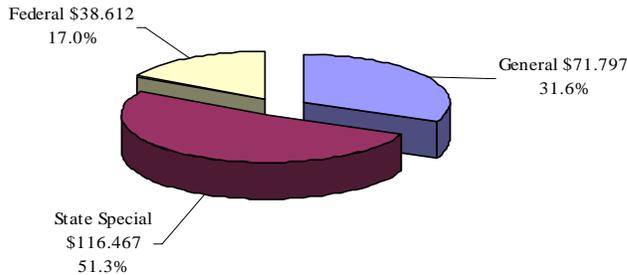


## How Services Are Funded

- General Fund** – Forty-two percent of the department’s budget is derived from the general fund, the majority of which goes to the Water Resources Division and the Forestry Division. Growth in the general fund appropriation occurred in the 2007 legislative special session when 42.0 million general fund was transferred to a state special revenue fund to cover wildland fire costs.



**Dept Natural Resources/Conservation  
Funding by Source FY 2008 (In Millions)**



- **State Special Revenue** – Special revenue accounts for 51 percent of the department’s budget. Sources range from fees paid by water well contractors, to a portion of the coal severance tax, to grazing fees, to principal and interest payments on loans made for improvements, to wastewater systems and water treatment plants. The department also receives \$2.8 million in interest from the resource indemnity trust (RIT, see LFD pocket guide for more information).
- **Federal Revenue** – Federal funds include federal drinking water, pollution control, and land management grants. Federal revenue may increase with the severity of the wildfire season. Financial assistance from the Federal Emergency Management Agency (FEMA) may be available when Montana’s resources are maximized. This emergency federal funding is not appropriated by the legislature; rather, it is handled through the budget amendment process.
- **Proprietary** – Air operations are partially supported by hourly rates charged to DNRC divisions and other state agencies. This per hour aviation charge are approved by the legislature. Fixed costs for the air operations program is covered with general fund. These funds are not appropriated and do not appear in any of the totals.



Related Data & Statistics

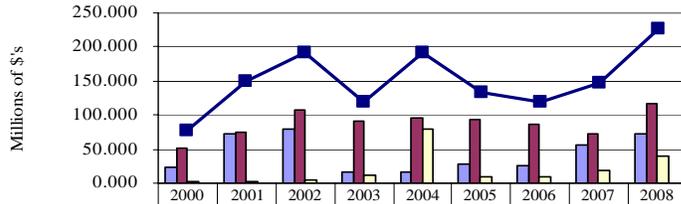
<i>Element</i>	<i>2004</i>	<i>2008</i>	<i>Significance of Data</i>
Oil drilling permits	224	535	Workload, increase in drilling activities, CY
Dollar value of Resource Development Grant applications	\$5,483,522	16.5 million	Workload, pressure on grant program.
Number of water rights claims examined, adjudicated, cumulative	128,657	7068	Workload, progress toward the goal of 219,000 water rights claims examined by 2015
Acres of direct fire protection	5,183,387	5,168,361	Change in direct protection responsibilities
Total revenue generated from trust land	\$62,595,167	\$61 million	Revenue prior to expenses
Value of loan portfolio, all programs	\$296,291,000	\$413.9 million	Workload, revenue, growth in loan programs
Number of drinking water loans closed or increased	6	18	Workload, growth in loan programs





## Expenditure History

**Dept Natural Resources/Conservation Funding History**



	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund	22.654	72.346	79.820	16.997	16.868	28.278	25.343	55.021	71.797
State Special Fund	51.347	74.795	107.190	91.405	95.409	93.694	85.900	73.426	116.467
Federal Fund	2.766	2.585	5.438	10.797	80.342	10.042	8.671	19.194	38.612
Proprietary	-	-	-	-	-	-	-	-	-
Total Fund	76.768	149.725	192.448	119.198	192.619	132.014	119.914	147.641	226.876



## Reasons for Expenditure Growth/Change

- \$6.7 million in state special revenue authority over four biennia was expended to repair or rebuild high hazard stateowned dams. (A high hazard dam is defined by the risk associated to life downstream in the event of failure, not the actual condition of the dam.)
- General fund and federal revenue fluctuate in accordance with the degree of severity of the wildfire season. Higher cost seasons may bring in large sums of federal assistance.
- Recent increases of \$4.5 million were made to the forestry division for wildland fire equipment and training.

## Agency Functions, State Purposes, & Customers Served

The agency is structured to perform certain functions in support of general state government purposes.

The following lists the major functions, purpose of provision of the functions, and primary customers served.

Policy Objectives	Major Agency Functions	Customers
<i>Protection, Enhancement, and Remediation of Natural Resources</i>	Land management, water management, renewable resource development, recreational land use, wildfire prevention and protection, and conservation education	Landowners, state agencies, conservation districts, outdoor recreation enthusiasts, tourists, energy producers, and public schools.





## How the Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

### Land Management

The management of trust lands and direct protection of forestlands are major functions of the department. Department expenditures and activities can be affected through:

- Guiding the management of trust lands to increase revenue to beneficiaries
- Ensuring appropriate allocation of trust land management costs across all trusts
- Establishing appropriate fees related to timber harvest on state lands
- Providing appropriations for wildfire costs, prior to fire season
- Setting fire protection assessments on owners of land classified as forestland

### Water Resources

Maximizing water resources for the benefit of the state is a guiding principle for the department.

The ability to effect change in this area can be done by:

- Directing fees to a specific fund or activity
- Influencing the water right adjudication process
- Establishing priorities for stateowned dam rehabilitation
- Influencing rates for the leasing of water
- Establishing policies regarding water sustainability



### Loan and Grant Programs

The department handles 16 loan and grant programs to provide assistance to private and public entities for resource development or conservation activities. This can be influenced by:

- Setting the amount that can be loaned out to entities
- Determining loan fees and interest rates
- Directing principal payments, fees, and interest dollars to a specific fund or activity
- Determining the types of grants and loans to be released
- Providing access to federal dollars to supplement the loan and grant programs

### Permitting and Licensing Activities

The department handles a number of permitting and licensing activities related to the protection and management of natural resources. This activity can be influenced by:

- Determining which activities require a permit
- Establishing permitting and licensing fees
- Directing the revenue from fees to a particular fund or project
- Establishing intervals for licensing and permitting activities
- Establishing realistic timeframes associated with permitting functions



## Statewide Factors With Impact

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

- State FTE - state employees perform many of the functions of the department, with personal services accounting for 25 percent of expenditures. Factors affecting personal service costs include:
  - Professional/technical/educational requirements of FTE job descriptions
  - Number of employees eligible for retirement
  - Number of emergency firefighters hired during fire season.



## Statutory References

The primary statutory references defining duties and responsibilities of the department are found at the following locations:

Title 76 Land Resources and Use

Title 77 State Lands

Title 85 Water Use



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Legislative Fiscal Division



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