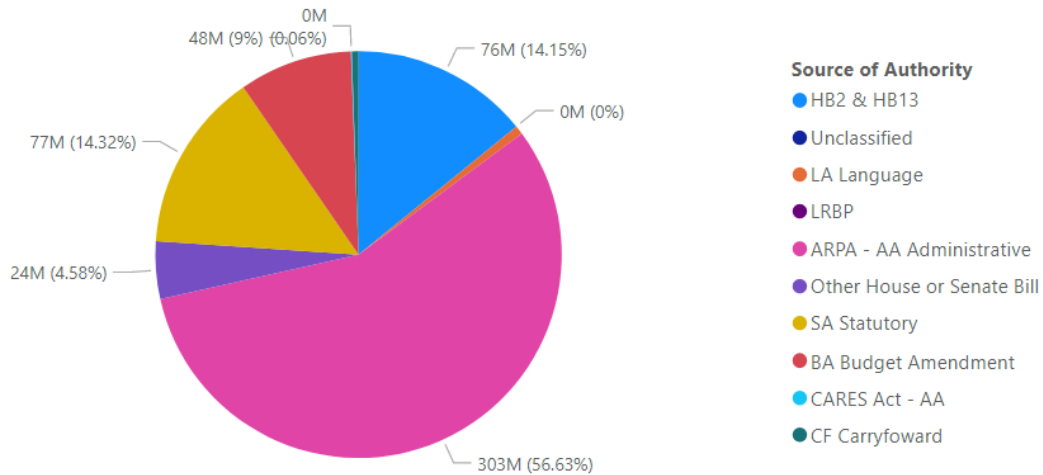


DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 14.2% 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.

Total Modified Budget by Source of Authority



| Source of Authority | Modified Budget | Expended Budget | Percent Expended |
|----------------------------|--------------------|--------------------|------------------|
| HB2 & HB13 | 75,637,132 | 53,701,009 | 71.0% |
| BA Budget Amendment | 48,110,966 | 12,305,507 | 25.6% |
| CF Carryforward | 2,878,493 | 215,430 | 7.5% |
| LA Language | 3,720,640 | 76,581 | 2.1% |
| LRBP | 26,961 | 4,739 | 17.6% |
| Other House or Senate Bill | 24,498,932 | 1,502,680 | 6.1% |
| SA Statutory | 76,560,317 | 30,758,350 | 40.2% |
| Unclassified | 19,636 | | |
| CARES | 337,387 | 337,387 | 100.0% |
| ARPA | 302,695,282 | 3,167,016 | 1.0% |
| Total | 534,485,747 | 102,068,699 | 19.1% |

Budget Amendments

Federal budget authority was increased by \$48.1 million to take advantage of several federal grants. The agency has expended 25.6% of the authority. Major projects funded through budget amendments include:

- Flood plain mapping of the Yellowstone, Big Horn, Tongue rivers and tributaries, \$4.8 million
- FEMA Cooperating Technical Partners Program flood mitigation, \$9.1 million
- Milk River rehabilitation project, \$4.5 million
- Federal grants for drinking water loan forgiveness, \$6.6 million
- EPA grants for water pollution control or drinking water loan programs, \$3.0 million
- Fuel reduction projects, grants to local agencies for fire suppression equipment, wildfire suppression training, and forest restoration projects, \$2.8 million

- USDA Natural Resources and Conservation Service federal grants, \$858,000
- Federal grants for wastewater treatment loan forgiveness, \$825,000
- EPA drinking water assistance for small communities, \$420,000
- Good neighbor authority federal revenue, \$444,000
- Dam safety, \$310,200
- EPA underground injection control, \$90,750
- Flathead Basin Commission aquatic invasive species (AIS) monitoring, \$58,255
- Other federal funding supporting projects for water quality, administration, and other forest management, \$14.3 million

Carryforward

The agency had \$2.9 million continued or carried forward from FY 2021. The carryforward authority consists of:

- State special revenue of \$2.1 million, primarily for water projects and trust lands management division programs
- General fund totaling \$688,000 for personal services and operating expenses
- \$63,000 for federal indirect expenses

As of May, the agency has expended 7.5% or \$215,430 of this authority.

Language

For the Department of Natural Resources and Conservation (DNRC), HB 2 language provides the agency with the flexibility to budget state special revenue for various purposes. The agency has budgeted \$3.7 million of the \$4.1 million available in HB 2. As of May, the agency has expended 2.1% of this authority. The agency has budgeted the following using HB 2 language authority:

- Repairing, improving, or rehabilitating department state water projects, \$500,000
- Federal indirect expenses, \$1.0 million
- Contract timber harvesting, \$1.0 million
- Repairing or replacing equipment at the Broadwater hydropower facility, \$1.1 million
- Trust lands road maintenance, \$120,600

Other Bills

Through other bills, the legislature approved expenditures totaling \$24.5 million for programs and projects within the conservation and resource development division. As of May, \$1.5 million or 6.1% of the authority has been expended. A summary of authority from other house and senate bills is presented in the table below.

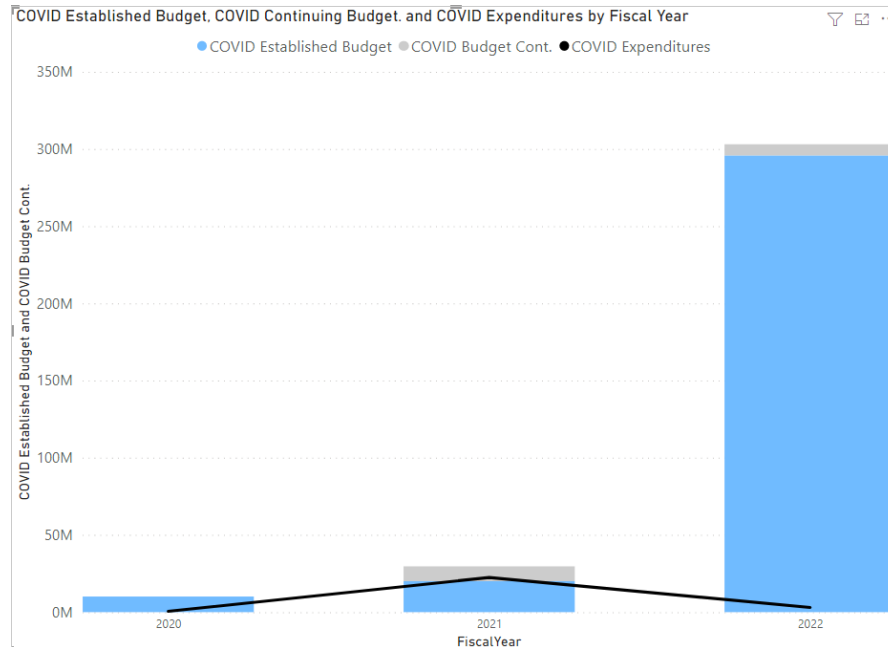
| Department of Natural Resources and Conservation | | | | |
|--|----------------------------|---------------------|--------------------|-------------------|
| Appropriation Through Other House or Senate Bills | | | | |
| State Special Revenue | Fund | Appropriated | Expended | % Expended |
| HB 7 Reclamation and development Programs | Natural Resources Projects | \$4,073,833 | \$0 | 0.0% |
| HB 14 Renewable resource, reclamation and development grant programs | Natural Resources Projects | 2,224,322 | 8,368 | 0.4% |
| HB 10 Water rights, and trust lands management database programs | Water Right Appropriation | 451,757 | 340,140 | 75.3% |
| HB6 Renewable resource grant and loan program | Natural Resources Projects | 375,000 | 75,000 | 20.0% |
| | Total State Special | \$7,124,912 | \$423,507 | 5.9% |
| Capital Projects | Fund | Appropriated | Expended | % Expended |
| HB 540 bonding for the Saint Mary's water project improvements | DNRC Capital Projects Fund | \$6,821,074 | \$246,418 | 3.6% |
| HB 540 Fort Belknap water compact infrastructure | DNRC Capital Projects Fund | 9,500,000 | - | 0.0% |
| HB 10 Water rights, and Trust lands management capital projects | Long Range IT Projects | 1,052,946 | 832,755 | 79.1% |
| | Total Capital | \$17,374,020 | \$1,079,173 | 6.2% |
| Total Other House and Senate Bills | Total Funding | \$24,498,932 | \$1,502,680 | 6.1% |

Long-Range Building and Planning

The agency has expended \$4,739 of \$26,961 authorized under HB 5 for maintenance in the Havre area office in the forestry and trust lands division.

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.



The FY 2022 budget for Covid-19 for the agency is \$303.0 million; 1.2% or \$3.5 million has been expended.

- Unexpended authority from FY 2021: \$7.2 million
 - CARES I, \$338,000
 - HB 632 American Rescue Plan, \$6.9 million
- HB 632, American Rescue Plan budgeted for FY 2022: \$295.8 Million

HB 632 creates two grant programs for water and sewer infrastructure, a competitive grant program and a minimum allocation grant program. The DNRC is responsible for reviewing and ranking projects, as well as recommending them for funding to the Infrastructure Advisory Commission.

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

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

The wildfire suppression account is statutorily appropriated for fire suppression, fuel reduction, and fire suppression equipment. The estimated fire cost for the summer of 2021 are \$50.1

million. The Department of Natural Resources and Conservation and the Department of Military Affairs have expended \$30.4 million as of the end of May and anticipate expending an additional \$19.7 million by the end of the fiscal year. The DNRC anticipates expending an additional \$5.0 million of authority for fire engines and forest action programs.

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 has budgeted \$5.3 million but has expended \$358 as of May.

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. This is in the case that 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 the first quarter, the agency expended \$535,000 from this account.

Other statutorily appropriated state special revenue

The agency expended \$102,700 from other accounts that are statutorily appropriated for the Good Neighbor Authority program, wastewater projects, drinking water projects, trust land administration, MSU Morrill trust administration, and SLASH cleanup.

Federal Special Revenue - Total Expenditures

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 \$57,400. These revenues are statutorily appropriated to pay the costs of those efforts.

Good Neighbor Authority (76-13-151, MCA)

The Good Neighbor Authority (GNA) allows the USDA Forest Service to enter into agreements with the DNRC forestry and trust land division to perform forest management and restoration work on federal lands.

Through May of FY 2022, the GNA program has had nine timber sales that will treat over 4,700 acres and produce 28 million board feet of timber and generate about \$4.8 million. By the end of the fiscal year, the agency anticipates an additional three timber sales generating 3.2 million board feet.

During the current fiscal year, the agency is using revenue from timber sales to manage thirteen restoration projects throughout the state.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget through May 2022. 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.

Legislative Budget Compared to Modified Budget - HB 2 Only

| Agency Name | March Modified Budget | June Modified Budget | Net Modifications |
|---------------------------------------|-----------------------|----------------------|-------------------|
| Dept Nat Resource/Conservation | 75,755,645 | 75,637,132 | -118,513 |
| CONSERVATION&RESOURCE DEV DIV | 10,630,196 | 10,529,595 | -100,601 |
| DIRECTORS OFFICE | 8,201,338 | 8,204,073 | 2,735 |
| FORESTRY & TRUST LANDS | 34,854,499 | 34,839,953 | -14,546 |
| OIL & GAS CONSERVATION DIV | 2,171,639 | 2,171,348 | -291 |
| WATER RESOURCES DIVISION | 19,897,973 | 19,892,163 | -5,810 |
| Total | 75,755,645 | 75,637,132 | -118,513 |

| Expenditure | March Modified Budget | June Modified Budget | Net Modifications |
|-------------------------------------|-----------------------|----------------------|-------------------|
| 61000 Personal Services | 43,880,814 | 43,936,274 | 55,460 |
| 62000 Operating Expenses | 22,917,677 | 21,136,711 | -1,780,966 |
| 63000 Equipment & Intangible Assets | 1,451,766 | 1,451,766 | 0 |
| 65000 Local Assistance | 2,058,090 | 2,058,090 | 0 |
| 66000 Grants | 2,537,714 | 2,537,714 | 0 |
| 67000 Benefits & Claims | 400,000 | 400,000 | 0 |
| 68000 Transfers-out | 1,724,243 | 1,724,243 | 0 |
| 69000 Debt Service | 785,341 | 2,392,334 | 1,606,993 |

| Fund Type | March Modified Budget | June Modified Budget | Net Modifications |
|-------------------------|-----------------------|----------------------|-------------------|
| 01 General | 31,513,802 | 31,501,212 | -12,590 |
| 02 State/Other Spec Rev | 42,130,363 | 42,067,923 | -62,440 |
| 03 Fed/Other Spec Rev | 2,111,480 | 2,067,997 | -43,483 |

The agency budget was reduced by \$118,513 in authority for personal services in the last quarter.

Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriations are not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

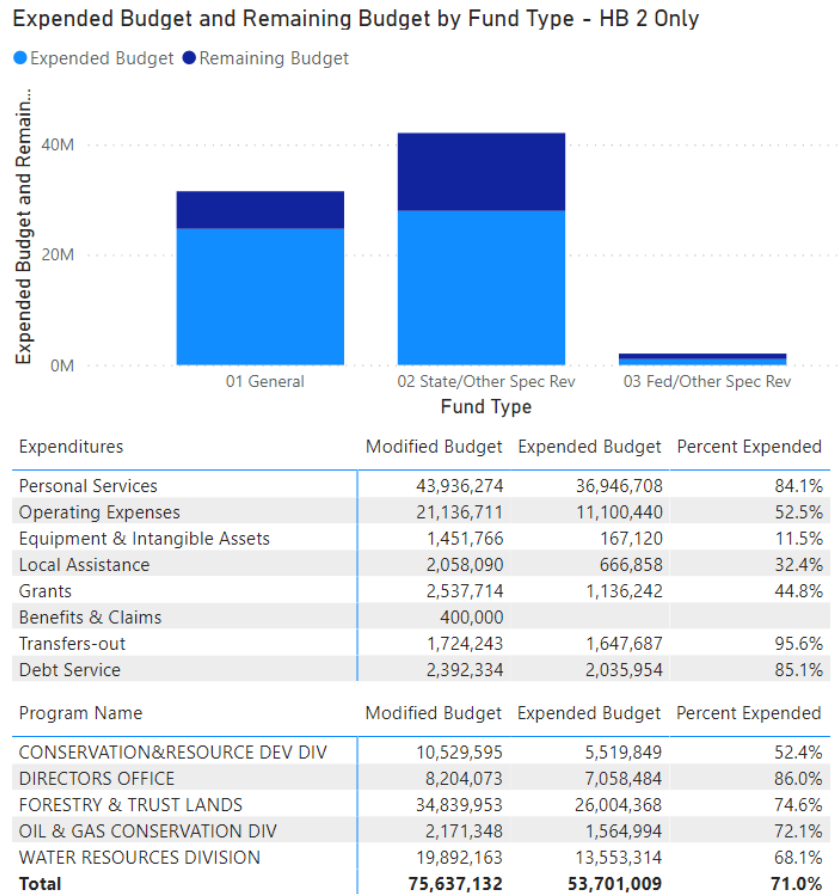
- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

The offsetting entries are identified as "frozen" appropriations, which means the appropriations will not be spent unless authorized by OBPP.

The agency moved \$1.7 million in authority from operating expense to debt services.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through May 31, 2022.



The department is primarily funded with general fund and state special revenue. The general fund supports 41.7% of the budget, state special revenue supports 55.6%, and federal funds support 2.7%.

The agency has expended 71.0% of the budget through May; this compares to an expenditure rate of 63.9% in the three previous biennia.

Personal Services

The personal services budget accounts for 58.1% of the total budget, supporting 539.6 FTE. The agency has expended 84.1% of this budget. In the last three biennia, the agency averaged 82.0% through May.

Operating Expenses

The budget for operating expenses accounts for 27.9% of the total budget. The agency expended 52.5% of the budget for operating expenses, compared to an average of 54.7% over the previous three biennia.

Benefits and Claims

The agency has budgeted \$400,000 in state special revenue for drinking water loan forgiveness. The agency can fund this program from federal sources and, as a result, has not expended against this authority for several biennium.

Grants

Grants of state special revenue, primarily to conservation districts, were 44.8% expended through May. This compares to an average expenditure rate of 59.8% through the same period in previous biennia.

Transfers

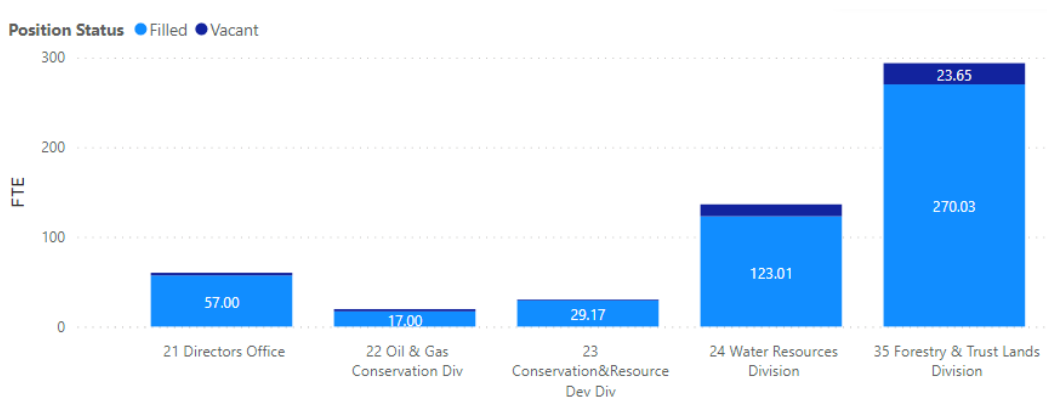
The agency has expended 95.6% of the funds budgeted for transfers through May; this rate is in line with previous biennia. Expenditures include a transfer of \$1.1 million in general fund and \$0.5 million in state special revenue to a proprietary fund to pay for air operations.

Debt Service

Debt service primarily for water projects was 85.1% expended, in line with previous biennia.

Personal Services

The following chart shows the filled and vacant FTE within the agency as of May 2022.



The Department of Natural Resources and Conservation has 539.61 FTE funded in HB 2:

- Director’s office – 60.00 FTE
- Oil and gas conservation division – 19.50 FTE
- Conservation and resource development division – 30.17 FTE
- Water resources division – 136.26 FTE
- Forestry and trust lands division – 293.68 FTE

Of the total personal hours available, the agency has utilized 105.9%. The forestry and trust land division utilized 114.7% of budgeted hours. Excluding positions involved in fire suppression, forestry had a utilization rate of 93.6%. All other programs combined had a utilization rate of 95.3%.

The agency currently has 43.4 FTE vacant, a decrease of 20.0 FTE since March. The forestry division has the most vacancies, 23.65 FTE. The average vacancy has been 8.3 months, while the oil and gas conservation division has 2.50 FTE that have been open for five years or more. The table below summarizes the vacancies for the agency as of May 2022.

Department of Natural Resources and Conservation
Vacancies May 2022

| <u>Conservation and Resource Development Div</u> | | | | <u>Forestry and Trust Lands Division</u> | | | |
|--|---------------|--------------|------------|--|---------------|--------------|------------|
| FTE | Months Vacant | Years Vacant | | FTE | Months Vacant | Years Vacant | |
| Program Specialist 1 | 1.00 | 4.8 | 0.4 | Program Specialist | 1.00 | 1.8 | 0.1 |
| Division Total ¹ | 1.00 | 4.8 | 0.4 | Real Property Supervisor | 1.00 | 3.6 | 0.3 |
| <u>Director's Office</u> | | | | <u>Administrative Assistant 2</u> | | | |
| Lawyer Supervisor | 1.00 | 10.5 | 0.9 | Program Supervisor | 1.00 | 8.3 | 0.7 |
| Lawyer 2 | 1.00 | 3.1 | 0.3 | Auditor 2 | 1.00 | 12.6 | 1.0 |
| IT Security Specialist 2 | 1.00 | 10.6 | 0.9 | Program Specialist 1 | 1.00 | 4.5 | 0.4 |
| Division Total ¹ | 3.00 | 8.1 | 0.7 | GIS Specialist 3 | 0.75 | 11.0 | 0.9 |
| <u>Oil and Gas Conservation Division</u> | | | | <u>Dispatcher 1</u> | | | |
| Administrative Assistant 2 | 1.00 | 1.2 | 0.1 | Program Specialist 1 | 1.00 | 2.2 | 0.2 |
| OIL & GAS CONSER BD-PROF | 1.00 | 94.5 | 7.9 | Forestry Technician | 0.50 | 11.0 | 0.9 |
| Data Processor 1 | 0.50 | 67.4 | 5.6 | Forestry Technician | 0.50 | 2.7 | 0.2 |
| Division Total ¹ | 2.50 | 51.8 | 4.3 | Science Technician All Other | 0.50 | 10.6 | 0.9 |
| <u>Water Resources Division</u> | | | | <u>Forestry Technician</u> | | | |
| Research Analyst 3 | 1.00 | 4.6 | 0.4 | Forestry Technician | 0.50 | 9.8 | 0.8 |
| Hydrologist 2 | 1.00 | 10.6 | 0.9 | Forestry Technician | 0.50 | 1.7 | 0.1 |
| Hydrologist 3 | 1.00 | 10.6 | 0.9 | Wildland Firefighter 3 | 0.43 | 5.4 | 0.5 |
| Compliance Manager | 1.00 | 4.3 | 0.4 | Forestry Technician | 0.62 | 10.9 | 0.9 |
| Compliance Specialist 3 | 0.75 | 1.2 | 0.1 | Forestry Technician | 0.50 | 1.2 | 0.1 |
| Professional Engineer 1 | 1.00 | 4.5 | 0.4 | Forestry Technician | 0.50 | 0.8 | 0.1 |
| Research Analyst 1 | 0.50 | 8.6 | 0.7 | Forester 2 | 1.00 | 10.6 | 0.9 |
| Hydrologist 1 | 1.00 | 1.6 | 0.1 | Forester 2 | 1.00 | 10.6 | 0.9 |
| Program Manager | 1.00 | 1.2 | 0.1 | Range Conservation Scientist 1 | 1.00 | 24.7 | 2.1 |
| Administrative Assistant 3 | 1.00 | 1.6 | 0.1 | Program Supervisor | 1.00 | 3.7 | 0.3 |
| Water Conservation Specialist1 | 1.00 | 1.2 | 0.1 | Biologist 3 | 1.00 | 4.6 | 0.4 |
| Water Conservation Specialist1 | 1.00 | 2.6 | 0.2 | Program Officer 1 | 0.75 | 1.3 | 0.1 |
| Water Conservation Specialist1 | 1.00 | 2.8 | 0.2 | Forester | 1.00 | 2.6 | 0.2 |
| Water Conservation Specialist2 | 1.00 | 5.0 | 0.4 | Program Supervisor | 1.00 | 1.3 | 0.1 |
| Division Total ¹ | 13.25 | 4.2 | 0.4 | Forestry Technician | 0.10 | 41.7 | 3.5 |
| | | | | <u>Wildland Firefighter 1</u> | | | |
| | | | | Wildland Firefighter 1 | | | |
| | | | | Science Technician All Other | | | |
| | | | | Division Total ¹ | 23.65 | 6.1 | 0.5 |
| | | | | <u>Agency Total</u> | | | |
| | | | | FTE Months Vacant Years Vacant | | | |
| | | | | 43.40 8.3 0.7 | | | |

¹ Division Totals for months and days vacant are weighted averages

Turnover and payroll adjustments

Since July 1, twenty-five employees have left state employment; twenty-two have retired.

The agency adjusted pay for 169 positions increase annual personal services cost by \$367,400 annually. Pay adjustments include:

- Longevity - 107
- Market - 27
- Performance - 13
- Reclassification - 11
- Exempt and Appointed Employee - 3
- Career Ladder - 2
- Correct inaccurate pay - 4
- Promotion - 1
- Retention Adjustment - 1

Next Steps for Personal Services Reporting

In upcoming Quarterly Financial Reports, the LFD will begin the process of a more comprehensive look at personal services. The LFD will compare two executive “snapshots” -- July 2020 and July 2022. The analysis will identify adjustments adopted by the legislature in 2021 and modifications made by the agencies, within the confines of budget law.

The September Quarterly Financial Report will provide the complete comparison from July 2020 to July 2022. Ultimately, the analysis will result in a description of all the components that will be part of the executive’s decision package one (DP 1) 2025 biennium budget request. This work will prepare legislators for budget deliberations in the 2023 session. For a review of how DP 1 works and snapshot components, please read this [short brochure](#) from 2019.

Status of Line-Itemed Decision Packages, 2021 Legislature

The table below summarizes the agency’s expenditures against legislative appropriations for decision packages that appear as line items in HB 2. A detailed discussion of each decision package is provided below.

| Department of Natural Resources and Conservation | | | | |
|--|------------------------------|------------------|------------------|---------------------|
| Legislative Appropriation and Expenditures Year to Date for FY 2022 | | | | |
| Decision Package | Legislative Appropriation | Budgeted | Expended | Percent Expended |
| DP 2318 - Lake Elmo Restoration (Restricted/One-Time-Only) | \$50,000 | \$50,000 | \$0 | 0.0% |
| DP 2319 - Conservation District AIS Check Stations (Restricted) ¹ | 100,000 | - | - | 0.0% |
| DP 2404 - WRD Flow Measurement Equipment (Restricted/One-Time-Only) | 98,700 | 98,700 | 92,007 | 93.2% |
| DP 2405 - CSKT Montana Compact Implementation Restricted Portion | 100,000 | 100,000 | 75,000 | 75.0% |
| Total of HB 2 Line Itemed Decision Packages | \$348,700 | \$248,700 | \$167,007 | 67.2% |

¹ This authority was appropriated to DNRC and was transferred to FWP for expenditure on AIS Check Stations

DP 2318 - Lake Elmo Restoration (RST/OTO)

FY 2022 - \$50,000 State Special Revenue

FY 2023 - \$50,000 State Special Revenue

The legislature approved an appropriation from the environmental contingency state special revenue account to fund aquatic invasive species eradication at Lake Elmo in Yellowstone County. The project will be administered by the Yellowstone County Conservation District. As of May, the agency has not made an expenditure on this authority.

DP 2319 - Conservation District AIS Check Stations (Restricted)

FY 2022 - \$100,000 State Special Revenue

FY 2023 - \$100,000 State Special Revenue

The legislature approved an increase in appropriation from the environmental contingency state special revenue account to fund aquatic invasive species check stations operated by conservation districts. The agency has transferred this authority to the Department of Fish, Wildlife, and Parks, which manages the AIS check station program.

DP 2404 - WATER RESOURCES DIVISION FLOW MEASUREMENT EQUIP (RST/OTO)

FY 2022 - \$98,700 State Special Revenue

The legislature approved a one-time-only increase in state special revenue to purchase equipment to measure flows into reservoirs and canals. As of May, the agency has expended 93.2% or \$92,007.

DP 2405 - CSKT -MONTANA COMPACT IMPLEMENTATION Restricted Portion

FY 2022 - \$100,000 General Fund

FY 2023 - \$100,000 General Fund

The legislature restricted \$100,000 in each year of the biennium to implement the Montana Environmental Policy Act (MEPA)(75-1-102, MCA), National Environmental Protection Act (NEPA)(42 U.S.C. §§ 4321 et seq.), and the protection and administration of state-based water rights. As of May, the agency has expended \$75,000 of this authority.