

## Groundwater Assessment Fund Resource Indemnity Trust Fund Profile<sup>1</sup>

Fund Name (Number):

Groundwater Assessment Fund (02289)

Statutory References (date):

85-2-905 (1991)

**Significant Changes:**

SB 492 of the 1999 legislative session increased the allocation to the groundwater program by \$66,000 per year. However, it was rendered void by the coordination language in another bill. In the 2003 session, legislation was passed and approved to establish this increase.

Fund Purpose:

This fund exists to fund the Montana Bureau of Mines and Geology to carry out the purposes of the Montana Ground Water Assessment Act. This includes assessing and monitor the state's ground water; disseminate the information to interested persons; and to improve coordination of ground water management, protection, development, and research functions among units of state, federal, and local government by establishing a ground water assessment steering committee.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Fund Balance	\$32,405	\$255,033	\$252,454	\$252,454	\$252,454	\$252,454
Revenues	822,628	597,421	600,000	666,000	666,000	413,546
Expenses	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>666,000</u>	<u>666,000</u>	<u>666,000</u>
Ending Balance	<u>\$255,033</u>	<u>\$252,454</u>	<u>\$252,454</u>	<u>\$252,454</u>	<u>\$252,454</u>	<u>\$0</u>

Dependent Agencies:

University of Montana - Butte, Bureau of Mines and Geology

*Revenue Sources:*

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Taxes:**

*Resource Indemnity Groundwater Assessment*

**Charges for services:**

*Resource Indemnity Trust Investment Earnings*

<sup>1</sup> A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Taxes (RIGWA)	\$522,628	\$297,421	\$300,000	\$366,000	\$366,000	\$113,546
RIT Interest	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total Revenues	<u>\$822,628</u>	<u>\$597,421</u>	<u>\$600,000</u>	<u>\$666,000</u>	<u>\$666,000</u>	<u>\$413,546</u>

By statute, the fund has a maximum balance of \$666,000. The LFD noted the excess balance during the analysis of the executive budget for the 2005 Legislature. The fund can only receive an amount that will bring the balance up to \$666,000. The fund balance at the beginning of FY 2005 was \$252,454. Based on statute the fund received \$113,546 in taxes, and the \$300,000 in RIT interest to bring the balance up to \$666,000. The remaining \$252,454 of RIGWA taxes that would have normally been deposited to the fund was deposited to the Resource Indemnity Trust. With this correction, this fund should be structurally balanced in the coming years.

*Historical Utilization:*

This fund has been used only for the support of the Bureau of Mines and Geology at Montana Tech.

Appropriations/Expenditure History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Transfers	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$666,000</u>	<u>\$666,000</u>	<u>\$666,000</u>
Total Expenditures	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$666,000</u>	<u>\$666,000</u>	<u>\$666,000</u>

The Commissioner of Higher Education transfers the funding to the Bureau of Mines and Geology. The bureau utilizes these funds for general support of the program.

Reasons for Expenditure Growth/Change:

Expenditures increased in FY 2003 when statute was changed to provide \$366,000 from the RIGWA tax, rather than a percentage of:

***Issues***

The Bureau utilizes this funding for personal services and operating expenses. These expenses have increased over time while fund has remained stable, as the amount appropriated to the bureau has not been changed since 2003.

***Potential Resolution***

As personal services and operating expenses have increased, it should be determined if additional interest or taxes should be appropriated, or if another source is more appropriate, including federal and private grants.

## Water Storage Resource Indemnity Trust Fund Profile<sup>2</sup>

Fund Name (Number):

Water Storage Fund (02216)

Statutory References (date):

85-1-631 MCA (1991)

Fund Purpose:

The purpose for the fund is to provide money for loans and grants for water storage projects, planning, feasibility, and design studies and other costs related to construction, rehabilitation, expansion and modification of water storage projects. A secondary purpose of the fund is to collect the revenue from state owned water projects and expend that revenue on the same state owned water projects.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Balance Forward	\$342,015	\$618,531	\$727,144	\$1,355,110	\$972,880	\$434,821
Revenues	642,457	278,066	622,399	128,905	627,836	259,099
Expenses	365,941	169,453	-5,567	511,135	1,280,021	438,659
Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>114,126</u>	<u>0</u>
Ending Balance	<u>\$618,531</u>	<u>\$727,144</u>	<u>\$1,355,110</u>	<u>\$972,880</u>	<u>\$434,821</u>	<u>\$255,261</u>

Dependent Agencies:

Department of Natural Resources and Conservation

Revenue Sources:

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Charges for services:**

Bidding Fees

**Investment Earnings:**

Short- term investment pool (STIP) earnings

**Sale of Documents/Merchandise/Property:**

Sale of Land

Sale of Water Projects

Water Purchase Contracts

**Rental/Leases/Royalties:**

Land Lease

**Grants and Transfers:**

*Resource Indemnity Trust Interest (\$500,000 per biennium)*

<sup>2</sup>A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Other Income	\$142,458	\$278,066	\$122,400	\$128,905	\$127,836	\$259,099
RIT Interest	<u>500,000</u>	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>	<u>0</u>
Total	<u>\$642,458</u>	<u>\$278,066</u>	<u>\$622,400</u>	<u>\$128,905</u>	<u>\$627,836</u>	<u>\$259,099</u>

*Historical Utilization:*

The water storage account has been predominantly utilized to support repairs to state owned water projects. In the last three years, these expenditures have been related to repairs on the Nevada Creek Dam and pre-engineering activities for the North Fork Reservoir on the Smith River. In FY 2000, DNRC utilized this fund to support a portion of an FTE in relation to state owned water projects. The fund has not supported personal service costs since that time

The fund does not and has not provided grants and loans as required by statute. The only beneficiary to this fund is the Department of Natural Resources and Conservation for state owned water projects.

Appropriations/Expenditure History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$3,554	\$0	\$0	\$0	\$0	\$0
Operating Expenses	<u>356,833</u>	<u>169,505</u>	<u>(5,568)</u>	<u>511,135</u>	<u>1,280,021</u>	<u>438,659</u>
Total	<u>\$360,388</u>	<u>\$169,505</u>	<u>\$(5,568)</u>	<u>\$511,135</u>	<u>\$1,280,021</u>	<u>\$438,659</u>

Reasons for Expenditure Growth/Change:

Expenditures fluctuate from this fund based upon the type of project. Repairs to state water projects include a pre-engineering step prior to construction. All work is contracted out. The absence of expenditures in FY 2002 was purposely done in order to build the fund balance to finance the pending projects. Expenditures have recently exceeded revenues resulting in the reduction of the fund balance.

<i>Issues</i>	<i>Potential Resolution</i>
Statute directs the use of funds for water storage grants and loans, which has not been occurring from this fund. However, the renewable resource grant and loan program provides funding for this purpose.	Direct the department to establish water storage grants and loan program as required in statute. Eliminate reference to grant and loan program in statute.
Expenditures have been for pre-engineering and construction work on state owned water facilities. Statute directs this to occur from revenue from the facilities.	1. Eliminate reference to this limitation, unless the department is directed to establish the grant and loan program.

## Renewable Resources Resource Indemnity Trust Fund Profile<sup>3</sup>

Fund Name (Number):

Renewable Resources Grant and Loan Program (02272)

Statutory References (date):

85-1-604, MCA (1981)

HB 680 of the 1993 Legislature established minimum funding levels for the grant and loan program, and changed the program name to the renewable resource grant and loan program from the water development program. This bill included the following intent language: “ This will assure funding for the operation of state agencies.”

Fund Purpose:

To provide for loans and grants to further state’s policies regarding conservation, development, and beneficial use of water resources and to invest in renewable natural resource projects that will preserve the state’s natural heritage.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Fund Balance	\$1,823,603	\$3,089,373	\$990,036	\$1,735,291	\$(103,795)	\$1,396,368
Revenues	3,858,377	2,474,049	3,371,057	2,561,030	3,046,432	4,454,273
Expenses	2,592,607	4,637,829	2,648,446	4,435,776	1,359,807	4,762,730
Adjustments	<u>0</u>	<u>64,443</u>	<u>22,644</u>	<u>35,660</u>	<u>(186,462)</u>	<u>31,188</u>
Ending Balance	<u>\$3,089,373</u>	<u>\$990,036</u>	<u>\$1,735,291</u>	<u>\$(103,795)</u>	<u>\$1,396,368</u>	<u>\$1,119,099</u>

Dependent Agencies:

Department of Natural Resources and Conservation  
Judiciary – Water Court

**Other Dependent Entities**

Commissioner of Higher Ed – Montana State University Northern  
Local Governments – Grants and Loan Program

<sup>3</sup>A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

*Revenue Sources:*

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Taxes:**

Coal Tax (Transfer of excess tax)

**Charges for services:**

Water Court Fees

Loan & Grant Application Fees

Loan Interest

**Investment Earnings:**

*Resource Indemnity Trust Interest*

*- \$2.0 M annually plus 30% of remainder after all other allocations*

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Other Income	\$76,178	\$421,072	\$12,724	\$14,098	\$118,953	\$1,477,267
Loan & Grant Income	60,754	43,603	41,291	20,425	33,342	19,765
RIT Interest	<u>3,721,445</u>	<u>2,009,374</u>	<u>3,317,042</u>	<u>2,526,507</u>	<u>2,894,137</u>	<u>2,957,041</u>
Total Revenues	<u>\$3,858,377</u>	<u>\$2,474,049</u>	<u>\$3,371,057</u>	<u>\$2,561,030</u>	<u>\$3,046,432</u>	<u>\$4,454,073</u>

*Historical Utilization:*

Appropriations historically have been made to the Department of Natural Resources and Conservation, and the Water Court within the Judiciary. In addition, a transfer of funds has been made to the Commissioner of Higher Education for the support of MSU – Northern.

The Water Court utilizes its appropriation to support the staff and operations of the court. The expenditures have been split as 80 percent personal services and 20 percent operations. The appropriation has been increased for increases associated with pay plan raises and technology initiatives.

The Department of Natural Resources and Conservation has utilized the majority of its appropriation for grants. Given the grant cycle, a majority of the grants are released during the second year of the biennium. Grants approved by the 2005 Legislature may not be expended in the 2007 biennium. Funds are released when the project costs begin to accrue. The administrative costs associated with the grant and loan program are the balance of the expenditures. These costs were 14 percent of total program appropriation during the 2001 and 2003 biennia. This percentage fell to 7 percent in FY 2005 due to a larger amount of administrative costs being charged to the reclamation and development program.

Appropriations/Expenditure History:

All Agencies						
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$872,273	\$890,974	\$923,015	\$875,648	\$864,521	\$613,779
Operating Expenses	238,638	329,179	297,204	316,899	128,722	145,204
Grants	1,236,177	3,177,676	1,188,227	3,003,229	126,564	3,763,747
Transfers	240,000	240,000	240,000	240,000	240,000	240,000
Debt Service	<u>5,519</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$2,592,607</u>	<u>\$4,637,829</u>	<u>\$2,648,446</u>	<u>\$4,435,776</u>	<u>\$1,359,807</u>	<u>\$ 4,762,730</u>

Judiciary – Water Court						
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$519,441	\$534,842	\$590,971	\$548,436	\$568,439	\$608,263
Operating Expenses	<u>107,156</u>	<u>93,027</u>	<u>94,042</u>	<u>105,018</u>	<u>104,503</u>	<u>141,592</u>
Total Expenditures	<u>\$626,597</u>	<u>\$627,869</u>	<u>\$685,013</u>	<u>\$653,454</u>	<u>\$672,942</u>	<u>\$749,855</u>

Nat. Res. & Cons.						
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$197,240	\$203,353	\$188,457	\$159,020	\$265,137	\$5,515
Operating Expenses	66,784	159,192	128,083	130,007	12,792	3,612
Grants	<u>1,236,177</u>	<u>3,177,676</u>	<u>1,188,227</u>	<u>3,003,229</u>	<u>126,564</u>	<u>3,763,747</u>
Total Expenditures	<u>\$1,500,201</u>	<u>\$3,540,221</u>	<u>\$1,504,767</u>	<u>\$3,292,256</u>	<u>\$404,493</u>	<u>\$3,772,874</u>

Commissioner of Higher Education						
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Transfers	\$240,000	\$240,000	\$240,000	\$240,000	\$290,000	\$290,000

Reasons for Expenditure Growth/Change:

Since the grant program is cyclical, fund expenditures should be compared on a biennial basis, or by agency to isolate growth or change. As a whole, the biennial expenditures from this fund have remained fairly constant. Adjustments for pay plan increases and technology initiatives account for the minor fluctuations.

Personal service expenditures funded in FY 2005 were lower than average. Due to a cash flow situation, a large amount of those costs were covered by the reclamation and development fund.

<i>Issues</i>	<i>Potential Resolution</i>
<p>Statute directs funds for grants and loans and for administrative support of program only. A one-time revision was made for the 2005 biennium allowing the use of the fund for other purposes.</p>	<ol style="list-style-type: none"> <li>1. Revise statute to reflect current spending patterns by establishing the amount for the grant and loan program in statute and providing guidance for other spending.</li> <li>2. Separate the grant and loan program (plus administrative expenses) from the fund.</li> </ol>
<p>Statutory appropriation for MSU – Northern is not consistent with the fund’s purpose.</p>	<p>Revise statute to directly appropriate RIT interest to MSU – Northern.</p>
<p>Administrative activities to support the renewable resource grant and loan program and the reclamation and development grant program are interchangeable. These activities are funded based on where cash is available.</p>	<ol style="list-style-type: none"> <li>1. Revise statute to consolidate the grant and loan programs to one fund. Include establishing minimal funding levels for grants and loans as well as administrative costs.</li> </ol>
<p>Funding for the water court has historically come from this fund. Again, statute does not include utilizing this fund for this purpose.</p>	<ol style="list-style-type: none"> <li>1. Revise statute to allow use of the fund for the operations of the Water Court.</li> <li>2. Seek alternative funding source for the operations of the Water Court.</li> </ol>
<p>Grants are appropriated in HB 6 &amp; 7, all other expenditures are appropriated through HB 2. Three subcommittees are involved in the process.</p>	<ol style="list-style-type: none"> <li>1. Revise statute to increase the importance of coordinating.</li> <li>2. Establish priorities in statute for funding.</li> <li>3. Create a grant and loan fund, separate from this fund.</li> <li>4. Revise funding for the Water Court seeking an alternative source of revenue.</li> </ol>

## Reclamation and Development Resource Indemnity Trust Fund Profile<sup>4</sup>

Fund Name (Number):

Reclamation and Development Grants Account (02458)

Statutory References (date):

90-2-1104, MCA (1987)

**Significant changes:**

In the 2005 Legislature, the section was amended to allow appropriations for expenses incurred in natural resource related programs for the current biennium only.

Fund Purpose:

Provide for grants to repair, reclaim and mitigate environmental damage to natural resources due to non-renewable resource extraction and to develop quality public resources for the benefit of all Montanans.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Fund Balance	\$160,506	\$3,299,722	\$1,387,835	\$1,892,200	\$(31,653)	\$1,944,493
Revenues	4,947,502	1,800,579	3,371,126	5,015,266	4,543,372	5,765,536
Expenses	1,808,286	3,805,139	3,028,858	7,406,492	2,605,841	5,004,652
Adjustments	<u>0</u>	<u>92,673</u>	<u>162,097</u>	<u>467,373</u>	<u>38,615</u>	<u>97,734</u>
Ending Balance	<u>\$3,299,722</u>	<u>\$1,387,835</u>	<u>\$1,892,200</u>	<u>(\$31,653)</u>	<u>\$1,944,493</u>	<u>\$2,803,111</u>

Dependent Agencies:

Department of Natural Resources and Conservation  
 Department of Environmental Quality  
 Montana State Library

Revenue Sources:

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Taxes:**

*Resource Indemnity Groundwater Assessment - 50% remaining after debt service and funding of the groundwater program*  
 Metal Mines Tax – 7 percent  
 Oil and Gas Tax – 2.95 percent

<sup>4</sup> A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

**Investment Earnings:***Resource Indemnity Trust Interest**- \$1.5 M annually plus 35% of remainder after all other allocations***Revenue History:**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Other	\$509	\$257	\$86,833	\$1,999,851	\$4,598	\$757
Metal Mines	327,199	414,575	401,816	-	390,053	689,554
Oil and Gas	323,510	900,099	539,976	(2,344)	1,352,004	2,074,670
RIGWA Tax	1,119,840	(801,526)	156,077	429,805	442,358	535,189
RIT Interest	<u>3,176,444</u>	<u>1,287,174</u>	<u>2,186,424</u>	<u>2,587,954</u>	<u>2,354,359</u>	<u>2,465,366</u>
Total Revenues	<u>\$4,947,502</u>	<u>\$1,800,579</u>	<u>\$3,371,126</u>	<u>\$5,015,266</u>	<u>\$4,543,372</u>	<u>\$5,765,536</u>

In FY 2002, the Governor certified that the balance in the resource indemnity trust had achieved a balance of \$100 million. Excess corpus, (funds above \$100 million) was appropriated for a number of purposes. To alleviate general fund cash flow issues in the 2003 biennium during the special session \$1.0 million in excess corpus funds was provided in lieu of \$1.0 million of general fund. This was a one-time transfer.

The fund receives oil and gas production taxes. As the price per barrel rises, so does the amount of tax deposited to the reclamation and development fund. This accounts for the spike in revenues in FY 2004 and 2005. Subsequently, should the price per barrel fall, so will the revenues to this fund.

The RIGWA taxes received by the fund are based on the amount of money allocated to cover debt service on the Libby Bonds. This fund receives half of the tax revenues after the debt service has been covered. As debt service fluctuates, so will the revenue to this fund. RIGWA collections were over accrued in FY 2000, resulting in an adjustment to the fund in FY 2001.

RIT interest deposits to this fund are done in two stages. First, an allocation of \$1.2 million is made. Second, after all other allocations were made; the fund received 45 percent of the remainder. This formula has changed for the 2007 biennium. During the 2007 biennium, an allocation of \$1.5 million will be made, and after all other allocations are made, the fund will receive 35 percent of the remainder.

**Historical Utilization:**

Appropriations historically have been made to the Department of Natural Resources and Conservation, Department of Environmental Quality, and the Montana State Library.

The Department of Natural Resources and Conservation has utilized the majority of its appropriation for grants. Given the grant cycle, a majority of the grants are released during the second year of the biennium. Grants approved by the 2005 Legislature may not be expended in the 2007 biennium, as funds are released when the project costs begin to accrue. The remainder of the appropriation covers the cost of administering the grant program and a portion of the renewable resources grant and loan program. The 2005 Legislature approved appropriations for rangeland resources, irrigation development, the St. Mary's project, and assistance to the conservation districts.

The Department of Environmental Quality has utilized the majority of its appropriation for the support of the Environmental Management Bureau and the Industrial/Energy Minerals Bureau of the Permitting and Compliance Division. The fund also provides minimal support to legal services and the Enforcement Division.

## Appropriations/Expenditure History:

### All Agencies

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$898,395	\$950,548	\$1,181,994	\$1,597,599	\$1,443,045	\$1,735,037
Operating Expenses	733,478	693,420	1,420,063	1,814,616	915,968	1,096,998
Grants	171,529	2,161,171	426,801	3,994,277	246,828	2,172,617
Debt Service	<u>4,884</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$1,808,286</u>	<u>\$3,805,139</u>	<u>\$3,028,858</u>	<u>\$7,406,492</u>	<u>\$2,605,841</u>	<u>\$5,004,652</u>

### State Library

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$103,124	\$97,351	\$116,627	\$108,262	\$243,924	\$281,261
Operating Expenses	<u>49,295</u>	<u>57,565</u>	<u>58,453</u>	<u>63,921</u>	<u>105,171</u>	<u>109,825</u>
Total Expenditures	<u>\$152,419</u>	<u>\$154,916</u>	<u>\$175,080</u>	<u>\$172,183</u>	<u>\$349,095</u>	<u>\$391,086</u>

### DEQ

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$622,013	\$678,630	\$757,332	\$800,697	\$892,790	\$920,686
Operating Expenses	<u>630,879</u>	<u>584,522</u>	<u>1,062,036</u>	<u>1,296,569</u>	<u>486,381</u>	571,704
Total Expenditures	<u>\$1,252,892</u>	<u>\$1,263,152</u>	<u>\$1,819,368</u>	<u>\$2,097,266</u>	<u>\$ 1,379,171</u>	<u>\$ 1,492,390</u>

### DNRC

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$173,257	\$165,567	\$308,035	\$688,640	\$306,332	\$533,090
Operating Expenses	53,303	51,332	299,574	623,126	324,417	415,469
Grants	<u>171,529</u>	<u>2,161,171</u>	<u>426,801</u>	<u>3,795,277</u>	<u>2,146,828</u>	<u>2,172,617</u>
Total Expenditures	<u>\$398,089</u>	<u>\$2,378,070</u>	<u>\$1,034,410</u>	<u>\$5,107,043</u>	<u>\$2,777,577</u>	<u>\$3,121,176</u>

## Reasons for Expenditure Growth/Change:

Personal services have increased steadily overtime. Expenditures were \$0.9 million in FY 2000 and have grown to over \$1.7 million in FY 2005. A minimal amount of this growth can be attributed to pay plan increase and changes.

Administrative activities to support the reclamation and development grant and renewable resource grant and loan program are interchangeable, and this activity is funded based on where cash is available. The cash position in this fund has been greater than that of the renewable resources fund, and consequently the expenditures have been made from this fund.

**Issues**

**Potential Resolution**

Statute directs funds for grants and loans and for administrative support of programs only. A one-time revision was made for the 2005 biennium allowing the use of the fund for other purposes.

1. Revise statute to reflect current spending patterns by establishing the amount for the grant and loan program in statute and providing guidance for other spending.
2. Separate the grant and loan program (plus administrative expenses) from the fund.
3. Change allocation or uses in the fund to conform to statute.

Administrative activities to support the renewable resource grant and loan program and the reclamation and development grant program are interchangeable. These activities are funded based on where cash is available.

1. Revise statute to consolidate the grant and loan programs to one fund. Include establishing minimal funding levels for grants and loans as well as administrative costs, such as a percent of grant and loan activities.

Grants are appropriated in HB 6 & 7, and all other expenditures are appropriated through HB 2. Three subcommittees are involved in the process.

1. Revise statute to increase the importance of coordinating.
2. Establish priorities in statute for funding.
3. Create a grant and loan fund, separate from this fund.

The 2005 legislature made appropriations to the Department of Natural Resources and Conservation for the purposes of range land management, irrigation development, conservation district assistance, support of the Missouri river conservation district council, and to hire an engineer to work on the St. Mary's project from this fund. The use of funds to support these activities may not be consistent with the fund purpose, as they are not grants and are not related to reclamation.

1. Revise purpose of the fund to allow for an expanded use.
2. Consolidate grant and loan programs and establish fund for other reclamation and development purposes.
3. Change allocation or uses in the fund to conform to statute

## Hazardous Waste / CERCLA Resource Indemnity Trust Fund Profile<sup>5</sup>

Fund Name (Number):

Hazardous Waste/ Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (02070)

Statutory References (date):

75-10-621, MCA (1987)

This statute was amended by the 2003 Legislature to allow for funding transfers from the Orphan Share to address cash flow issues.

Fund Purpose:

This fund is for the expenses related to implementation of the Montana Hazardous Waste Act and state expenses for overseeing the federal CERCLA (Superfund) program.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Balance Forward	\$812,732	\$1,005,372	\$516,019	\$317,614	\$188,120	\$197,029
Revenues	953,352	185,387	597,849	681,091	765,050	920,214
Expenses	762,919	674,740	796,923	810,567	758,631	820,463
Adjustments	<u>2,207</u>	<u>0</u>	<u>669</u>	<u>(18)</u>	<u>2,490</u>	<u>0</u>
Ending Balance	<u>\$1,005,372</u>	<u>\$516,019</u>	<u>\$317,614</u>	<u>\$188,120</u>	<u>\$197,029</u>	<u>\$296,780</u>

Dependent Agencies:

Department of Environmental Quality

Revenue Sources:

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Investment Earnings:**

Short Term Investment Pool (STIP) Earnings  
*Resource Indemnity Trust Interest Earnings*

**Grants and Transfers:**

*Transfer from Orphan Share Fund*

<sup>5</sup>A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Other Revenues	\$12,033	\$14,091	\$63,383	\$2,535	\$697	\$1,591
RIT Interest	941,319	171,296	534,466	678,555	564,353	618,623
Orphan Share- Tsfr	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>300,000</u>
Total Revenue	<u>\$953,352</u>	<u>\$185,387</u>	<u>\$597,849</u>	<u>\$681,090</u>	<u>\$765,050</u>	<u>\$920,214</u>

Revenue to this fund is not consistent. The fund receives 26 percent of the remaining trust interest after all other priority allocations have been made. When priority allocations are increased, the income to the fund is decreased. This will be the situation for the 2007 biennium. In addition, an over accrual of RIT interest income in FY 2000 resulted in an adjustment in FY 2001 reducing the amount of realized income.

Transfers from the Orphan Share fund were authorized by the 2003 Legislature and extended by the 2005 Legislature. Statute directs that the unencumbered balance of the hazardous waste fund be transferred back to the orphan share fund at the end of each fiscal year. To date these transfers have not occurred.

*Historical Utilization:*

The purpose of this fund is to implement the Montana Hazardous Waste Act; consequently, base appropriations for the department include funding from this account. This fund is 1.4 percent of the department's operating budget. Seventy-five percent of the appropriation goes to the Permitting and Compliance Division for support of water protection, underground tank management and public water and subdivision work. The remainder is spread equally across the department.

Appropriations/Expenditure History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$369,062	\$413,419	\$427,831	\$498,835	\$454,414	\$556,917
Operating Expenses	<u>393,856</u>	<u>261,321</u>	<u>369,092</u>	<u>311,732</u>	<u>304,216</u>	<u>263,547</u>
Total Expenses	<u>\$762,918</u>	<u>\$674,740</u>	<u>\$796,923</u>	<u>\$810,567</u>	<u>\$758,630</u>	<u>\$820,464</u>

Reasons for Expenditure Growth/Change:

The average increase in personal services expenditures for the period of FY 2000 through FY 2005 is approximately 7.4 percent. Part of this increase can be attributed to the switch to pay plan 20 during the 2003 biennium. The remainder can be attributed to pay plan allocations granted by the legislature.

<i>Issues</i>	<i>Potential Resolution(s)</i>
The fund is not structurally balanced. A transfer from the Orphan Share is required in order to maintain cash flow.	<ol style="list-style-type: none"><li>1. Implement budgets based on funding estimates that do not include a transfer from the Orphan Share.</li><li>2. Redirect RIT interest from another source to augment current funding.</li><li>3. Establish in statute, guidelines as to when a transfer can be made.</li><li>4. Redirect Orphan Share from the RIGWA directly to the Hazardous Waste Account.</li></ol>

## Orphan Share Resource Indemnity Trust Fund Profile<sup>6</sup>

**Fund Name (Number):**

Orphan Share (02472)

**Statutory References (date):**

75-10-743 MCA (1997)

**Significant Changes:**

The 2003 Legislature provided authority to transfer funds from the Orphan Share to the Hazardous Waste and Environmental Quality Protection Funds. This authority was extended in the 2005 Legislature.

The 2005 Legislature approved HB 379 to establish a trust for operations of the water treatment plant associated with the Zortman/Landusky mine. This resulted in a \$1.2 million transfer on an annual basis until the fund reaches \$19.3 million.

SB 489 was also passed by the 2005 Legislature to fund a \$1.25 million evaluation of the extent and contamination of and formulating remedial alternatives for a multiple party site in northwest Montana where the state is a potentially liable party.

**Fund Purpose:**

The fund is to be utilized to reimburse remedial action costs incurred by a responsible party that can be attributed to another party that is no longer economically viable, thus the orphan share. The fund also defends the orphan share during the allocation process.

**Fiscal Snapshot:**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Balance Forward	\$1,260,957	\$3,162,681	\$4,302,508	\$4,224,786	\$4,467,347	\$5,093,081
Revenues	1,910,884	773,472	1,312,790	367,132	1,845,467	2,630,405
Expenses	9,160	18,769	1,390,512	124,571	1,219,733	431,293
Adjustments	0	385,124	0	0	0	0
Ending Balance	\$3,162,681	\$4,302,508	\$4,224,786	\$4,467,347	\$5,093,081	\$7,292,193

**Dependent Agencies:**

Department of Environmental Quality

<sup>6</sup> A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

*Revenue Sources:*

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Taxes:**

*Resource Indemnity Groundwater Assessment-Remainder after all other allocations*

Oil and Gas Production Taxes – 2.95%

**Charges for services:**

Cost Recovery

**Investment Earnings:**

Short-term investment pool (STIP) earnings

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
RIGWA Tax	1,119,840	(801,527)	156,076	279,805	442,358	2,074,670
Oil and Gas Tax	320,363	900,099	539,977	(2,344)	1,352,004	441,681
Metal Mine Tax	396,134	504,591	487,920	-	-	-
Cost Recovery	-	-	10,668	27,284	11,425	18,191
Interest Income	<u>74,547</u>	<u>170,309</u>	<u>118,149</u>	<u>62,387</u>	<u>39,680</u>	<u>95,863</u>
Total Revenue	<u>\$1,910,884</u>	<u>\$ 773,472</u>	<u>\$1,312,790</u>	<u>\$ 367,132</u>	<u>\$1,845,467</u>	<u>\$2,630,405</u>

The fund does not receive a consistent level of income. The fund receives oil and gas production taxes, as the price per barrel rises, so does the amount of tax allocated to the Orphan Share. This accounts for the spike in revenues in FY 2004 and 2005. Subsequently, should the price per barrel fall, so will the revenues to this fund. The RIGWA taxes received by the fund are based on the amount of money allocated to cover debt services on the Libby Bonds and the portion going to the natural resource worker scholarship fund. As these amounts fluctuate, the amount deposited in the orphan share will conversely fluctuate.

*Historical Utilization:*

This fund has been utilized for a minimal amount of personal services and agency expenses, with \$1.4 million in paid claims and transfers to other funds. The only consistent expenditure has been for personal services.

Appropriations/Expenditure History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$7,539	\$13,802	\$19,751	\$18,148	\$13,030	\$23,307
Operating Expenses	1,621	4,967	6,142	4,712	6,703	7,986
Benefits and Claims	0	0	1,364,619	101,711	0	0
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,200,000</u>	<u>400,000</u>
Total Expenses	<u>\$9,160</u>	<u>\$18,769</u>	<u>\$1,390,512</u>	<u>\$124,571</u>	<u>\$1,219,733</u>	<u>\$431,293</u>

Reasons for Expenditure Growth/Change:

The expenditures have changed due to slow progress within the orphan share claim process and the expansion of the use of the fund. The fund was originally established to provide a source of funding to cover the costs of remedial actions allocated to a party that is no longer economically viable. Since then, statute has been amended to allow transfers from this fund to assist with cash flow issues in two other funds; the Hazardous Waste and the Environmental Quality

Protection Funds. Another transfer of \$1.2 million annually was approved to fund the Zortman/Landusky water treatment trust.

<i>Issues</i>	<i>Potential Resolution</i>
<p>Reimbursement for remedial action has not occurred since FY 2002. Appropriations for the 2007 biennium were made for the same two sites that were to be completed in the 2005 biennium.</p>	<ol style="list-style-type: none"> <li>1. Refer program to the Legislative Audit Division for a performance audit on the program to determine why the program is not meeting its goals.</li> <li>2. Request the department explain why reimbursement is not occurring and present a plan to remedy the situation.</li> <li>3. Refer oversight of program to EQC oversight subcommittee to review this program in greater detail</li> </ol>
<p>The Orphan Share is being utilized to fund other activities through the Hazardous Waste Fund and the Environmental Quality Protection Fund.</p>	<ol style="list-style-type: none"> <li>1. Establish a means to fund Hazardous Waste and EQPF without assistance from the Orphan Share</li> <li>2. Re-allocate revenue to the Orphan Share (Metal Mines Taxes, RIGWA or Oil and Gas taxes) directly to the funds in question.</li> </ol>
<p>In the 2005 session, the fund was utilized in two major bills to establish funding for somewhat related projects, but projects that had not gone through the traditional orphan share allocation process. This could be considered a change in policy regarding the use of the account.</p>	<ol style="list-style-type: none"> <li>1. Establish priorities for the Orphan Share fund.</li> </ol>

## Oil and Gas Damage Mitigation Resource Indemnity Trust Fund Profile<sup>7</sup>

Fund Name (Number):

Oil and Gas Production Damage Mitigation Account (02010)

Statutory References (date):

82-11-161, MCA (1989)

Fund Purpose:

This fund is used for properly plugging a well and either reclaiming, and/or restoring a drill site or other drilling or producing area damaged by oil and gas operations when the Board of Oil and Gas determines the area has been abandoned and the responsible party can not be identified or located. Funds are statutorily appropriated.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Balance Forward	\$137,088	\$114,331	\$80,842	\$143,598	\$142,299	\$207,813
Revenues	102,525	29,695	62,171	55,108	131,589	35,115
Expenses	125,282	63,184	(585)	56,407	66,075	113,140
Ending Balance	<u>\$114,331</u>	<u>\$80,842</u>	<u>\$143,598</u>	<u>\$142,299</u>	<u>\$207,813</u>	<u>\$129,788</u>

Dependent Agencies:

Department of Natural Resources and Conservation – Montana Board of Oil and Gas

Revenue Sources:

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Charges for services:**

Fines or forfeited bonds

**Investment Earnings:**

Short-term investment pool (STIP) earnings

**Grants and Transfers:**

Resource Indemnity Trust Interest (\$50,000 per biennium)

<sup>7</sup> A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Other Revenues	\$52,525	\$29,695	\$12,171	\$55,108	\$81,589	\$35,115
RIT Interest	<u>50,000</u>	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>	<u>0</u>
Ending Balance	<u>\$102,525</u>	<u>\$29,695</u>	<u>\$62,171</u>	<u>\$55,108</u>	<u>\$131,589</u>	<u>\$35,115</u>

The largest source of revenue to this fund is categorized as repayment for services. When and if the board can locate the responsible party, the party must reimburse the state for the reasonable costs of the reclamation or plugging activities. The party may still have a reclamation bond to cover costs, or they must pay out of pocket. The annual average amount of recovered costs is \$40,620.

*Historical Utilization:*

Appropriations/Expenditure History:

This fund has been used to support the activities of field inspectors working on abandoned projects, their travel and the contracted costs of completing plugging and reclamation. The largest expenditure is for contracted services, which fluctuates based on the type and amount of work being completed. The fund also covers oversight of plugging activities funded by reclamation and development grants,

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$7,243	\$12,253	\$4,743	\$20,785	\$18,184	\$13,613
Operating Expenses	<u>118,040</u>	<u>50,931</u>	<u>(5,329)</u>	<u>35,622</u>	<u>47,892</u>	<u>99,527</u>
Total Expenses	<u>\$125,283</u>	<u>\$63,184</u>	<u>\$(586)</u>	<u>\$56,407</u>	<u>\$66,076</u>	<u>\$113,140</u>

Reasons for Expenditure Growth/Change:

The Board of Oil and Gas determines which wells or drilling sites require reclamation or plugging. The work that is completed is based upon workload established by the board and funding available.

<b>Issues</b>	<b>Potential Resolution</b>
Funds are statutorily appropriated, which does not allow for periodic review of activities by the legislature. The fund does not meet all the “guidelines” to be considered statutory appropriation. 17-1-508, MCA recommends that all of the guidelines be met.	1. Change statute to allow for legislative appropriation.
The Board of Oil and Gas receives reclamation and development grants (RDG) for a similar purpose. Funding from the oil and gas mitigation account provides oversight to the reclamation and development grants.	1. Re-allocate RDG funding to this fund to accomplish the plugging work. 2. Repeal the mitigation account statute and use only RDG program for this purpose.

## Natural Resources Worker Scholarship Fund Resource Indemnity Trust Fund Profile<sup>8</sup>

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*Fund Name (Number):*

Natural Resources Worker Scholarship Fund (02069)

Statutory References (date):

39-10-106 MCA (2001)  
Terminates June 30, 2007

Fund Purpose:

The fund is designed to provide tuition assistance to displaced natural resource workers to provide retraining in order to find employment in another field.

Fiscal Snapshot:

	FY 2003	FY 2004	FY 2005
Fund Balance	\$0	\$150,000	\$56,492
Revenues	150,000	0	93,508
Expenses	0	93,508	(203)
Ending Balance	<u>\$150,000</u>	<u>\$56,492</u>	<u>\$150,203</u>

Dependent Agencies:

Program is managed by the Department of Labor and Industry, which transfers funds to the appropriate unit of the Montana University System or to the adult education fund at the Office of Public Instruction.

*Revenue Sources:*

**Taxes:**

Resource Indemnity Groundwater Assessment Tax

Revenue History:

	FY 2003	FY 2004	FY 2005
Fund Balance	\$0	\$150,000	56,492
Taxes	<u>150,000</u>	0	<u>93,508</u>
Total Revenues	<u>\$150,000</u>	<u>\$0</u>	<u>\$93,508</u>

The fund receives only the amount needed to bring the fund balance to \$150,000.

*Historical Utilization:*

This fund has provided seven individuals with tuition assistance. An additional \$80,000 was appropriated by the 2003 Legislature to supplement federal job funds made available from the Stimson Mill closure.

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<sup>8</sup> A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Appropriations/Expenditure History:

	FY 2003	FY 2004	FY2005
Operating Expenses	\$0	\$13,507	\$0
Grants	<u>0</u>	<u>80,000</u>	<u>(203)</u>
Total	<u>\$0</u>	<u>\$93,507</u>	<u>\$(203)</u>

Reasons for Expenditure Growth/Change:

Federal funds are often made available to individuals who are displaced from their jobs. These funds are utilized prior to accessing state funds. Because of this, there has been little utilization of the scholarship dollars. In 2004, the Stimson Mill closure did provide access to federal job monies. However, the legislature provided a language appropriation to enhance these monies with state funds.

***Issues***

The fund has not been utilized, as federal dollars have been available to dislocated workers. Statute establishing the program is set to terminate at the end of the biennium.

***Potential Resolution***

1. Let statute terminate, as federal dollars have been available to the displaced workers
2. Extend statute as is.
3. Reauthorize statute, but reduce the level of funding.

## Environmental Quality Protection Fund Resource Indemnity Trust Fund Profile<sup>9</sup>

*Fund Name (Number):*

Environmental Quality Protection – EQPF - (02162)

Statutory References (date):

75-10-704, MCA (1985)

Fund Purpose:

Utilized to identify, investigate, negotiate and prosecute individuals/entities to achieve remedial action or recover costs and damages. Provides funding for the CECRA (comprehensive environmental cleanup and responsibility act) otherwise known as the state superfund program.

Fiscal Snapshot:

	FY 2000	FY2001	FY2002	FY2003	FY2004	FY2005
Balance Forward	\$792,173	\$692,078	\$572,570	\$522,451	\$741,913	\$839,661
Revenue	530,157	530,722	601,566	1,259,768	830,145	813,653
Expenses	630,252	650,230	665,231	1,040,180	733,052	743,979
Adjustments	<u>0</u>	<u>0</u>	<u>13,546</u>	<u>(126)</u>	<u>655</u>	<u>(19,942)</u>
Ending Balance	<u>\$692,078</u>	<u>\$572,570</u>	<u>\$522,451</u>	<u>\$741,913</u>	<u>\$839,661</u>	<u>\$889,393</u>

Dependent Agencies:

Department of Environmental Quality

*Revenue Sources:*

***RIT RELATED REVENUES ARE ITALICIZED, THE REMAINING REVENUE SOURCES ARE CONSIDERED OTHER INCOME FOR THE PURPOSE OF THIS REPORT.***

**Charges for services:**

- Administrative and civil penalties for natural resource damage
- Cost recovery for state superfund activities

**Investment Earnings:**

- Resource Indemnity Trust Interest (9% of excess)*
- Short-term incomes pool (STIP) participant earnings

**Grants and Transfers:**

- Transfers from the Orphan Share*

<sup>9</sup>A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

*Revenue History:*

	FY 2000	FY2001	FY2002	FY2003	FY2004	FY2005
RIT Interest	\$319,852	\$274,126	\$85,001	\$231,326	\$192,393	\$161,783
Orphan Share Tfr	0	0	0	0	0	100,000
Other Income	<u>210,305</u>	<u>256,596</u>	<u>416,565</u>	<u>1,028,442</u>	<u>637,752</u>	<u>551,870</u>
Total Revenue	<u>\$530,157</u>	<u>\$530,722</u>	<u>\$601,566</u>	<u>\$1,259,768</u>	<u>\$830,145</u>	<u>\$813,653</u>

*Historical Utilization:*

EQPF predominantly has funded the base budget for the Remediation Division. In the past funding for the Enforcement Division, contract legal services and some database work had been provided from this fund.

During the FY2005 biennium EQPF accounted for 9.5 percent of the Remediation Division’s budget and is slated to provide approximately 7.2 percent during the 2007 biennium.

Appropriations/Expenditure History:

	FY 2000	FY2001	FY2002	FY2003	FY2004	FY2005
Personal Services	\$374,845	\$340,491	\$388,611	\$491,243	\$439,633	\$464,473
Operating Expenses	<u>255,407</u>	<u>309,739</u>	<u>276,620</u>	<u>548,937</u>	<u>293,419</u>	<u>279,506</u>
Total Expenses	<u>\$630,252</u>	<u>\$650,230</u>	<u>\$665,231</u>	<u>\$1,040,180</u>	<u>\$733,052</u>	<u>\$743,979</u>

Reasons for Expenditure Growth/Change:

During FY 2003 the fund incurred higher than average contract legal, legal fees, and court costs. In removing those costs, the fund incurred \$795,658 in expenses. Utilizing this adjusted figure, the average amount of expenditures for the past six years is \$709,000.

The fund has seen steady growth in personal service costs, which can be attributed to routine salary adjustments granted by the legislature and the movement to pay plan 20 in FY 2003. Other services fluctuate based on the volume and type of work occurring in the CERCA program.

<i>Issues</i>	<i>Potential Resolution</i>
This fund has multiple revenue issues, both on the amount received into the fund, and the suggested remedies listed in statute	1. Fund requires a stable funding source to adequately fund required activities.
Statute allows access to the fund through a BA if the legislature did not provide enough authority to complete work required by the CERCA statute. There is no reference to what constitutes enough authority or an emergency.	1. Remove BA authority from statute. 2. Establish in statute what constitutes an emergency or enough authority.
Statute allows for the department to seek a grant from the Environmental Contingency Account when the fund balance is insufficient for remedial action.	1. Address revenue issues (see below) and remove from statute. 2. Establish in statute what constitutes “insufficient fund”.

Revenues are derived cost recovery are not predictable creating a cash flow problem. In attempt to address this issue statute was amended to allow a transfer from the Orphan Share account.

1. Implement budgets based on funding estimates that do not include a transfer from the Orphan Share.
2. Redirect RIT interest from another source to augment current funding.
3. Establish in statute, guidelines as to when a transfer can be made.
4. Redirect Orphan Share revenue from the RIGWA directly to EQPF.
5. Request DEQ determine accurate forecasting method for this fund.

## Environmental Contingency Account Resource Indemnity Trust Fund Profile<sup>10</sup>

Fund Name (Number):

Environmental Contingency Account (02107)

Statutory References (date):

75-1-1101, MCA (1985)

Interest accrued in this fund was directed to the general fund by HB 171 of the 1997 Legislature. Previously, it was directed to the trust interest account.

Fund Purpose:

The purpose of the fund is to provide funding to meet unanticipated public needs such as renewable resource projects in communities where failure has occurred or is imminent; preservation of vegetation, water, soil, fish, and wildlife from imminent threat or during an emergency; response to emergency or imminent threat caused by mineral development or a hazardous material; and to fund the environmental quality protection fund if necessary. Funding is available only upon authorization from the Governor.

Fiscal Snapshot:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Fund Balance	\$371,886	\$456,881	\$368,211	\$507,316	\$470,387	\$ 642,884
Revenues	192,365	0	175,000	(417)	175,417	0
Expenses	<u>107,370</u>	<u>88,670</u>	<u>35,895</u>	<u>36,512</u>	<u>2,920</u>	<u>134,021</u>
Ending Balance	<u>\$456,881</u>	<u>\$368,211</u>	<u>\$507,316</u>	<u>\$470,387</u>	<u>\$642,884</u>	<u>\$508,863</u>

Dependent Agencies:

In the past five years, funding has been made available to the Department of Environmental Quality, the Department of Natural Resources and Conservation, the Department of Fish, Wildlife and Parks, the Department of Livestock, the Department of Military Affairs, and the Department of Public Health and Human Services.

Revenue Sources:

**Investment Earnings:**

*Resource Indemnity Trust Interest - \$175,000 biennium*

<sup>10</sup>A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Revenue History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
RIT Interest	\$175,000	\$0	\$175,000	\$0	\$175,000	\$0
Other Revenue	<u>17,365</u>	<u>0</u>	<u>0</u>	<u>(417)</u>	<u>417</u>	<u>0</u>
Total Revenues	<u>\$192,365</u>	<u>\$0</u>	<u>\$175,000</u>	<u>\$(417)</u>	<u>\$175,417</u>	<u>\$0</u>

*Historical Utilization:*

Appropriations/Expenditure History:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Environmental Quality	\$60,069	\$47,052	\$9,063	\$36,512	\$2,920	\$0
Natural Resources	0	0	0	0	0	130,000
Fish, Wildlife, Parks	0	41,630	1,832	0	0	0
Livestock	47,300	(12)	0	0	0	0
Military Affairs	0	0	0	0	0	4,021
Public Health	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$107,369</u>	<u>\$88,670</u>	<u>\$35,895</u>	<u>\$36,512</u>	<u>\$2,920</u>	<u>\$134,021</u>

Reasons for Expenditure Growth/Change:

Expenditures from the fund are based upon the unanticipated needs that arise as a result of a threat or emergency and are approved by the Governor. The Office of Budget and Program Planning keeps track of the activities in this fund. Funding has been used for the following:

DEQ	Harlem co-op petroleum release cleanup, Town of Nashua sewer, Beartooth Hospital day care soil cleanup
DNRC	St. Mary's diversion facility studies, hydraulic dredge lower Missouri irrigators
FWP	Bynum reservoir windmill aerators, NE Montana storm - haystack game damage, aeration of bean lake
Livestock	Kessler game farm closure
Public Health	Cleanup of hazardous chemicals in Cogswell laboratory

***Issues***

This is the Governor's emergency fund for environmental issues. The fund has received its full allocation every biennium. Is the cash significant to meet unintended environmental events?

***Potential Resolution***

1. Establish an annual appropriation based on historical utilization.
2. Determine if there are significant guidelines for current fund utilization.
3. Change the amount of the appropriation.
4. Make no changes.

## Bull Trout And Cutthroat Trout Enhancement Program Resource Indemnity Trust Fund Profile<sup>11</sup>

Fund Name (Number):

RIT – Bull/Cutthroat Trout (02022)

Statutory References (date):

87-1-283, MCA (1999) – statute defines the program, not the fund.

Terminates July 1, 2009

**Significant Changes:**

HB 9 of the 2002 Special Session temporarily reduced the interest allocation to the fund from \$500,000 to \$350,000 for the period of July 1, 2002 through June 30, 2005. This change was made in 15-38-202, MCA.

Fund Purpose:

The fund is used to provide funding to restore habitats and spawning areas, and reduce species competition in rivers, lakes, and streams for bull trout and cutthroat trout through the future fisheries program. Mineral reclamation projects are a priority.

Fiscal Snapshot:

	FY 2002	FY 2003	FY 2004	FY 2005
Balance Forward	\$0	\$(100,563)	\$432,549	\$512,186
Revenues	0	850,000	350,000	350,000
Expenses	<u>100,563</u>	<u>316,888</u>	<u>270,363</u>	<u>184,254</u>
Ending Balance	\$(100,563)	\$432,549	\$512,186	\$677,932

Dependent Agencies:

Department of Fish, Wildlife and Parks

Revenue Sources:

**Investment Earnings:**

*Resource Indemnity Trust Interest; \$500,000 annually*

<sup>11</sup> A resource indemnity trust fund is defined as a fund that receives interest from the trust or resource indemnity groundwater tax revenues.

Revenue History:

	FY 2002	FY 2003	FY 2004	FY 2005
Other Revenues	\$0	\$0	\$0	\$0
RIT Interest	<u>0</u>	<u>850,000</u>	<u>350,000</u>	<u>350,000</u>
Total Revenue	<u>\$0</u>	<u>\$850,000</u>	<u>\$350,000</u>	<u>\$350,000</u>

*Historical Utilization:*

Appropriations are made through the Long-Range Building Program in HB 5. The fund is held in a capital account to use for the projects as they are completed.

Appropriations/Expenditure History:

	FY 2002	FY 2003	FY 2004	FY 2005
Capital Outlay	<u>\$100,563</u>	<u>\$316,888</u>	<u>\$270,363</u>	<u>\$184,254</u>
Total Expenses	<u>\$100,563</u>	<u>\$316,888</u>	<u>\$270,363</u>	<u>\$184,254</u>

Reasons for Expenditure Growth/Change:

Expenditures are based on the number of projects approved and the number of projects that are worked on throughout the year. Projects may be approved by the commission but not started or finished within a two-year time frame, creating a fluctuation in expenditures. Operating and personnel expenses are covered through a long-term allocation of general license account funds.

<i>Issues</i>	<i>Potential Resolution</i>
RIT statute prioritizes mineral remediation projects before other activities. The fund statute does not address this intent.	<ol style="list-style-type: none"> <li>1. Revise statute(s) to reflect the intent of the legislation as passed in 1999.</li> <li>2. Make no change.</li> </ol>
Water leases have been paid for through this fund. A water lease is not considered a capital expenditure.	<ol style="list-style-type: none"> <li>1. Clarify use of funds in statute.</li> <li>2. Establish all non-capital appropriations through HB 2.</li> <li>3. Request a fiscal audit of the program.</li> </ol>
This fund will receive an increase of \$150,000 per year. The number and types of future projects are not known at this time.	<ol style="list-style-type: none"> <li>1. Request FWP to develop a plan to notify interested parties in the availability of funds.</li> <li>2. Revise revenue allocation to meet demand.</li> </ol>
This fund provides the cash for the approved projects only. Statute provides for the ability to cover limited personal services and contracted services. At this time these expenses are paid by the general license account through a long- term allocation contained in HB 647 of the 1997 Legislature.	<ol style="list-style-type: none"> <li>1. Revise statute to eliminate reference to personal services.</li> <li>2. Revise statute to include coordination with the GLA appropriation.</li> <li>3. Make no change, as the statute terminates in 2009.</li> </ol>
There is not a specific statute to describe the purpose of the fund, what the revenues are, and what it can be utilized for.	<ol style="list-style-type: none"> <li>1. Establish statute to define the characteristics of the fund.</li> <li>2. Make no change.</li> </ol>