

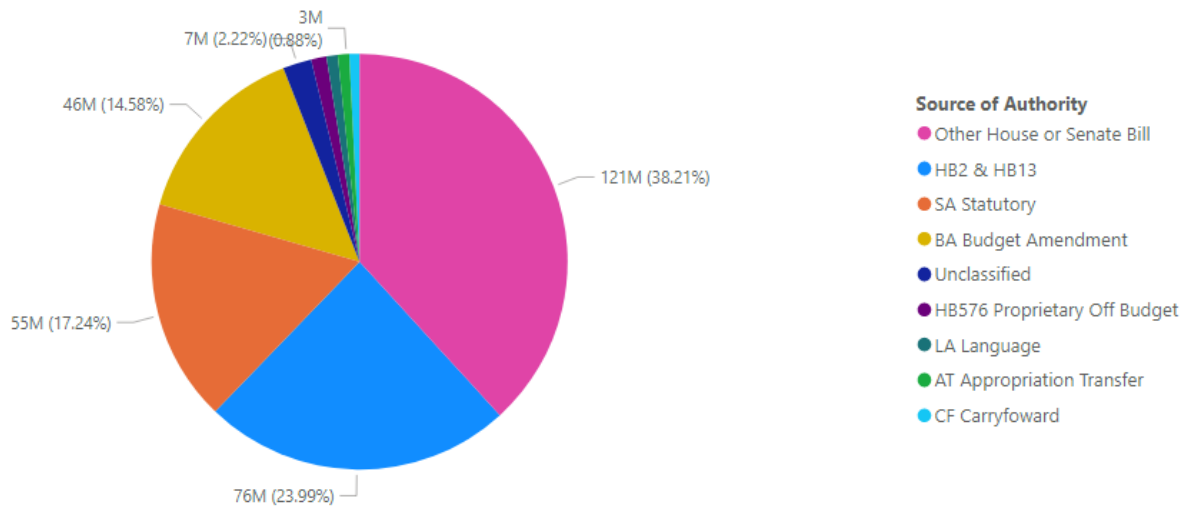
DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

TOTAL APPROPRIATION AUTHORITY

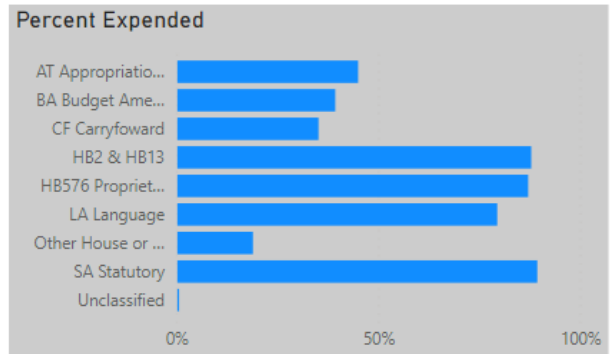
The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 24.0% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Dept Nat Resource/Conservation

Total Appropriation Authority



| Fiscal Year | 2021 | | |
|------------------------------|--------------------|--------------------|------------------|
| LFD_src_auth_descr | Budget | FYE Expended | Percent Expended |
| AT Appropriation Transfer | 2,777,748 | 1,246,084 | 44.9% |
| BA Budget Amendment | 46,212,927 | 18,114,274 | 39.2% |
| CF Carryforward | 2,531,828 | 887,215 | 35.0% |
| HB2 & HB13 | 76,019,527 | 66,702,902 | 87.7% |
| HB576 Proprietary Off Budget | 3,781,112 | 3,289,043 | 87.0% |
| LA Language | 2,791,657 | 2,214,329 | 79.3% |
| Other House or Senate Bill | 121,094,240 | 22,755,230 | 18.8% |
| SA Statutory | 54,629,353 | 48,752,980 | 89.2% |
| Unclassified | 7,040,839 | 34,506 | 0.5% |
| Total | 316,879,230 | 163,996,562 | 51.8% |



Appropriation Transfers

Authority originally budgeted in the Department of Administration, totaling \$2.8 million, was transferred to the Department of Natural Resources and Conservation, increasing the budget by 0.9%. The transfer supports long term IT projects for water rights and trust lands management database programs. The agency may expend the unused authority in future biennia.

Budget Amendments

Federal budget authority was increase by \$46.2 million to take advantage of several federal grants. The agency expended 39.2% of the authority and may negotiate extensions from the federal government to expend the balance in future biennia. Major projects funded through budget amendments include:

- Flood plain studies in Teton and Powell County, \$6.6 million;
- Wastewater projects loan forgiveness, \$4.7 million;
- Fuel reduction projects, grants to local agencies for fire suppression equipment, wildfire suppression training, and forest restoration projects, \$4.5 million;
- Good neighbor authority federal revenue, \$360,000;
- Dam safety, \$210,000; and
- Other federal funding supporting 140 other projects for water quality, administration, and other forest management, \$30.0 million.

Carryforward and/or Continuing Authority

The agency had \$2.5 million, less than 1.0% of the total budget, that was continued or carried forward from FY 2020. 35% was expended, leaving \$1.6 million unexpended. State special revenue carryforward of \$2.1 million, primarily for water projects and forestry programs, was 37.4% expended, leaving a balance of \$1.3 million. General fund carryforward totaling \$378,000 covered \$105,000 in operating expenses, leaving \$273,000 unexpended. Federal carryforward of \$63,000 was not expended. Of the unexpended authority, \$1.5 million will be available to the agency in FY 2022.

Non-Budgeted Proprietary Funding

The agency provides aviation services and foliage from the state nursery for which it is reimbursed. Revenue for aviation services totaled \$3.0 million, and nursery revenues totaled \$542,000.

Language

For the Department of Natural Resources and Conservation, HB 2 language provides the agency with the flexibility to budget up to \$3.7 million in state special revenue for various purposes. The agency budgeted \$2.8 million and expended \$2.2 million or 79.3% of this authority. Below is a summary of how the agency budgeted and expended this authority.

Repairing or replacing equipment at the Broadwater hydropower facility

- HB 2 Language – Up to \$1.0 million
- Budgeted - \$808,282
- Expended - \$804,157
- Percent of budget expended – 99.5%

Repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project

- HB 2 Language – Up to \$100,000
- Budgeted - \$100,000

- Expended - \$0.0
- Percent of budget expended – 0.0%

Repair, improvement, or rehabilitation of department state water projects

- HB 2 Language – Up to \$500,000
- Budgeted - \$500,000
- Expended - \$500,000
- Percent of budget expended – 100.0%

Contract timber harvesting for the improvement of forest health and revenues for trust beneficiaries

- HB 2 Language – Up to \$1.0 million
- Budgeted - \$883,375
- Expended - \$883,375
- Percent of budget expended – 100%

Emergency road system maintenance and/or repairs due to damage from erosion, public use, flooding, fire or other natural disasters. This appropriation would be limited to earthwork, gravel replacement, emergency repair, or replacement of stream crossing structures such as culverts and bridges.

- HB 2 Language – Up to \$500,000
- Budgeted - \$500,000
- Expended - \$26,797
- Percent of budget expended – 5.4%

Other Bills

Through other bills, the legislature approved expenditures totaling \$121.1 million for programs and projects within the Conservation and Resource Development Division.

State Special Revenue, \$101.6 million

The legislature authorized \$81.6 million from Renewable Resource Grant and Loan Program; however, due to fewer than expected requests for funding, only \$1.6 million in bonds was dispersed.

Capital Projects, \$19.5 million

The 2005 legislature provided bonding for the Saint Mary’s water project improvements and funding for Fort Belknap water compact infrastructure. The agency expended \$3.2 million on repairs to the Saint Mary’s project in FY 2021.

COVID-19 Authority

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts. Administrative authority for CARES I and ARPA appropriations was allocated to the agency by the Governor’s Office. Administration authority is not an appropriation and thus is not included in the total

appropriation authority shown on the previous page. The appropriation authority for CARES I and ARPA shown below remains with the Governor’s Office.

Coronavirus Stimulus Appropriations Dept Nat Resource/Conservation

| Stimulus Authority | Budget | FYE Expended | Percent Expended |
|--------------------|------------|--------------|------------------|
| ARPA | 6,898,450 | 34,506 | 0.5% |
| CARES I | 22,749,197 | 22,360,526 | 98.3% |

At the request of the budget office, the agency administered CARES I funding for the business adaptable grant program which provided grants to mitigate the impact of the coronavirus impact on businesses. The agency dispensed 98.3% of the available funds. 96.5% of the funds were dispensed as grants, and 3.5% covered administrative costs.

American Rescue Plan Act (ARPA) provided federal relief to cities and towns in Montana. In FY 2021, only a very small portion of the \$6.9 million budgeted was expended for administrative cost required to establish this grant program. This funding is still available to the agency in the 2023 biennium.

Statutory Appropriations

Statutory appropriations are set in statute and do not require authorization by the legislature each biennium. Although the agency may include expenditure estimates in their budget, they expend the authority at a level sufficient to meet the requirements of the statute that created the authority. The Department of Natural Resources and Conservation has statutory authority for state special and federal revenues; the expenditures are discussed below.

State Special Revenue, total expenditures \$34.4 million

Wildfire suppression account - (76-13-150, MCA)

The wildfire suppression account is statutorily appropriated for fire suppression, fuel reduction and fire suppression equipment. The agency expended \$29.5 million from the wildfire suppression fund, \$24.6 for fire suppression, \$4.5 million for fuel reduction, and \$452,000 in grants to local fire departments for fire suppression equipment.

Sage grouse stewardship account – (76-22-109, MCA)

The sage grouse stewardship account is statutorily appropriated to maintain, enhance, restore, expand, or benefit sage grouse habitat and populations. The agency expended \$4.3 million in FY 2021.

Oil and gas production damage mitigation account – (82-11-161, MCA)

The oil and gas production damage mitigation account is statutorily appropriated to cover the reasonable costs of properly plugging wells and either reclaiming or restoring a drill site or

other production area damaged by oil and gas operations if the Montana Board of Oil and Gas determines that the site has been abandoned and that the responsible party cannot be identified or located or refuses to take proper action. In FY 2021, the agency expended \$192,000 from this account.

Other statutorily appropriated state special revenue

The agency expended \$335,000 from eight other accounts that are statutorily appropriated for the Good Neighbor Authority program, wastewater projects, drinking water projects, and trust land administration.

Federal Special Revenue, total expenditures \$14.4 million

Federal reimbursements for fire suppression (10-3-203, MCA)

The agency received reimbursement from the federal government for state fire suppression efforts on federal lands totaling \$14.0 million. These revenues are statutorily appropriated to pay the costs of those efforts.

Good Neighbor Authority

The Good Neighbor Authority allows the USDA Forest Service to enter into agreements with the Department of Natural Resources Forestry and Trust land Division to perform forest management and restoration work on federal lands. For FY 2021, federal revenues totaled \$2.1 million of which \$288,000 were expended on cost related to the Good Neighbor Authority.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the ending FYE modified budget. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority.

The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

HB 2 Modifications Dept Nat Resource/Conservation

| Agency Program | HB2 Budget | FYE Modified Budget | Net Modifications | |
|----------------------------------|-------------------|---------------------|-------------------|----------------|
| 21 DIRECTORS OFFICE | 7,374,390 | 8,098,839 | 724,449 | |
| 22 OIL & GAS CONSERVATION DIV | 2,229,237 | 2,187,504 | -41,733 | |
| 23 CONSERVATION&RESOURCE DEV DIV | 11,403,539 | 11,827,952 | 424,413 | |
| 24 WATER RESOURCES DIVISION | 18,979,326 | 18,848,848 | -130,478 | |
| Total | 75,246,459 | 76,019,527 | 773,068 | 773,068 |

| Expenditure Account | HB2 Budget | FYE Modified Budget | Net Modifications | |
|-------------------------------------|------------|---------------------|-------------------|--|
| 61000 Personal Services | 43,578,610 | 44,118,584 | 539,974 | |
| 62000 Operating Expenses | 21,524,975 | 22,141,192 | 616,217 | |
| 63000 Equipment & Intangible Assets | 1,353,066 | 1,053,666 | -299,400 | |
| 64000 Capital Outlay | | 0 | 0 | |
| 65000 Local Assistance | 4,058,090 | 3,961,383 | -96,707 | |
| 66000 Grants | 1,822,134 | 1,872,134 | 50,000 | |
| 67000 Benefits & Claims | 400,000 | 400,250 | 250 | |
| 68000 Transfers-out | 1,724,243 | 1,724,243 | 0 | |
| 69000 Debt Service | 785,341 | 748,075 | -37,266 | |

| Fund Type | HB2 Budget | FYE Modified Budget | Net Modifications | |
|-------------------------|------------|---------------------|-------------------|--|
| 01 General | 31,406,048 | 31,886,954 | 480,906 | |
| 02 State/Other Spec Rev | 41,418,697 | 41,683,450 | 264,753 | |
| 03 Fed/Other Spec Rev | 2,421,714 | 2,449,123 | 27,409 | |

Modifications to the \$75.2 million HB 2 budget for FY 2021 increased total authority by \$773,068 or 1.0%. Continuing authority from the first year of the biennium totaled \$303,406, which consisted of:

- General fund authority for legislative audits - \$103,406;
- State special authority as one-time-only appropriation to the World Mining Museum in Butte - \$150,000;
- State special authority as one-time-only appropriation for a prescribed burn pilot project - \$50,000.

The agency also received a transfer of \$601,400 from the Office of Budget and Program planning for personal services contingency. Reduction to worker compensation totaled \$131,738.

General fund and state special authority totaling \$488,785 was transferred to the Conservation & Resource Development Division from all other divisions. Federal authority was transferred from all other programs to the Director's Office. These program transfers authority totaling \$306,000 from equipment and intangible to authority for operating expense. The table below summarizes transfers of authority between divisions.

**Department of Natural Resources & Conservation
Transfers of HB 2 Authority Between Divisions**

| <u>Division</u> | <u>General Fund</u> | <u>State Special Revenue</u> | <u>Federal Special Revenue</u> | <u>Total Program Transfer</u> |
|--|----------------------------|-------------------------------------|---------------------------------------|--------------------------------------|
| Director's Office | (86,054) | (29,718) | 688,286 | 572,513 |
| Oil & Gas Conservation Division | - | (3,143) | (50,271) | (53,414) |
| Conservation & Resource Development Division | 483,720 | 5,065 | (288,286) | 200,499 |
| Water Resources Division | (247,743) | 88,991 | (43,729) | (202,481) |
| Forestry & Trust Lands Division | (149,923) | (61,194) | (306,000) | (517,117) |
| Net Budget Impact | - | - | - | - |

Changes to the department's operating plan moved \$102,000 in authority from operating expenditures and local services primarily to personal services and debt service. The table below summarizes the changes to the HB 2 operating plan.

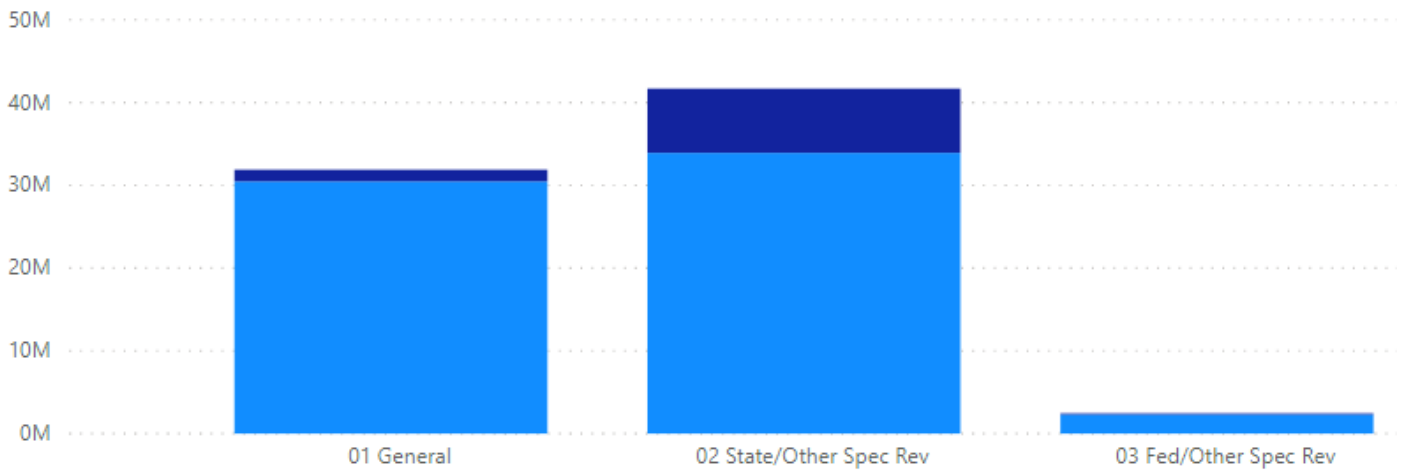
Department of Natural Resources & Conservation HB 2 Operating Plan Adjustments

| <u>Division</u> | <u>Personal Services</u> | <u>Operating Expense</u> | <u>Equipment & Intangibles</u> | <u>Local Assistance</u> | <u>Benefits & Claims</u> | <u>Debt Service</u> | <u>Net Budget Impact</u> |
|--|---------------------------------|---------------------------------|---|--------------------------------|-------------------------------------|----------------------------|---------------------------------|
| Director's Office | - | - | - | - | - | - | - |
| Oil & Gas Conservation Division | - | - | - | - | - | - | - |
| Conservation & Resource Devlp. Div. | - | (732) | - | (11,000) | - | 11,732 | - |
| Water Resources Division | 70,312 | (86,411) | 6,600 | - | - | 9,499 | - |
| Forestry & Trust Lands Division | - | (4,026) | - | - | 250 | 3,776 | - |
| Total Operating Plan Adjustment | 70,312 | (91,169) | 6,600 | (11,000) | 250 | 25,007 | - |

HB 2 APPROPRIATION AUTHORITY

HB 2 Expenditures

● FYE Expended ● Remaining Budget



| Expenditure Account | FYE Modified Budget | FYE Expended | Percent Expended |
|-------------------------------------|---------------------|-------------------|------------------|
| 61000 Personal Services | 44,118,584 | 43,146,919 | 97.8% |
| 62000 Operating Expenses | 22,141,192 | 18,259,564 | 82.5% |
| 63000 Equipment & Intangible Assets | 1,053,666 | 870,496 | 82.6% |
| 64000 Capital Outlay | 0 | | |
| 65000 Local Assistance | 3,961,383 | 489,500 | 12.4% |
| 66000 Grants | 1,872,134 | 1,628,908 | 87.0% |
| 67000 Benefits & Claims | 400,250 | 250 | 0.1% |
| 68000 Transfers-out | 1,724,243 | 1,702,777 | 98.8% |
| 69000 Debt Service | 748,075 | 604,488 | 80.8% |
| Agency Program | FYE Modified Budget | FYE Expended | Percent Expended |
| 21 DIRECTORS OFFICE | 8,098,839 | 7,871,817 | 97.2% |
| 22 OIL & GAS CONSERVATION DIV | 2,187,504 | 1,622,346 | 74.2% |
| 23 CONSERVATION&RESOURCE DEV DIV | 11,827,952 | 6,323,615 | 53.5% |
| 24 WATER RESOURCES DIVISION | 18,848,848 | 17,500,269 | 92.8% |
| 35 FORESTRY & TRUST LANDS | 35,056,383 | 33,384,854 | 95.2% |
| Total | 76,019,527 | 66,702,902 | 87.7% |

The department is primarily funded with general fund and state special revenue. The general funds supports 41.9% of the budget, state special revenue supports 54.8%, and federal funds support 3.2%.

Personal Services

The personal services budget accounts for 58.0% of the total budget supporting 531 FTE. In FY 2021, the agency expended 97.8% of this budget, which is higher than the highest single year rate over the previous three biennia of 97.5%.

Operating Expenses

The agency expended 82.5% of the budget for operating expenditures, compared to an average of 87.6% over the previous three biennia. Due to the pandemic, expenditures for travel were down 75.0% compared to the previous biennium. The agency also transferred \$91,000 of authority for operations to personal services, debt service, and equipment.

Local Assistance & Benefits and Claims

The department expended \$489,750 of state special authority, leaving \$3.9 million unexpended. The agency was able to use other non-HB 2 sources to fund \$400,000 for forest management program projects. The agency issued \$489,500 from resource development bonds for water quality projects.

OTHER ISSUES

Fire Suppression Fund

The wildfire suppression state special revenue fund pays for the state share of wildfire suppression. The fund receives revenue from the Governor’s unspent emergency general fund appropriation and general fund reversions in excess of 0.5% of the state general fund budget. The fund ended FY 2021 with a balance \$70.3 million. In accordance with 76-13-150(6)(8), MCA, the fund received an additional \$35.4 million bringing the fund balance to \$105.6 million. Fire suppression costs year-to-date are estimated at \$39.2 million with about two months left in the fire season. The table below shows the actual balance in the fire fund as of FYE 2021 and estimated year end fire fund balance for FY 2022

| Montana State Fire Suppression Fund | | | |
|--|-----------------------|-----------------------|---|
| | <u>FY 2020</u> | <u>FY 2021</u> | Estimated YTD <u>FY 2022</u> |
| Beginning Fund Balance | \$36,270,454 | \$54,661,037 | \$70,342,410 |
| Revenues | 31,658,583 | 47,146,768 | 36,500,000 |
| Expenditures¹ | <u>(13,268,000)</u> | <u>(31,465,395)</u> | <u>(44,200,000)</u> |
| Ending Fund Balance | <u>\$54,661,037</u> | <u>\$70,342,410</u> | <u>\$62,642,410</u> |

¹ Expenditures for FY 2022 are estimated year to date based on DNRC forestry estimate