

**Agency Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	88,822,671	93,494,936	4,672,265	5.26 %
Operating Expenses	42,388,200	55,814,677	13,426,477	31.68 %
Equipment & Intangible Assets	2,973,832	2,823,032	(150,800)	(5.07)%
Local Assistance	4,116,180	6,116,180	2,000,000	48.59 %
Grants	5,227,418	4,975,428	(251,990)	(4.82)%
Benefits & Claims	800,000	800,000	0	0.00 %
Transfers	3,466,496	3,448,486	(18,010)	(0.52)%
Debt Service	4,656,100	4,527,532	(128,568)	(2.76)%
<b>Total Expenditures</b>	<b>\$152,450,897</b>	<b>\$172,000,271</b>	<b>\$19,549,374</b>	<b>12.82 %</b>
General Fund	64,075,066	74,829,950	10,754,884	16.78 %
State/Other Special Rev. Funds	84,237,211	92,928,372	8,691,161	10.32 %
Federal Spec. Rev. Funds	4,138,620	4,241,949	103,329	2.50 %
<b>Total Funds</b>	<b>\$152,450,897</b>	<b>\$172,000,271</b>	<b>\$19,549,374</b>	<b>12.82 %</b>
<b>Total Ongoing</b>	<b>\$152,252,197</b>	<b>\$167,641,220</b>	<b>\$15,389,023</b>	<b>10.11 %</b>
<b>Total OTO</b>	<b>\$198,700</b>	<b>\$4,359,051</b>	<b>\$4,160,351</b>	<b>2,093.79 %</b>

**Mission Statement**

Serving Montanan's first through Natural Resources Management

Please refer to the agency profile at <https://leg.mt.gov/lfd/appropriation-subcommittee-section-c/agency-department-natural-resources-conservation/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

**Agency Highlights**

**Department of Natural Resources and Conservation  
Major Budget Highlights**

The executive proposes an increase of \$19.5 million, or when compared to the 2023 biennium. Proposals include:

- Statewide present law adjustments - \$6.5 million
- Water resources - \$3.0 million
- Water and wastewater projects - \$2.9 million
- State owned dam and irrigation infrastructure, operation, maintenance, and safety - \$2.1 million
- Fire protection and mitigation programs - \$1.7 million
- Trust lands operation and maintenance - \$1.3 million
- Director's Office new project manager 1.00 FTE - \$241,900
- Forestry communications coordinator - \$197,300
- Other proposals for infrastructure, operations, invasive species, and internship programs - \$564,300

**Agency Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	539.61	539.61	540.61	540.61
Personal Services	41,376,729	43,742,274	45,080,397	46,617,356	46,877,580
Operating Expenses	18,583,567	20,991,711	21,396,489	27,737,916	28,076,761
Equipment & Intangible Assets	1,666,313	1,620,766	1,353,066	1,436,516	1,386,516
Local Assistance	989,300	2,058,090	2,058,090	3,058,090	3,058,090
Grants	2,648,021	2,689,704	2,537,714	2,487,714	2,487,714
Benefits & Claims	0	400,000	400,000	400,000	400,000
Transfers	1,690,589	1,742,253	1,724,243	1,724,243	1,724,243
Debt Service	2,177,955	2,392,334	2,263,766	2,263,766	2,263,766
<b>Total Expenditures</b>	<b>\$69,132,474</b>	<b>\$75,637,132</b>	<b>\$76,813,765</b>	<b>\$85,725,601</b>	<b>\$86,274,670</b>
General Fund	30,225,435	31,501,212	32,573,854	37,470,481	37,359,469
State/Other Special Rev. Funds	36,965,101	42,067,923	42,169,288	46,136,641	46,791,731
Federal Spec. Rev. Funds	1,941,938	2,067,997	2,070,623	2,118,479	2,123,470
<b>Total Funds</b>	<b>\$69,132,474</b>	<b>\$75,637,132</b>	<b>\$76,813,765</b>	<b>\$85,725,601</b>	<b>\$86,274,670</b>
<b>Total Ongoing</b>	<b>\$68,983,774</b>	<b>\$75,488,432</b>	<b>\$76,763,765</b>	<b>\$83,380,003</b>	<b>\$84,261,217</b>
<b>Total OTO</b>	<b>\$148,700</b>	<b>\$148,700</b>	<b>\$50,000</b>	<b>\$2,345,598</b>	<b>\$2,013,453</b>

**Agency Discussion**

The Department of Natural Resources and Conservation HB 2 modified budget was 91.4% expended as of the end of FY 2022 leaving about \$6.5 million in unspent budget authority at the end of the fiscal year. The unexpended authority is summarized below:

- Operating Expenses: \$2.4 million
- Personal Services: \$2.4 million
- Local Assistance: \$1.1 million
- Benefits & Claims: \$400,000
- Debt Service: \$214,400
- Other: \$47,800

Unexpended operating expenditures were primarily budgeted for water, irrigation, and dam safety projects. Personal services vacancy savings totaled 5.4%, while the 2021 legislature approved a 4.0% vacancy savings rate. Unexpended local assistance was budgeted for range land improvement loans and loans to mitigate non-point source groundwater pollution. For benefits and claims, the agency has authority totaling \$400,000 for drinking water loan forgiveness. The agency can fund this program from federal sources outside of HB 2 and, as a result, has not expended against this authority for several biennia. The agency expended 91.0% or \$2.2 million of its budgeted authority to service debt.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Total appropriations in the second year of the biennium increase by 1.6% or \$1.2 million, primarily for personal services which increased by 3.1% or \$1.3 million. Authority for operations expense supporting water, conservation, and IT projects increased by 1.9% or \$405,000. Funding for equipment, grants and debt service decreased by 5.2% or \$566,300.

*Comparison of FY 2023 Legislative Budget to FY 2023 Base*

The figure following illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

Department of Natural Resources and Conservation				
Comparison of the FY 2023 Legislative Budget to the FY 2023 Base Budget				
<u>Division</u>	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<b>Director's Office</b>				
Personal Services	\$5,741,102	\$0	\$5,741,102	0.0%
Operating Expenses	2,345,973	(452,062)	1,893,911	-19.3%
Equipment & Intangible Assets	62,554	-	62,554	0.0%
Transfers	500	-	500	0.0%
Debt Service	21,700	462,429	484,129	2131.0%
Total	8,171,829	10,367	8,182,196	0.1%
<b>Oil &amp; Gas Conservation Division</b>				
Personal Services	1,615,004	-	1,615,004	0.0%
Operating Expenses	518,492	(26,118)	492,374	-5.0%
Equipment & Intangible Assets	56,550	-	56,550	0.0%
Debt Service	-	18,491	18,491	100.0%
Total	2,190,046	(7,627)	2,182,419	-0.3%
<b>Conservation &amp; Resource Development Division</b>				
Personal Services	2,753,411	-	2,753,411	0.0%
Operating Expenses	3,138,589	(238,781)	2,899,808	-7.6%
Equipment & Intangible Assets	43,743	-	43,743	0.0%
Local Assistance	2,058,090	-	2,058,090	0.0%
Grants	2,140,249	-	2,140,249	0.0%
Benefits & Claims	400,000	-	400,000	0.0%
Debt Service	-	238,781	238,781	100.0%
Total	10,534,082	-	10,534,082	0.0%
<b>Water Resources Division</b>				
Personal Services	11,768,751	-	11,768,751	0.0%
Operating Expenses	7,717,777	(153,149)	7,564,628	-2.0%
Equipment & Intangible Assets	133,499	-	133,499	0.0%
Transfers	41,591	-	41,591	0.0%
Debt Service	738,704	150,409	889,113	20.4%
Total	20,400,322	(2,740)	20,397,582	0.0%
<b>Forestry &amp; Trust Lands Division</b>				
Personal Services	23,202,129	-	23,202,129	0.0%
Operating Expenses	9,254,083	(708,315)	8,545,768	-7.7%
Equipment & Intangible Assets	1,056,720	-	1,056,720	0.0%
Grants	247,465	100,000	347,465	40.4%
Transfers	1,682,152	-	1,682,152	0.0%
Debt Service	24,937	608,315	633,252	2439%
Total	35,467,486	-	35,467,486	0.0%
Agency Total	\$76,763,765	\$0	\$76,763,765	0.0%

Agency modifications did not change the overall base budget. Modifications moved \$1.6 million from operating expenses to grants, and debt services.

*Executive Request*

The executive proposes a \$19.6 million increase funded primarily with an increase in general fund, of \$10.8 million, \$8.7 million in state special revenue and \$103,300 from federal sources.

Statewide Present Law Adjustment: \$6.5 million

- Personal services: \$3.1 million
- Fixed costs: \$538,900
- Inflation: \$2.9 million

Water and Wastewater Projects - \$2.0 million

The executive proposes to increase state special revenue for water and wastewater project loans to municipalities. This increase in appropriation would reinstate base funding to the level of the previous biennium.

Fire Protection Programs and operating costs - \$1.7 million

The executive proposes an increase in general fund totaling \$993,300 and state special revenue totaling \$729,900. The funding will support county co-op capacity, dispatch center operations, contracted fire protection services, aviation crew facilities, and other fire programs. State special revenue will come from fees assessed on owners of land classified as forest.

Water Rights - \$1.0 million

The executive proposes to increase general fund by \$989,000 and state special revenue by \$28,400 to support the water right's information system and the Flathead Reservation Water Management Board.

Dam Safety, Operation, and Maintenance - \$864,200

The executive proposes increases in general fund of \$434,200 and state special revenue of \$430,000 to support operation and maintenance at the Broadwater Dam, contract for engineering services related to dam safety, funding for 2.00 modified FTE engineering positions to support dam safety and flood plan mapping programs. The state special revenue will come from the sale of hydroelectric power generated from the Broadwater/Toston Dam.

Trust Lands Management Division - \$860,400

The executive proposes an increase in state special revenue to support operations and maintenance the Trust Lands Management System (TLMS), and 2.00 modified FTE. The TLMS manages contracts, invoices, payments, and receipts as well as automating several department work-tasks. The modified FTE will provide support for all Trust Lands Management Division data related analytics.

Director's Office's: 1.00 FTE - \$665,000

The executive proposes an increase in general fund and state special revenue to support operations, fixed costs, and an additional 1.00 FTE as a project manager and business analyst. The position is funded equally from the general fund and state special revenue.

Forestry Division Communications Coordinator - \$197,300

The executive proposes to increase general fund to support a Forestry Division Communications Coordinator. This is a modified position that is currently funded from the fire suppression fund state special revenue account which is not part of HB 2.

Other Proposals - \$242,400

Other proposals include funding for invasive species, internship programs, and overtime.

One-Time-Only Appropriation - \$4.4 million

The executive proposes general fund appropriations of \$4.0 million and state special revenue of \$367,400 as one-time-only appropriations for:

- Montana Stream Gage Network - \$1.5 million
- Willow Creek Dam Rehabilitation - \$1.0 million
- Water right administration backlog - \$864,000
- Water database upgrade - \$472,000
- Infrastructure projects - \$300,000
- Irrigation and dam infrastructure projects - \$262,000

*5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2025 biennium 5.0% plan, submitted by the agency, is in the budget analysis appendix.

The department's 5% plan reduces general fund by \$1.5 million and state special revenue by \$1.4 million annually. Reductions include expenditures for Forestry Division Offices, fire protection program and forestry assistance programs, Trust Lands Management, Director's office, and the Water Resources Division.

*Agency Goals and Objectives*

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

**Agency Personal Services**

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal services funding to or from other expenditure categories (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Department of Natural Resources and Conservation DP1 for FY 2024				
Division	Legislative Changes	Management Decisions	Total Budget Modifications	Total Personal Service Changes
Directors Office	\$61,791	\$157,478	\$0	\$219,269
Oil & Gas Conservation	9,555	24,893	-	34,448
Consrv & Rersc Dvlp	(17,253)	72,666	-	55,413
Water Resources	12,392	225,404	-	237,796
Forestry & Trust Lands	(124,612)	976,677	-	852,065
Total	(\$58,127)	\$1,457,118	\$0	\$1,398,991

In the previous biennium personal services accounted for 58.3% or \$88.8 million of the total budgeted authority. As proposed by the executive, statewide present law adjustments would increase personal services by approximately \$1.4 million in FY 2024, and \$1.7 million in FY 2025. Increase are funded with 44.0% general fund, 55.7% state special revenue, and 0.3% from federal sources.

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

- Director’s Office – 60.75 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 – 293.93 FTE

Of the total hours available, the agency has utilized 104.4%. The Forestry and Trust Lands Division utilized 111.8% of budgeted hours. The high utilization rate in the Forestry and Trust Lands Division is due to personnel involved in fire suppression activities. Excluding positions involved in fire suppression, forestry had a utilization rate of 93.6%. All other programs combined had a utilization rate of 94.7%.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Total Department of Natural Resources and Conservation Funding by Source of Authority 2025 Biennium Budget Request - Department of Natural Resources and Conservation						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	70,838,299	3,991,651	0	0	74,829,950	40.88 %
State Special Total	92,560,972	367,400	0	2,372,794	95,301,166	52.06 %
Federal Special Total	4,241,949	0	0	1,210,966	5,452,915	2.98 %
Proprietary Total	0	0	7,469,967	0	7,469,967	4.08 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$167,641,220</b>	<b>\$4,359,051</b>	<b>\$7,469,967</b>	<b>\$3,583,760</b>	<b>\$183,053,998</b>	
<b>Percent - Total All Sources</b>	<b>91.58 %</b>	<b>2.38 %</b>	<b>4.08 %</b>	<b>1.96 %</b>		

Department of Natural Resources and Conservation is primarily funded with general fund and state special revenue. Non-budgeted proprietary funds are supported with revenue from the state nursery and charges for air operations. Statutory appropriation of state special revenue support sage grouse programs and oil and gas mitigation projects. Statutory appropriation of federal revenue are reimbursements for forestry projects conducted under the Good Neighbor Authority.

State special revenue from 29 different funds provides 55.3% of HB 2 funding, and 53.2% of the total funding for the agency. The fourteen funds that make up 95.3% of the agencies state special revenue appropriation are listed in the following table.

Executive Proposal for Major State Special Funds 2025 Biennium HB 2 (The funds listed below constitute 95.3% of agency state special funding)				
Fund	Beginning <sup>1</sup>	Expenditures <sup>2</sup>		Ending
	Balance	Revenues	HB 2 Appropriated	Balance
TLMD Trust Administration	\$886	\$33,385,462	(\$32,474,689)	\$911,659
Fire Protection Assessments	555,354	8,980,720	(9,542,102)	(6,028)
State Project Hydro Earnings	13,262,706	4,000,000	(6,919,488)	10,343,218
Oil & Gas ERA	5,256,762	6,229,000	(6,366,633)	5,119,129
Conservation District Acct	2,378,374	4,804,000	(6,327,630)	854,744
Water Adjudication	18,030	9,456,199	(9,445,899)	28,330
RDB Proceeds	11,282	5,966,180	(5,966,180)	11,282
Forest Resources-Forest Improvement	904,683	2,945,500	(2,890,340)	959,843
Montana Coal Endowment Water Systems	561,794	5,144,000	(2,189,241)	3,516,553
Broadwater Operation & Maintenance	93,520	2,030,700	(1,946,017)	178,203
Water Right Appropriation	690,723	2,391,000	(1,867,119)	1,214,604
Natural Resources Operations	793,583	4,262,000	(7,330,382)	2,274,799
Water Storage State	2,318,273	310,728	(1,615,027)	1,013,974
Aquatic Invasive Species	<u>1,014,270</u>	<u>6,810,107</u>	<u>(6,329,389)</u>	<u>1,494,988</u>
Total	\$27,860,240	\$96,715,596	(\$101,210,136)	\$23,365,700

Notes

<sup>1</sup> The beginning balance is calculated using FY 2022 actual revenues and expenditures and FY 2023 forecast revenues and appropriations

<sup>2</sup> HB 2 appropriated includes appropriations to other agencies and non-HB 2 appropriations

*Statutory Authority*

DNRC has multiple statutory appropriations:

The oil and gas production damage mitigation state special revenue fund, (82-11-161, MCA) is statutorily appropriated and under the authority of the Board of Oil and Gas. It receives up to \$650,000 from the Resource Indemnity Trust interest each biennium for the reclamation of drill sites and production areas associated with oil and natural gas production. Over the past five fiscal years, DNRC has expended an average of \$361,000 per year.

The Morrill trust land administration state special revenue fund (77-1-108, MCA) receives an \$80,000 transfer each biennium from the general fund for the purposes of administering the Morrill Trust lands. Over the past five fiscal years DNRC has expended an average of \$21,100 per year. Over the last ten years the ending fund balance has grown at about 11.3% per year. The ending fund balance in FY 2022 was \$139,400.

The wildfire suppression state special revenue fund (73-13-150, MCA) which 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. Historically, the 10-year inflation adjusted average for state wildfire costs was \$25.0 million. Up to \$5.0 million is statutorily appropriated for fuel reduction, fire suppression equipment for county cooperatives, and other forest management programs.

The Sage Grouse Stewardship state special revenue account (76-22-109) which is used to maintain, enhance, restore, expand, of benefit sage grouse habitat and populations. For FY 2018 through FY 2021 the fund receives a transfer of \$2.0 million from the general fund, starting in FY 2022 revenue is from compensatory mitigation as established in 76-22-111,

MCA and donations.

The Good Neighbor Authority (GNA) state special revenue account (76-13-151, MCA) generates revenue from the sale of timber from GNA projects on federal. GNA allows the USDA Forest Service to enter into agreements with state forestry agencies execute management work on federal forests within the state of Montana.

**Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	32,573,854	32,573,854	65,147,708	87.06 %	76,763,765	76,763,765	153,527,530	89.26 %
SWPL Adjustments	1,260,372	1,394,484	2,654,856	3.55 %	3,072,126	3,439,591	6,511,717	3.79 %
PL Adjustments	1,178,689	1,157,314	2,336,003	3.12 %	2,908,189	2,911,839	5,820,028	3.38 %
New Proposals	2,457,566	2,233,817	4,691,383	6.27 %	2,981,521	3,159,475	6,140,996	3.57 %
<b>Total Budget</b>	<b>\$37,470,481</b>	<b>\$37,359,469</b>	<b>\$74,829,950</b>		<b>\$85,725,601</b>	<b>\$86,274,670</b>	<b>\$172,000,271</b>	

**HB 2 Language -**

The following language is recommended for inclusion in HB 2:

"During the 2025 biennium, the department is authorized to decrease federal special revenue in the water pollution control and/or drinking water revolving fund loan programs and increase state special revenue by a like amount within administration accounts when the amount of federal EPA CAP grant funds allocated for administration of the grant have been expended or federal funds and bond proceeds will be used for other program purposes as authorized in law providing for the distribution of funds."

"During the 2025 biennium, up to \$1,500,000 of funds currently in or to be deposited in the DNRC Indirects state special revenue account is appropriated to the department for indirect pool expenditures."

"During the 2025 biennium, up to \$600,000 from the loan loss reserve account of the private loan program established in 85-1-603 is appropriated to the department for the purchase of prior liens on property held as loan security as provided in 85-1-615."

"During the 2025 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account is appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility."

"During the 2025 biennium, up to \$1,500,000 of funds currently in or to be deposited in the state project hydropower earnings account is appropriated for the purpose of repairing, improving, or rehabilitating department state water projects."

"During the 2025 biennium, up to \$100,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project."

"During the 2025 biennium, up to \$1 million of funds currently in or to be deposited in the contract timber harvest account is appropriated to the department for contract harvesting, a tool to improve forest health and generate revenue for trust beneficiaries."

"During the 2025 biennium, up to \$150,000 of funds in the Trust Administration and Forest Improvement accounts are appropriated to the department for road maintenance on state trust lands due to damage from erosion, public use, flooding and/or post fire or other natural disaster restoration."

"During the 2025 biennium, up to \$100,000 of funds currently in or to be deposited in the Trust Administration account are appropriated to the department for agriculture and grazing management infrastructure on state trust lands unexpected or emergency repair or replacement due to damage from public use, flooding, fire or other natural disasters."

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	11,329,918	12,189,604	859,686	7.59 %
Operating Expenses	4,029,713	4,822,061	792,348	19.66 %
Equipment & Intangible Assets	125,108	125,108	0	0.00 %
Transfers	1,000	1,000	0	0.00 %
Debt Service	955,530	968,258	12,728	1.33 %
<b>Total Expenditures</b>	<b>\$16,441,269</b>	<b>\$18,106,031</b>	<b>\$1,664,762</b>	<b>10.13 %</b>
General Fund	9,326,466	10,267,154	940,688	10.09 %
State/Other Special Rev. Funds	7,114,803	7,838,877	724,074	10.18 %
<b>Total Funds</b>	<b>\$16,441,269</b>	<b>\$18,106,031</b>	<b>\$1,664,762</b>	<b>10.13 %</b>
<b>Total Ongoing</b>	<b>\$16,441,269</b>	<b>\$18,106,031</b>	<b>\$1,664,762</b>	<b>10.13 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Director's Office is comprised of the Director's Office, Legal Services Office, Financial Services Office, Office of Information Technology, Human Resources Office and Office of Administrative Hearings. The director is responsible for the administration of all the functions vested by law in the department and for establishing policy to be followed by the department. In addition, the work units in the Director's Office provide legal, human resources, financial, information technology, records management, administrative hearings, safety, and communication services to the director and the divisions within the agency.

**Program Highlights**

<b>Director's Office Major Budget Highlights</b>
<p>The executive proposes a 10.1% or \$1.7 million increase in total appropriations when compared to the 2023 Biennium, including:</p> <ul style="list-style-type: none"> <li>• Financial management system operation and maintenance - \$355,000</li> <li>• 1.00 FTE Project Manager and Business Analyst - \$241,900</li> <li>• Additional fixed cost allocation for the new Chief Data Office and Management Training Center - \$68,100</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	60.75	60.75	61.75	61.75
Personal Services	5,393,724	5,588,816	5,741,102	6,078,417	6,111,187
Operating Expenses	2,048,188	2,135,802	1,893,911	2,308,191	2,513,870
Equipment & Intangible Assets	0	62,554	62,554	62,554	62,554
Transfers	0	500	500	500	500
Debt Service	471,388	471,401	484,129	484,129	484,129
<b>Total Expenditures</b>	<b>\$7,913,300</b>	<b>\$8,259,073</b>	<b>\$8,182,196</b>	<b>\$8,933,791</b>	<b>\$9,172,240</b>
General Fund	4,375,872	4,681,348	4,645,118	5,066,432	5,200,722
State/Other Special Rev. Funds	3,537,428	3,577,725	3,537,078	3,867,359	3,971,518
<b>Total Funds</b>	<b>\$7,913,300</b>	<b>\$8,259,073</b>	<b>\$8,182,196</b>	<b>\$8,933,791</b>	<b>\$9,172,240</b>
<b>Total Ongoing</b>	<b>\$7,913,300</b>	<b>\$8,259,073</b>	<b>\$8,182,196</b>	<b>\$8,933,791</b>	<b>\$9,172,240</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Director’s Office expended 95.8% of its \$8.3 million HB 2 modified budget in FY 2022. Unexpended appropriations totaled \$345,800, primarily general fund. Operating expenses were 95.9% expended, personal services were 96.5% expended, and all other expenditure categories were completely expended. Unexpended appropriations for operations included funds for audits and equipment purchases.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Appropriations decreased by 0.9% or \$76,900 between FY 2022 and FY 2023. Personals services increased by 2.7% or \$152,300, operations decreased by 11.3% or \$241,900, due primarily to audit expenses budgeted only in the first year of the biennium. Funding for debt service increased by 2.7% or \$12,800.

*Executive Request*

The executive proposes an increase in total appropriation of 10.1% or \$1.7 million. In addition to statewide present law adjustments the executive proposes to increase total FTE by 1.00 for a new program manager and business analyst. The new position would be funded with state special revenue and general fund. The executive proposes to include additional fixed costs for the new Chief Data Office and State Management Training center. Other proposals include increases for operation and maintenance of the financial management system as well as statewide present law adjustments.

**Program Personal Services**

In the previous biennium personal services accounted for 68.9% or \$11.3 million of the total budgeted authority for the biennium. In addition to base funding of \$5.7 million in each year of the biennium, the executive proposes statewide present law adjustments that increases personal service by approximately \$219,300 in FY 2024 and \$252,000 in FY 2025. Present law adjustments are driven primarily by management changes. For FY 2024 statewide present law adjustments include:

- Legislative changes: \$61,800
- Management changes: \$157,500
- Budget modifications: \$0

The executive proposes to fund a new position, Program Manager and Business Analyst (1.00 FTE) funded with general fund and state special revenue totaling \$241,900 for the biennium.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Natural Resources and Conservation, 21-Directors Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	10,267,154	0	0	0	10,267,154	56.71 %	
02039 Fire Protection Assessments	888,840	0	0	0	888,840	11.34 %	
02052 Rangeland Improvement Loans	65,478	0	0	0	65,478	0.84 %	
02073 Forestry - Slash Disposal	13,223	0	0	0	13,223	0.17 %	
02145 Broadwater O & M	92,465	0	0	0	92,465	1.18 %	
02223 Wastewater SRF Special Admin	154,693	0	0	0	154,693	1.97 %	
02430 Water Right Appropriation	347,507	0	0	0	347,507	4.43 %	
02431 Water Adjudication	1,019,363	0	0	0	1,019,363	13.00 %	
02432 Oil & Gas ERA	430,823	0	0	0	430,823	5.50 %	
02491 Drinking Water Spec Admin Cost	154,693	0	0	0	154,693	1.97 %	
02576 Natural Resources Operations	624,016	0	0	0	624,016	7.96 %	
02825 Water Well Contractors	20,387	0	0	0	20,387	0.26 %	
02938 TLMD Trust Administration	2,996,047	0	0	0	2,996,047	38.22 %	
02048 Conservation District Acct	55,967	0	0	0	55,967	0.71 %	
02284 Aquatic Invasive Species	45,950	0	0	0	45,950	0.59 %	
02492 DO INDIRECTS	929,425	0	0	0	929,425	11.86 %	
<b>State Special Total</b>	<b>\$7,838,877</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,838,877</b>	<b>43.29 %</b>	
03255 DO FEDERAL INDIRECT	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
06004 Electronic Government Services	0	0	0	0	0	0.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$18,106,031</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,106,031</b>		

The Director’s Office is funded with general fund and state special revenue generated from timber sales, taxes on oil and gas, fire protection taxes, and other taxes and fees. State special revenue is used to cover the costs of services provided to other programs in the department.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	4,645,118	4,645,118	9,290,236	90.48 %	8,182,196	8,182,196	16,364,392	90.38 %
SWPL Adjustments	330,871	266,884	597,755	5.82 %	595,209	481,458	1,076,667	5.95 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	90,443	288,720	379,163	3.69 %	156,386	508,586	664,972	3.67 %
<b>Total Budget</b>	<b>\$5,066,432</b>	<b>\$5,200,722</b>	<b>\$10,267,154</b>		<b>\$8,933,791</b>	<b>\$9,172,240</b>	<b>\$18,106,031</b>	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 1 - Personal Services	0.00	123,433	95,836	0	219,269	0.00	141,887	110,152	0	252,039
DP 2 - Fixed Costs	0.00	129,223	107,778	0	237,001	0.00	35,500	34,949	0	70,449
DP 3 - Inflation Deflation	0.00	78,215	60,724	0	138,939	0.00	89,497	69,473	0	158,970
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$330,871</b>	<b>\$264,338</b>	<b>\$0</b>	<b>\$595,209</b>	<b>0.00</b>	<b>\$266,884</b>	<b>\$214,574</b>	<b>\$0</b>	<b>\$481,458</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
New Proposals										
DP 99 - New Fixed Costs	0.00	21,567	12,473	0	34,040	0.00	21,567	12,473	0	34,040
DP 2101 - DO Project Manager/Business Analyst Position	1.00	68,876	53,470	0	122,346	1.00	67,300	52,246	0	119,546
DP 2104 - DO Financial Management System O & M	0.00	0	0	0	0	0.00	199,853	155,147	0	355,000
<b>Total</b>	<b>1.00</b>	<b>\$90,443</b>	<b>\$65,943</b>	<b>\$0</b>	<b>\$156,386</b>	<b>1.00</b>	<b>\$288,720</b>	<b>\$219,866</b>	<b>\$0</b>	<b>\$508,586</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office.

Additionally, the executive requests appropriations of \$68,000 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

DP 2101 - DO Project Manager/Business Analyst Position -

The executive proposes an increase in general fund and state special revenue to support an additional 1.00 FTE as a project manager and business analyst. The new FTE will manage, coordinate, and oversee large technical projects within and across divisions and with third party vendors.

DP 2104 - DO Financial Management System O & M -

The executive proposes an increase in general fund and state special revenue funds for the annual ongoing maintenance costs for the DNRC Financial Management System. This request is contingent on the passage of the DNRC's HB 10 request.

**LFD  
COMMENT**

The legislature may want to delay acting on this proposal until HB 10 has passed.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	3,210,630	3,332,514	121,884	3.80 %
Operating Expenses	965,510	1,067,873	102,363	10.60 %
Equipment & Intangible Assets	133,100	180,000	46,900	35.24 %
Debt Service	44,527	36,982	(7,545)	(16.94)%
<b>Total Expenditures</b>	<b>\$4,353,767</b>	<b>\$4,617,369</b>	<b>\$263,602</b>	<b>6.05 %</b>
State/Other Special Rev. Funds	4,139,139	4,401,611	262,472	6.34 %
Federal Spec. Rev. Funds	214,628	215,758	1,130	0.53 %
<b>Total Funds</b>	<b>\$4,353,767</b>	<b>\$4,617,369</b>	<b>\$263,602</b>	<b>6.05 %</b>
<b>Total Ongoing</b>	<b>\$4,353,767</b>	<b>\$4,617,369</b>	<b>\$263,602</b>	<b>6.05 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division’s responsibilities include the following:

- Issue drilling permits
- Require measures to be taken to prevent damage to land and underground strata
- Classify wells
- Establish well spacing units and pooling orders
- Inspect drilling, production, and seismic operations
- Investigate complaints
- Perform engineering studies
- Determine incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects
- Operate the underground injection control program
- Plug orphan wells
- Collect and maintain complete well data and production information

**Program Highlights**

<b>Oil and Gas Conservation Division Major Budget Highlights</b>
The executive proposes a 6.1% or \$263,600 increase in total appropriations when compared to the 2023 Biennium.

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	19.50	19.50	19.50	19.50
Personal Services	1,400,880	1,595,626	1,615,004	1,662,224	1,670,290
Operating Expenses	327,740	473,136	492,374	531,290	536,583
Equipment & Intangible Assets	79,112	76,550	56,550	90,000	90,000
Debt Service	26,037	26,036	18,491	18,491	18,491
<b>Total Expenditures</b>	<b>\$1,833,769</b>	<b>\$2,171,348</b>	<b>\$2,182,419</b>	<b>\$2,302,005</b>	<b>\$2,315,364</b>
State/Other Special Rev. Funds	1,803,520	2,064,599	2,074,540	2,194,126	2,207,485
Federal Spec. Rev. Funds	30,249	106,749	107,879	107,879	107,879
<b>Total Funds</b>	<b>\$1,833,769</b>	<b>\$2,171,348</b>	<b>\$2,182,419</b>	<b>\$2,302,005</b>	<b>\$2,315,364</b>
<b>Total Ongoing</b>	<b>\$1,833,769</b>	<b>\$2,171,348</b>	<b>\$2,182,419</b>	<b>\$2,302,005</b>	<b>\$2,315,364</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Oil and Gas Conservation Division expended 84.5% of its \$2.2 million HB 2 modified budget in FY 2022. Unexpended appropriations totaled \$337,600, primarily state special revenue. Personal services were 87.8% expended and operating expenses were 69.3% expended. Unexpended operating expenditures were related to underground injections, oil, and gas activities. All other expenditure categories were completely expended.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Appropriations decreased by 0.5% or \$11,100 between FY 2022 and FY 2023. Personal services increased by 1.2% or \$19,400, operations increased by 4.1% or \$19,300. Authority for equipment decreased by \$20,000, debt service decreased by \$7,600.

*Executive Request*

The executive proposes an increase in total appropriation of 6.1% or \$263,600. In addition to statewide present law adjustments the executive proposes additional overtime and per diem for the Board of Oil and Gas Conservation.

**Program Personal Services**

In the 2023 biennium personal services accounted for 73.7% or \$3.2 million of the total budgeted authority for the biennium. In addition to base funding of \$1.6 million in each year of the 2025 biennium, the executive proposes statewide present law adjustments that increase personal services by approximately \$34,500 in FY 2024 and \$42,500 in FY 2025. Present law adjustments are driven primarily by management decisions. For FY 2024, statewide present law adjustments include:

- Legislative changes: \$9,600
- Management decisions: \$24,900
- Budget modifications: \$0

**Funding**

The following table shows proposed agency funding for all sources of authority.

**57060 - Department Of Natural Resources And Conservation      22-Oil & Gas Conservation Div**

Department of Natural Resources and Conservation, 22-Oil & Gas Conservation Div Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02010 Oil & Gas Damage Mitigation	0	0	0	403,484	403,484	8.40 %	
02432 Oil & Gas ERA	4,401,611	0	0	0	4,401,611	91.60 %	
<b>State Special Total</b>	<b>\$4,401,611</b>	<b>\$0</b>	<b>\$0</b>	<b>\$403,484</b>	<b>\$4,805,095</b>	<b>95.70 %</b>	
03356 Oil & Gas Federal	215,758	0	0	0	215,758	100.00 %	
<b>Federal Special Total</b>	<b>\$215,758</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$215,758</b>	<b>4.30 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$4,617,369</b>	<b>\$0</b>	<b>\$0</b>	<b>\$403,484</b>	<b>\$5,020,853</b>		

The division is funded through taxes levied on oil and gas production and fees paid by operators of class II injection wells. Statutory funds are appropriated for oil and gas damage mitigation.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	2,182,419	2,182,419	4,364,838	94.53 %
SWPL Adjustments	0	0	0	0.00 %	73,364	86,723	160,087	3.47 %
PL Adjustments	0	0	0	0.00 %	46,222	46,222	92,444	2.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,302,005</b>	<b>\$2,315,364</b>	<b>\$4,617,369</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----				-----Fiscal 2025-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	34,448	0	34,448	0.00	0	42,514	0	42,514
DP 2 - Fixed Costs	0.00	0	9,374	0	9,374	0.00	0	9,190	0	9,190
DP 3 - Inflation Deflation	0.00	0	29,542	0	29,542	0.00	0	35,019	0	35,019
DP 2201 - BOGC Per Diem, Overtime, & Equipment Adjustment	0.00	0	46,222	0	46,222	0.00	0	46,222	0	46,222
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$119,586</b>	<b>\$0</b>	<b>\$119,586</b>	<b>0.00</b>	<b>\$0</b>	<b>\$132,945</b>	<b>\$0</b>	<b>\$132,945</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 2201 - BOGC Per Diem, Overtime, & Equipment Adjustment -

The executive proposes an increase in authority to fund overtime for field inspectors and per diem for member of the Board of Oil and Gas Conservation. This proposal would also increase authority to cover higher vehicle costs. This proposal would be funded with state special revenue from drilling permits, underground injection permits, and taxes on oil and gas production.

**57060 - Department Of Natural Resources And Conservation 23-Conservation/resource Dev Div**

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison					
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change	
Personal Services	5,353,544	5,635,459	281,915	5.27 %	
Operating Expenses	5,719,359	6,668,176	948,817	16.59 %	
Equipment & Intangible Assets	87,486	87,486	0	0.00 %	
Local Assistance	4,116,180	6,116,180	2,000,000	48.59 %	
Grants	4,532,488	4,280,498	(251,990)	(5.56)%	
Benefits & Claims	800,000	800,000	0	0.00 %	
Transfers	18,010	0	(18,010)	(100.00)%	
Debt Service	475,060	477,562	2,502	0.53 %	
<b>Total Expenditures</b>	<b>\$21,102,127</b>	<b>\$24,065,361</b>	<b>\$2,963,234</b>	<b>14.04 %</b>	
General Fund	3,607,500	3,883,094	275,594	7.64 %	
State/Other Special Rev. Funds	16,878,055	19,565,695	2,687,640	15.92 %	
Federal Spec. Rev. Funds	616,572	616,572	0	0.00 %	
<b>Total Funds</b>	<b>\$21,102,127</b>	<b>\$24,065,361</b>	<b>\$2,963,234</b>	<b>14.04 %</b>	
<b>Total Ongoing</b>	<b>\$21,002,127</b>	<b>\$23,765,361</b>	<b>\$2,763,234</b>	<b>13.16 %</b>	
<b>Total OTO</b>	<b>\$100,000</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>200.00 %</b>	

**Program Description**

The Conservation and Resource Development Division (CARDD) provides technical, administrative, financial, and legal assistance to Montana's 58 Conservation Districts (CD) by administering the Conservation District Act and assisting CD's as they administer the Natural Streambed and Land Preservation Act. The division co-administers the State Revolving Fund loan programs with DEQ and provides coal severance tax loans to governmental entities, and private loans. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs. Administratively attached to the division are:

- Flathead Basin Commission
- Upper Columbia Conservation Commission
- Montana Invasive Species Council
- Rangeland Resource Committee
- Grass Conservation Commission,
- Resource Conservation Advisory Council, and

## 57060 - Department Of Natural Resources And Conservation 23-Conservation/resource Dev Div

### Program Highlights

#### Conservation and Resource Development Division Major Budget Highlights

The executive proposes a 14.0% or \$3.0 million increase in total appropriations when compared to the 2023 biennium, including:

- Local assistance for water and wastewater infrastructure - \$2.0 million
- One-time-only increase for anticipated workload related to federally funded infrastructure projects - \$300,000
- Funding for the Montana Invasive Species Council - \$100,000
- Increased authority for Rangeland Resource Internship program - \$50,000

### Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	30.17	30.17	30.17	30.17
Personal Services	2,505,882	2,600,133	2,753,411	2,808,824	2,826,635
Operating Expenses	2,321,263	2,819,551	2,899,808	3,314,098	3,354,078
Equipment & Intangible Assets	0	43,743	43,743	43,743	43,743
Local Assistance	989,300	2,058,090	2,058,090	3,058,090	3,058,090
Grants	2,343,578	2,342,239	2,190,249	2,140,249	2,140,249
Benefits & Claims	0	400,000	400,000	400,000	400,000
Transfers	18,010	18,010	0	0	0
Debt Service	236,280	236,279	238,781	238,781	238,781
<b>Total Expenditures</b>	<b>\$8,414,313</b>	<b>\$10,518,045</b>	<b>\$10,584,082</b>	<b>\$12,003,785</b>	<b>\$12,061,576</b>
General Fund	1,468,850	1,781,124	1,826,376	1,927,411	1,955,683
State/Other Special Rev. Funds	6,637,172	8,428,635	8,449,420	9,768,088	9,797,607
Federal Spec. Rev. Funds	308,291	308,286	308,286	308,286	308,286
<b>Total Funds</b>	<b>\$8,414,313</b>	<b>\$10,518,045</b>	<b>\$10,584,082</b>	<b>\$12,003,785</b>	<b>\$12,061,576</b>
<b>Total Ongoing</b>	<b>\$8,364,313</b>	<b>\$10,468,045</b>	<b>\$10,534,082</b>	<b>\$11,853,785</b>	<b>\$11,911,576</b>
<b>Total OTO</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$150,000</b>	<b>\$150,000</b>

### Program Discussion -

#### *FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Conservation and Resource Development Division expended 80.0% of its \$10.5 million HB 2 modified budget in FY 2022. Unexpended appropriations totaled \$2.1 million, primarily state special revenue. Personal services were 96.4% expended leaving 3.4% or \$94,300 unexpended. Authority for operations was 82.3% expended with \$498,300 unexpended. State special revenue budgeted for local assistance for rangeland improvement loans and loans to mitigate non-point source water pollution were 48.1% expended leaving \$1.1 million unexpended. State special revenue budgeted for benefits and claims is unexpended, and the agency has funded this activity from federal sources for the last few biennium.

## **57060 - Department Of Natural Resources And Conservation 23-Conservation/resource Dev Div**

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### *FY 2022 Appropriations Compared to FY 2023 Appropriations*

Appropriations increase by 0.6% or \$66,000 between FY 2022 and FY 2023. Personal services increased by 5.9% or \$153,300, operations increased by 2.8% or \$80,300. Authority for grants and transfers for conservation districts and water projects decreased by 7.2% or \$170,000.

### *Executive Request*

The executive proposes an increase in total appropriations of 14.0% or \$3.0 million. In addition to statewide present law adjustments the executive proposes to fund a paid summer internship. The internship program will supplement the education of students studying agriculture, rangeland management, biologists, soils studies, and other natural resource studies. The executive also proposes an increase of \$2.0 million for the biennium for water and wastewater projects, which would reinstate funding to levels of 2019 biennium. The executive budget also includes funding for the invasive species council and one-time-only funding for infrastructure projects.

### **Program Personal Services**

In the previous biennium personal services accounted for 25.4% or \$5.4 million of the total authority for the biennium. In addition to base funding of \$2.8 million in each year of the 2025 biennium, the executive proposes statewide present law adjustments that increase personal services by approximately \$55,400 in FY 2024 and \$73,200 in FY 2025. Present law adjustments are driven primarily by management changes. For FY 2024, statewide present law adjustments include:

- Legislative changes (decrease): (\$17,300)
- Management decision: \$72,700
- Budget modifications: \$0

### **Funding**

The following table shows proposed agency funding for all sources of authority.

**57060 - Department Of Natural Resources And Conservation 23-Conservation/resource Dev Div**

Department of Natural Resources and Conservation, 23-Conservation/resource Dev Div							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,733,094	150,000	0	0	3,883,094	14.92 %	
02015 MT Coal Endowment Reg Wtr Sys	2,189,241	0	0	0	2,189,241	10.17 %	
02052 Rangeland Improvement Loans	162,412	0	0	0	162,412	0.75 %	
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %	
02107 Environmental Contingency RIT	0	0	0	0	0	0.00 %	
02152 Wtr Pol. Ctrl Revolv Loan Acct	0	0	0	0	0	0.00 %	
02223 Wastewater SRF Special Admin	0	0	0	0	0	0.00 %	
02224 SRF Wastewater Investment Acct	0	0	0	0	0	0.00 %	
02255 SRF Principal Sub Account	0	0	0	0	0	0.00 %	
02316 SRF Bonds State Administration	66,680	0	0	0	66,680	0.31 %	
02432 Oil & Gas ERA	1,547,801	0	0	0	1,547,801	7.19 %	
02433 Grazing District Fees	48,768	0	0	0	48,768	0.23 %	
02488 Drinking Water Loan Account	0	0	0	0	0	0.00 %	
02489 Drinking Water Principal Acct	0	0	0	0	0	0.00 %	
02490 Drinking Water Investment	800,000	0	0	0	800,000	3.71 %	
02491 Drinking Water Spec Admin Cost	0	0	0	0	0	0.00 %	
02576 Natural Resources Operations	919,947	150,000	0	0	1,069,947	4.97 %	
02577 Natural Resources Projects	0	0	0	0	0	0.00 %	
02619 2019B GO WW SRF BAN Proceeds	0	0	0	0	0	0.00 %	
02694 Coal Bed Methane Protection	100,000	0	0	0	100,000	0.46 %	
02967 GO 2013D Bond Proceeds Taxable	0	0	0	0	0	0.00 %	
02971 RDB PROCEEDS	5,966,180	0	0	0	5,966,180	27.70 %	
02318 Sage Grouse Stewardship	0	0	0	1,969,310	1,969,310	9.14 %	
02048 Conservation District Acct	6,273,537	0	0	0	6,273,537	29.13 %	
02284 Aquatic Invasive Species	1,341,129	0	0	0	1,341,129	6.23 %	
02327 CST 2020B Proceeds Taxable	0	0	0	0	0	0.00 %	
02539 2019D GO DW SRF BAN PROCEEDS	0	0	0	0	0	0.00 %	
02913 GO DW SRF COI	0	0	0	0	0	0.00 %	
02914 GO 2020N DW SRF BAN PROC	0	0	0	0	0	0.00 %	
02915 GO BAN 2021A DW SRF PROC - (TA	0	0	0	0	0	0.00 %	
02965 GO BAN 2021B WW SRF PROC - (TA	0	0	0	0	0	0.00 %	
02969 GO WW SRF COI	0	0	0	0	0	0.00 %	
02975 GO 2020J WW Bond PROC-TAX	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$19,415,695</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$1,969,310</b>	<b>\$21,535,005</b>	<b>82.72 %</b>	
03178 Res Dev & Cons - Fed	0	0	0	0	0	0.00 %	
03245 WPC19 SRF Grant	0	0	0	0	0	0.00 %	
03457 WPC20 SRF Grant	0	0	0	0	0	0.00 %	
03586 DW23 SRF Grant	170,474	0	0	0	170,474	27.65 %	
03595 DW24 SRF Grant	170,474	0	0	0	170,474	27.65 %	
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %	
03813 DW19 SRF Grant	0	0	0	0	0	0.00 %	
03815 DW20 SRF Grant	0	0	0	0	0	0.00 %	
03818 DW21 SRF Grant	0	0	0	0	0	0.00 %	
03608 WPC21 SRF Grant	0	0	0	0	0	0.00 %	
03716 WPC22 SRF Grant	0	0	0	0	0	0.00 %	
03817 DW22 SRF Grant	0	0	0	0	0	0.00 %	
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %	
03010 WPC23 SRF Grant	137,812	0	0	0	137,812	22.35 %	
03013 WPC24 SRF Grant	137,812	0	0	0	137,812	22.35 %	
<b>Federal Special Total</b>	<b>\$616,572</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$616,572</b>	<b>2.37 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$23,765,361</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$1,969,310</b>	<b>\$26,034,671</b>		

The Conservation Resource and Development Division is funded primarily with state special revenue. State special revenue is used to fund the Conservation Districts Bureau, Resources Development Bureau, and sage grouse conservation programs. Sources of revenue include interest and earnings from the resource indemnity trust, resource indemnity tax distributions, bond proceeds, fees assessed on hydroelectric facilities, and production taxes on oil and gas. Statutory appropriations for sage grouse habitat are funded by mitigation fees from land developers, and donations.

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## Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	1,826,376	1,826,376	3,652,752	94.07 %	10,534,082	10,534,082	21,068,164	87.55 %
SWPL Adjustments	13,535	41,807	55,342	1.43 %	244,703	302,494	547,197	2.27 %
PL Adjustments	0	0	0	0.00 %	1,000,000	1,000,000	2,000,000	8.31 %
New Proposals	87,500	87,500	175,000	4.51 %	225,000	225,000	450,000	1.87 %
<b>Total Budget</b>	<b>\$1,927,411</b>	<b>\$1,955,683</b>	<b>\$3,883,094</b>		<b>\$12,003,785</b>	<b>\$12,061,576</b>	<b>\$24,065,361</b>	

## Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----				-----Fiscal 2025-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(80,850)	136,263	0	55,413	0.00	(74,734)	147,958	0	73,224
DP 2 - Fixed Costs	0.00	15,459	24,622	0	40,081	0.00	15,126	24,464	0	39,590
DP 3 - Inflation Deflation	0.00	78,926	70,283	0	149,209	0.00	101,415	88,265	0	189,680
DP 2305 - CARDD Reinst SSR Base Loan Approp & Fed Fund Re-Align	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$13,535</b>	<b>\$1,231,168</b>	<b>\$0</b>	<b>\$1,244,703</b>	<b>0.00</b>	<b>\$41,807</b>	<b>\$1,260,687</b>	<b>\$0</b>	<b>\$1,302,494</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium.

### DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

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DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 2305 - CARDD Reinst SSR Base Loan Approp & Fed Fund Re-Align -

The executive proposes an increase in state special revenue authority for grant and loan programs for water and waste water infrastructure.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2301 - CARDD Rangeland Resource Internship Program	0.00	12,500	12,500	0	25,000	0.00	12,500	12,500	0	25,000
DP 2302 - CARDD Montana Invasive Species Support	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 2303 - CARDD Infrastructure OTO	0.00	75,000	75,000	0	150,000	0.00	75,000	75,000	0	150,000
<b>Total</b>	<b>0.00</b>	<b>\$87,500</b>	<b>\$137,500</b>	<b>\$0</b>	<b>\$225,000</b>	<b>0.00</b>	<b>\$87,500</b>	<b>\$137,500</b>	<b>\$0</b>	<b>\$225,000</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2301 - CARDD Rangeland Resource Internship Program -

The executive proposes funding for the Rangeland Resource internship program. The internship program will supplement the education of students studying agriculture, rangeland management, biologists, soils studies, and other natural resource studies.

DP 2302 - CARDD Montana Invasive Species Support -

The executive proposes funding for the Montana Invasive Species Council (MISC) and support positions to assist the program with increasing demand. This proposal is funded with state special revenue from taxes on the production of metal mines, oil and gas.

DP 2303 - CARDD Infrastructure OTO -

The executive proposes funding for the anticipated increased workload that will occur with the Buy American Build American (BABA) and the American Rescue Plan Act (ARPA) federal programs. This will be funded with general fund and state special revenue. DNRC will establish modified FTE to support this work.

<b>LFD COMMENT</b>	The legislature may wish to consider adding a "Restricted" designation to this proposal.
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**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	23,253,525	24,097,605	844,080	3.63 %
Operating Expenses	14,649,440	22,068,629	7,419,189	50.64 %
Equipment & Intangible Assets	365,698	316,998	(48,700)	(13.32)%
Transfers	83,182	83,182	0	0.00 %
Debt Service	1,924,700	1,778,226	(146,474)	(7.61)%
<b>Total Expenditures</b>	<b>\$40,276,545</b>	<b>\$48,344,640</b>	<b>\$8,068,095</b>	<b>20.03 %</b>
General Fund	22,817,265	29,299,085	6,481,820	28.41 %
State/Other Special Rev. Funds	16,903,370	18,464,090	1,560,720	9.23 %
Federal Spec. Rev. Funds	555,910	581,465	25,555	4.60 %
<b>Total Funds</b>	<b>\$40,276,545</b>	<b>\$48,344,640</b>	<b>\$8,068,095</b>	<b>20.03 %</b>
<b>Total Ongoing</b>	<b>\$40,177,845</b>	<b>\$44,285,589</b>	<b>\$4,107,744</b>	<b>10.22 %</b>
<b>Total OTO</b>	<b>\$98,700</b>	<b>\$4,059,051</b>	<b>\$3,960,351</b>	<b>4,012.51 %</b>

**Program Description**

The Water Resources Division is responsible for programs associated with the uses, development, and protection of Montana's water.

The division consists of five bureaus:

- Water Administration Bureau
- Water Management Bureau
- Water Rights Bureau
- State Water Projects Bureau
- Water Operations Bureau

Responsibilities of the division include:

- Manage and maintain the state-owned dams, reservoirs, and canals
- Develop and recommend in-state, interstate, and international water policy to the director, Governor, and legislature
- Administer the Dam Safety, Floodplain Management, and Water Management programs
- Conduct coordinated water resource planning, hydrologic assessments, and water measurement
- Implement federal and tribal water compacts
- Provide support to the Board of Water Well Contractors
- Assist the Water Court with the adjudication of pre-July 1, 1973, water rights
- Administer applications for new water rights, changes in historic water rights, and ownership updates
- Maintain centralized water rights records

Program Highlights

<b>Water Resources Division Major Budget Highlights</b>
<p>The executive proposes a 20.0% or \$8.1 million increase in total appropriations when compared to the 2023 Biennium, including:</p> <p>Ongoing increase of \$1.9 million, for:</p> <ul style="list-style-type: none"> <li>• Water resources - \$1.0 million</li> <li>• State Dam and Irrigation projects operations - \$444,300</li> <li>• State dam safety and technical support - \$434,200</li> </ul> <p>One-time-only authority of \$4.1 million for:</p> <ul style="list-style-type: none"> <li>• Montana stream gage network - \$1.5 million</li> <li>• Willow Creek Dam Rehabilitation - \$1.0 million</li> <li>• Water rights administration backlog - \$864,000</li> <li>• Update water consumption monitoring technology - \$472,000</li> <li>• Irrigation and dam infrastructure - \$262,000</li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	136.26	136.26	136.26	136.26
Personal Services	11,303,290	11,484,774	11,768,751	12,013,697	12,083,908
Operating Expenses	5,323,352	7,084,812	7,564,628	11,161,902	10,906,727
Equipment & Intangible Assets	323,338	232,199	133,499	183,499	133,499
Transfers	16,702	41,591	41,591	41,591	41,591
Debt Service	818,495	1,035,587	889,113	889,113	889,113
<b>Total Expenditures</b>	<b>\$17,785,177</b>	<b>\$19,878,963</b>	<b>\$20,397,582</b>	<b>\$24,289,802</b>	<b>\$24,054,838</b>
General Fund	11,025,706	11,118,968	11,698,297	14,825,702	14,473,383
State/Other Special Rev. Funds	6,519,994	8,482,631	8,420,739	9,174,938	9,289,152
Federal Spec. Rev. Funds	239,477	277,364	278,546	289,162	292,303
<b>Total Funds</b>	<b>\$17,785,177</b>	<b>\$19,878,963</b>	<b>\$20,397,582</b>	<b>\$24,289,802</b>	<b>\$24,054,838</b>
<b>Total Ongoing</b>	<b>\$17,686,477</b>	<b>\$19,780,263</b>	<b>\$20,397,582</b>	<b>\$22,094,204</b>	<b>\$22,191,385</b>
<b>Total OTO</b>	<b>\$98,700</b>	<b>\$98,700</b>	<b>\$0</b>	<b>\$2,195,598</b>	<b>\$1,863,453</b>

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Water Resources Division expended 89.5% of its \$19.9 million HB 2 modified budget in FY 2022. Unexpended appropriations totaled \$2.1 million, primarily state special revenue. Personal services were 98.4% expended leaving 3.4% or \$181,500 unexpended. Operating expenses were 75.1% expended leaving \$1.8 million unexpended. Debt service expended 79.0% of its authority leaving \$217,100 unexpended.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Appropriations increase by 2.6% or \$518,600 between FY 2022 and FY 2023. General fund increases total \$579,300. Personal services increased by 2.5% or \$284,000, operations increased by 6.8% or \$479,800. Authority for equipment purchase and debt service decreased by 19.3% or \$245,200.

*Executive Request*

The executive proposes an increase in total appropriation of 20.0% or \$8.1 million. In addition to statewide present law adjustments the executive proposes additional authority for dam safety and infrastructure. Other proposals would fund the administration of water rights including upgrading technology to monitor water consumption.

**Program Personal Services**

In the previous biennium personal service accounted for 57.7% or \$23.3 million of the total budgeted authority for the biennium. In addition to base funding of \$11.8 million in each year of the biennium, the executive proposes statewide present law adjustments that increase personal service by approximately \$237,800 in FY 2024 and \$308,000 in FY 2025.

Present law adjustments are driven primarily by management decisions. For FY 2024 statewide present law adjustments include:

- Legislative changes: \$12,400
- Management decisions: \$225,400
- Budget modifications: \$0

**Funding**

The following table shows proposed agency funding for all sources of authority.

Department of Natural Resources and Conservation, 24-Water Resources Division							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	25,457,434	3,841,651	0	0	29,299,085	60.60 %	
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %	
02145 Broadwater O & M	1,725,649	131,000	0	0	1,856,649	10.06 %	
02146 Broadwater Irrigation	0	0	0	0	0	0.00 %	
02147 Broadwater R & R	0	0	0	0	0	0.00 %	
02216 Water Storage St Sp Rev Acct	1,615,027	0	0	0	1,615,027	8.75 %	
02351 Water Project Lands Lease Acct	127,842	0	0	0	127,842	0.69 %	
02404 Water Project Loans	616,956	0	0	0	616,956	3.34 %	
02430 Water Right Appropriation	1,473,243	86,400	0	0	1,559,643	8.45 %	
02431 Water Adjudication	5,268,604	0	0	0	5,268,604	28.53 %	
02470 State Project Hydro Earnings	6,919,488	0	0	0	6,919,488	37.48 %	
02576 Natural Resources Operations	262,727	0	0	0	262,727	1.42 %	
02825 Water Well Contractors	237,154	0	0	0	237,154	1.28 %	
02308 BLACKFEET GO BOND 22D PROC TAX	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$18,246,690</b>	<b>\$217,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,464,090</b>	<b>38.19 %</b>	
03034 Yellowstone Groundwater NPS	42,580	0	0	0	42,580	7.32 %	
03094 FEMA Federal Grants	538,885	0	0	0	538,885	92.68 %	
03255 DO FEDERAL INDIRECT	0	0	0	0	0	0.00 %	
03308 Water Resources - Federal	0	0	0	0	0	0.00 %	
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$581,465</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$581,465</b>	<b>1.20 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$44,285,589</b>	<b>\$4,059,051</b>	<b>\$0</b>	<b>\$0</b>	<b>\$48,344,640</b>		

The Water Resources Division is predominantly funded with general fund and state special revenue. State special revenue is primarily generated from the sale of electricity at the state owned Toston dam in Broadwater County. Other revenues are generated from water rights filing fees, water adjudication fees, and transfers from the general fund. The division also receives revenue from taxes on metal mines, oil, and gas production.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	11,698,297	11,698,297	23,396,594	79.85 %	20,397,582	20,397,582	40,795,164	84.38 %
SWPL Adjustments	273,279	364,386	637,665	2.18 %	705,138	889,420	1,594,558	3.30 %
PL Adjustments	682,075	660,675	1,342,750	4.58 %	1,000,425	1,004,025	2,004,450	4.15 %
New Proposals	2,172,051	1,750,025	3,922,076	13.39 %	2,186,657	1,763,811	3,950,468	8.17 %
<b>Total Budget</b>	<b>\$14,825,702</b>	<b>\$14,473,383</b>	<b>\$29,299,085</b>		<b>\$24,289,802</b>	<b>\$24,054,838</b>	<b>\$48,344,640</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----				-----Fiscal 2025-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	78,688	157,175	1,933	237,796	0.00	131,049	174,713	2,245	308,007
DP 2 - Fixed Costs	0.00	44,826	21,596	0	66,422	0.00	43,964	21,182	0	65,146
DP 3 - Inflation Deflation	0.00	149,765	242,472	8,683	400,920	0.00	189,373	315,382	11,512	516,267
DP 2402 - WRD Reduce Backlog Process & Meet New Needs OTO	0.00	388,800	43,200	0	432,000	0.00	388,800	43,200	0	432,000
DP 2404 - WRD Broadwater Dam Essential Operating	0.00	0	200,000	0	200,000	0.00	0	230,000	0	230,000
DP 2405 - WRD Safety and Reliability of State Projects OTO	0.00	68,000	68,000	0	136,000	0.00	63,000	63,000	0	126,000
DP 2406 - WRD Crucial Dam Safety Technical Support Services	0.00	20,000	0	0	20,000	0.00	20,000	0	0	20,000
DP 2408 - WRD Flood Risk Credibility&Safety of High Haz Dams	0.00	205,275	0	0	205,275	0.00	188,875	0	0	188,875
DP 2410 - WRD Overtime & Per Diem	0.00	0	7,150	0	7,150	0.00	0	7,150	0	7,150
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$955,354</b>	<b>\$739,593</b>	<b>\$10,616</b>	<b>\$1,705,563</b>	<b>0.00</b>	<b>\$1,025,061</b>	<b>\$854,627</b>	<b>\$13,757</b>	<b>\$1,893,445</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

#### DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

#### DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

#### DP 2402 - WRD Reduce Backlog Process & Meet New Needs OTO -

The executive proposes an increase in state special revenue authority for grant and loan programs for water and waste water infrastructure.

#### DP 2404 - WRD Broadwater Dam Essential Operating -

The executive proposes additional appropriation from the Broadwater Operation and Maintenance state special revenue account for the operation and maintenance of the Broadwater/Toston Dam. The revenue for the fund is collected from the sale of hydro-electric power generated from the dam.

#### **LFD COMMENT**

The Broadwater Operation and Maintenance state special revenue account receives revenue from a portion of the sale of hydroelectric power produced at the state-owned Broadwater/Toston dam. In the previous five years ending in FY 2022, revenues have grown at an annual rate of 5.7% with FY 2022 revenues totaling \$895,000. The legislature appropriates revenues through HB 2, the current appropriation is \$696,300 per year. This amendment would increase the ongoing appropriation to \$896,300.

#### DP 2405 - WRD Safety and Reliability of State Projects OTO -

The executive proposes a one-time-only increase in general fund and state special revenue to support a modified FTE to work on projects related to irrigation and dam infrastructure. State special revenue is generated from the sale of hydro electric power generated from the Broadwater/Toston Dam.

#### DP 2406 - WRD Crucial Dam Safety Technical Support Services -

The executive proposes increased authority for the DNRC Water Operations Bureau's Dam Safety program. The general fund appropriation would be used to contract expert engineering assistance to provide technical guidance to the Dam Safety program. The Dam Safety program frequently encounters complex dam engineering problems that require expert council to ensure that the program makes fair and sound regulatory decisions that adequately protect the downstream public.

DP 2408 - WRD Flood Risk Credibility&Safety of High Haz Dams -

The executive proposes an increase in general fund to for the Water Operation Bureau. The funding would support 2.00 modified FTE professional engineers to support the Dam Safety and the Floodplain Mapping Programs.

DP 2410 - WRD Overtime & Per Diem -

The executive is proposing increased authority in overtime for the Broadwater/Toston Dam staff and increased authority for the Board of Water Well, for board per diem to attend meetings.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2401 - WRD Water Rights Database & Query System O&M (HB 10)	0.00	131,453	14,606	0	146,059	0.00	124,072	13,786	0	137,858
DP 2403 - WRD Montana Stream Gage Network Support OTO	0.00	831,598	0	0	831,598	0.00	629,453	0	0	629,453
DP 2407 - WRD Flathead Reserved Water Rights Administration	0.00	413,000	0	0	413,000	0.00	320,500	0	0	320,500
DP 2409 - WRD Willow Creek Rehab OTO	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 2411 - Open ET (OTO)	0.00	296,000	0	0	296,000	0.00	176,000	0	0	176,000
<b>Total</b>	<b>0.00</b>	<b>\$2,172,051</b>	<b>\$14,606</b>	<b>\$0</b>	<b>\$2,186,657</b>	<b>0.00</b>	<b>\$1,750,025</b>	<b>\$13,786</b>	<b>\$0</b>	<b>\$1,763,811</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2401 - WRD Water Rights Database & Query System O&M (HB 10) -

The executive proposes an increase of general fund and state special revenue for enhancements to the Water Rights Information System. Funding will support 1.00 modified FTE and contracted services. State special revenue is generated from water rights filing fees.

DP 2403 - WRD Montana Stream Gage Network Support OTO -

The executive proposes an increase in general fund to support a network of 100 state-operated, year-round stream gages to gather and distribute real-time streamflow information on smaller streams and tributaries not monitored through the United States Geological Survey (USGS) program.

DP 2407 - WRD Flathead Reserved Water Rights Administration -

The executive proposes an increase in general fund to support personal service and operating expense to implement the Confederated Salish and Kootenai Tribes water compact.

DP 2409 - WRD Willow Creek Rehab OTO -

The executive proposes a one-time-only appropriation of general fund for the planning & design of the Willow Creek Dam rehabilitation. Scope of work will include final design, cost estimating, preparing final construction documents, final permitting, and advertising for bids.

<b>LFD COMMENT</b>	The legislature may wish to consider adding a designation of "Restricted" to this proposal to restrict it to the intended purpose.
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DP 2411 - Open ET (OTO) -

The executive proposes a one-time-only increase in general fund for a new water consumption monitoring program. The new system would replace the current system with a satellite-based data collection system.

### Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	45,675,054	48,239,754	2,564,700	5.62 %
Operating Expenses	17,024,178	21,187,938	4,163,760	24.46 %
Equipment & Intangible Assets	2,262,440	2,113,440	(149,000)	(6.59)%
Grants	694,930	694,930	0	0.00 %
Transfers	3,364,304	3,364,304	0	0.00 %
Debt Service	1,256,283	1,266,504	10,221	0.81 %
<b>Total Expenditures</b>	<b>\$70,277,189</b>	<b>\$76,866,870</b>	<b>\$6,589,681</b>	<b>9.38 %</b>
General Fund	28,323,835	31,380,617	3,056,782	10.79 %
State/Other Special Rev. Funds	39,201,844	42,658,099	3,456,255	8.82 %
Federal Spec. Rev. Funds	2,751,510	2,828,154	76,644	2.79 %
<b>Total Funds</b>	<b>\$70,277,189</b>	<b>\$76,866,870</b>	<b>\$6,589,681</b>	<b>9.38 %</b>
<b>Total Ongoing</b>	<b>\$70,277,189</b>	<b>\$76,866,870</b>	<b>\$6,589,681</b>	<b>9.38 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Description

The Forestry Division is responsible for planning and implementing forestry programs statewide. Division responsibilities include protecting natural resources from wildfire, regulating forest practices, providing a variety of services to private forest landowners, implementing cross boundary projects to build resilient forests, sustainable economies and fire adapted communities, increasing forest restoration, management and health on federal lands and growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

- Fire Protection Program: Protects lives, property and natural resources from wildfire by providing safe and effective services to Montana's citizens as well as leadership, coordination and resources to the State's wildfire organizations. To the extent possible, the bureau embraces effective wildfire response, fire adapted communities, and resilient landscapes.
- Forestry Assistance Program: Promotes the implementation of the Montana Forest Action Plan: working across boundaries building resilient forests, sustainable economies and fire-adapted communities. This program also connects landowners with technical guidance and cost-share programs to actively manage forests, provides seedlings for conservation projects statewide, and is responsible for ensuring compliance with the Streamside Management Zone Law, Timber Slash and Debris Law, and the Forest Practice Notification Law on non-federal lands.
- Good Neighbor Authority Program: This program is organized around the existing federal Good Neighbor Authority to increase forest restoration and management, and address forest health and resiliency, wildfire risk, and insect and disease infected forests through active management. This is accomplished through partnerships with federal land management agencies, conservation organizations and collaboratives. In addition to improving forest health and reducing wildfire risk, these efforts provide a consistent commercial timber volume, retain forest industry jobs, and improve wildlife habit and recreation opportunities on federal lands.
- Shared Stewardship Program: This program engages with a diverse group of partners to respond to the United States Forest Service Shared Stewardship Strategy, which calls for the state to take a lead role in convening stakeholders to set priorities across broad forested landscapes.

The Trust Lands Management Division administers and manages the state trust timber, surface and mineral resources for the benefit of the Common Schools (K-12), and other endowed institutions under the direction of the Board of Land Commissioners. Most state trust lands were granted to the State of Montana by the Enabling Act of 1889 and total approximately 5.2 million surface acres and 6.2 million mineral acres. Additionally, the division is responsible for the administration of approximately 3,400 miles (210,000+ acres) of the beds of navigable waterways. The Trust Land

Management Division is divided into four primary programs and the Recreational Use and Public Access program:

- Forest Management: Responsible for the preparation, sale, and administration of 60 million board feet of timber through timber sales and permits. Forest Management also performs over \$1.0 million per year in forest improvement work, such as planting, thinning, and road maintenance activities on over 780,000 acres of classified forest land.
- Real Estate Management: Responsible for commercial and residential land leases, rights-of-way grants and acquisitions, land sales, land acquisitions, and land exchanges.
- Minerals Management: Responsible for oil and gas, coal, and other mineral leasing activities.
- Agriculture and Grazing Management: Responsible for overseeing agricultural and grazing activities on 4.7 million acres. There are approximately 8,900 agreements to lease land for grazing and crop production.
- Recreational Use and Public Access: Responsible for implementing statute and rule related to public use of, and access to, state trust land. The program also oversees commercial and concentrated recreational licenses.

**Program Highlights**

<b>Forestry and Trust Lands Division Major Budget Highlights</b>	
The executive proposes a 9.4% or \$6.6 million increase in total appropriations when compared to the 2023 Biennium, including:	
<ul style="list-style-type: none"> <li>• Statewide present law adjustments - \$3.1 million</li> <li>• Fire Protection Program operations - \$1.3 million</li> <li>• Trust Lands Management Division data analytics, 2.00 modified FTE - \$460,400</li> <li>• Inflationary increase of operation and maintenance - \$428,100</li> <li>• Trust Lands Management system operation and maintenance - \$400,000</li> <li>• Forestry Division Communications Coordinator 1.00 modified FTE - \$197,300</li> </ul>	

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	292.93	292.93	292.93	292.93
Personal Services	20,772,953	22,472,925	23,202,129	24,054,194	24,185,560
Operating Expenses	8,563,024	8,478,410	8,545,768	10,422,435	10,765,503
Equipment & Intangible Assets	1,263,863	1,205,720	1,056,720	1,056,720	1,056,720
Grants	304,443	347,465	347,465	347,465	347,465
Transfers	1,655,877	1,682,152	1,682,152	1,682,152	1,682,152
Debt Service	625,755	623,031	633,252	633,252	633,252
<b>Total Expenditures</b>	<b>\$33,185,915</b>	<b>\$34,809,703</b>	<b>\$35,467,486</b>	<b>\$38,196,218</b>	<b>\$38,670,652</b>
General Fund	13,355,007	13,919,772	14,404,063	15,650,936	15,729,681
State/Other Special Rev. Funds	18,466,987	19,514,333	19,687,511	21,132,130	21,525,969
Federal Spec. Rev. Funds	1,363,921	1,375,598	1,375,912	1,413,152	1,415,002
<b>Total Funds</b>	<b>\$33,185,915</b>	<b>\$34,809,703</b>	<b>\$35,467,486</b>	<b>\$38,196,218</b>	<b>\$38,670,652</b>
<b>Total Ongoing</b>	<b>\$33,185,915</b>	<b>\$34,809,703</b>	<b>\$35,467,486</b>	<b>\$38,196,218</b>	<b>\$38,670,652</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The Forestry and Trust Lands Division expended 95.3% of its \$34.8 million HB 2 modified budget in FY 2022. Unexpended appropriations totaled \$1.6 million, of which \$1.0 million was state special revenue and \$564,800 was general fund. Personal services were 92.4% expended leaving \$1.7 million unexpended. All other expenditure categories combined were over budget by 0.6% or \$72,204.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Appropriations increased by 1.9% or \$657,800 between FY 2022 and FY 2023. General fund increase total \$484,300. Personal services increased by 3.2% or \$729,200, and operations increased by 0.8% or \$67,400. Funding for equipment decreased by 12.4% or \$149,000, while debt service increased by 1.6% or \$10,200.

*Executive Request*

The executive proposes an increase in total appropriations of 9.4% or \$6.6 million. In addition to statewide present law adjustments the executive proposes increases of \$1.3 million in general fund and \$1.6 million in state special revenue. Proposed appropriations would fund 2.00 modified FTE in the trust lands management for data analysts, and 1.00 FTE in forestry would be for a communications director. The communications director is an existing FTE outside of HB 2, and the proposal would shift funding for this FTE from the fire suppression fund to the general fund. The executive proposes an increase in fire protection programs which support county co-op fire suppression capacity, dispatch center operations, contracted fire protection services, aviation crew facilities, and other fire program operating needs. The executive also proposes operations and maintenance expenses for facilities proposed in the-long range budget bill (HB 5).

**Program Personal Services**

In the 2023 biennium, personal services accounted for 65.0% or \$45.7 million of the total budgeted authority for the biennium. In addition to base funding of \$25.8 million in each year of the 2025 biennium, the executive proposes statewide present law adjustment that increase personal services by approximately \$852,100 in FY 2024 and \$983,400 in FY 2025.

Present law adjustments are driven by management decisions. For FY 2024 statewide present law adjustments include:

- Legislative changes: \$447,100
- Management decisions: \$404,900
- Budget modifications: \$0

**Funding**

The following table shows proposed agency funding for all sources of authority.

Department of Natural Resources and Conservation, 35-Forestry & Trust Lands						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	31,380,617	0	0	0	31,380,617	36.68 %
02031 LAND BANKING PRVT CLOSNG COSTS	574,205	0	0	0	574,205	1.35 %
02039 Fire Protection Assessments	8,686,709	0	0	0	8,686,709	20.36 %
02073 Forestry - Slash Disposal	157,785	0	0	0	157,785	0.37 %
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %
02297 Morrill Trust Land Admin	0	0	0	0	0	0.00 %
02449 Forest Resources-Forest Improv	2,890,340	0	0	0	2,890,340	6.78 %
02576 Natural Resources Operations	188,190	0	0	0	188,190	0.44 %
02623 Contract Timber Harvesting	0	0	0	0	0	0.00 %
02681 Historic Right-of-Way Acct	17,235	0	0	0	17,235	0.04 %
02847 Fire Suppression Fund	0	0	0	0	0	0.00 %
02912 TLMD Land Exchange Admin	106,180	0	0	0	106,180	0.25 %
02938 TLMD Trust Administration	30,037,455	0	0	0	30,037,455	70.41 %
02500 GNA STATE SPECIAL REVENUE	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$42,658,099</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$42,658,099</b>	<b>49.86 %</b>
03049 Consolidated Grant FY20	0	0	0	0	0	0.00 %
03050 Non-Consolidated Grant FY20	0	0	0	0	0	0.00 %
03255 DO FEDERAL INDIRECT	0	0	0	0	0	0.00 %
03264 NON-CONSOLIDATED GRANT-FY23	0	0	0	0	0	0.00 %
03283 Consolidated Grant - FY21	0	0	0	0	0	0.00 %
03284 Non-Consolidated Grant - FY21	0	0	0	0	0	0.00 %
03472 NON-CONSOLIDATED GRANT FY14	0	0	0	0	0	0.00 %
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %
03805 CONSOLIDATED GRANT-FY23	0	0	0	0	0	0.00 %
03469 Consolidated Grant FY18	0	0	0	0	0	0.00 %
03470 Non-Consolidated Grant FY18	0	0	0	0	0	0.00 %
03493 Consolidated Grant FY19	0	0	0	0	0	0.00 %
03494 Non-Consolidated Grant FY19	0	0	0	0	0	0.00 %
03500 GNA FEDERAL SPECIAL REVENUE	0	0	0	1,210,966	1,210,966	29.98 %
03631 GNA KOOTNAI NF	0	0	0	0	0	0.00 %
03632 GNA FLATHEAD NF	0	0	0	0	0	0.00 %
03633 GNA LOLO NF	0	0	0	0	0	0.00 %
03634 GNA BITTERROOT NF	0	0	0	0	0	0.00 %
03635 GNA BEAVERHEAD-DEERLODGE NF	0	0	0	0	0	0.00 %
03636 GNA HELENA-LEWIS & CLARK NF	0	0	0	0	0	0.00 %
03637 GNA CUSTER GALLATIN NF	0	0	0	0	0	0.00 %
03638 GNA BLM MONTANA	0	0	0	0	0	0.00 %
03211 NON-CONSOLIDATED GRANT-FY22	0	0	0	0	0	0.00 %
03213 CONSOLIDATED GRANT-FY22	0	0	0	0	0	0.00 %
03160 NON-CONSOLIDATED GRANT-FY24	332,717	0	0	0	332,717	8.24 %
03196 NON-CONSOLIDATED GRANT-FY25	332,447	0	0	0	332,447	8.23 %
03164 CONSOLIDATED GRANT-FY24	1,080,435	0	0	0	1,080,435	26.75 %
03237 CONSOLIDATED GRANT-FY25	1,082,555	0	0	0	1,082,555	26.80 %
<b>Federal Special Total</b>	<b>\$2,828,154</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,210,966</b>	<b>\$4,039,120</b>	<b>4.72 %</b>
06003 State Nursery Enterprise Fund	0	0	1,756,421	0	1,756,421	23.51 %
06538 Air Operations Internal Svc.	0	0	5,713,546	0	5,713,546	76.49 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,469,967</b>	<b>\$0</b>	<b>\$7,469,967</b>	<b>8.73 %</b>
<b>Total All Funds</b>	<b>\$76,866,870</b>	<b>\$0</b>	<b>\$7,469,967</b>	<b>\$1,210,966</b>	<b>\$85,547,803</b>	

General fund provides general division support as well as the fixed costs for the fire protection program. Approximately 49.8% of all funding is from state special revenue. The primary source of state special funding comes from the fire protection taxes fund and the timber sales, forest resources fees, and Trust Lands Management Division (TLMD) administration fund revenue. Statutory appropriations are federal reimbursement for forestry management performed by the state on federal lands. Proprietary revenues are generated from the sale of state nursery products, and fees charged other agencies for aircraft services.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	14,404,063	14,404,063	28,808,126	91.80 %	35,467,486	35,467,486	70,934,972	92.28 %
SWPL Adjustments	642,687	721,407	1,364,094	4.35 %	1,453,712	1,679,496	3,133,208	4.08 %
PL Adjustments	496,614	496,639	993,253	3.17 %	861,542	861,592	1,723,134	2.24 %
New Proposals	107,572	107,572	215,144	0.69 %	413,478	662,078	1,075,556	1.40 %
<b>Total Budget</b>	<b>\$15,650,936</b>	<b>\$15,729,681</b>	<b>\$31,380,617</b>		<b>\$38,196,218</b>	<b>\$38,670,652</b>	<b>\$76,866,870</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	487,887	362,770	1,408	852,065	0.00	537,791	442,593	3,047	983,431
DP 2 - Fixed Costs	0.00	(87,663)	89,698	0	2,035	0.00	(88,889)	88,493	0	(396)
DP 3 - Inflation Deflation	0.00	242,463	321,317	35,832	599,612	0.00	272,505	387,913	36,043	696,461
DP 350102 - FD Fire Protection Program Operations	0.00	453,250	194,250	0	647,500	0.00	453,250	194,250	0	647,500
DP 350201 - FD/TLMD Operating Increase	0.00	43,364	170,678	0	214,042	0.00	43,389	170,703	0	214,092
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,139,301</b>	<b>\$1,138,713</b>	<b>\$37,240</b>	<b>\$2,315,254</b>	<b>0.00</b>	<b>\$1,218,046</b>	<b>\$1,283,952</b>	<b>\$39,090</b>	<b>\$2,541,088</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 350102 - FD Fire Protection Program Operations -

The executive propose to increase funding for fire district fire protection programs. These programs support County Co-op capacity, dispatch center operations, contracted fire protection services, aviation crew facilities, and other fire program operating needs. In addition to providing initial attack on most fires in the state, these programs provide fire protection, preparedness, and pre-suppression services.

DP 350201 - FD/TLMD Operating Increase -

The executive proposes an inflationary increase for lease, janitorial, equipment, and maintenance expenses.

**New Proposals**

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 350101 - FD Forestry Div Communications Coordinator	0.00	98,629	0	0	98,629	0.00	98,629	0	0	98,629
DP 350107 - O&M - Miles City Facility	0.00	8,943	0	0	8,943	0.00	8,943	0	0	8,943
DP 350202 - TLMD Informatics Section FTE	0.00	0	230,906	0	230,906	0.00	0	229,506	0	229,506
DP 350203 - TLMD TLMS APPLICATION O & M	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 350204 - TLMD TLMS Customer Portal O & M	0.00	0	0	0	0	0.00	0	250,000	0	250,000
<b>Total</b>	<b>0.00</b>	<b>\$107,572</b>	<b>\$305,906</b>	<b>\$0</b>	<b>\$413,478</b>	<b>0.00</b>	<b>\$107,572</b>	<b>\$554,506</b>	<b>\$0</b>	<b>\$662,078</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 350101 - FD Forestry Div Communications Coordinator -

The executive proposes a general fund appropriation to fund a Communications Coordinator as 1.00 modified FTE. The position facilitates and coordinates a range of communication efforts directed to a variety of audiences regarding Forestry Division programs, priorities, activities, and accomplishments.

<b>LFD COMMENT</b>	The Communications Coordinator is currently funded from the fire suppression fund. In addition to fire suppression, statute allows this fund to be used for forest restoration and fuel reduction projects (76-13-150(4)(b through c), MCA). This proposal would move the funding of this modified FTE from non-budgeted state special revenue to general fund budgeted in HB 2.
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DP 350107 - O&M - Miles City Facility -

The executive proposes a general fund appropriation for operating and maintenance increase for the new Miles City facility, based on a LRBP supplemental project request.

DP 350202 - TLMD Informatics Section FTE -

The executive proposes an increase in state special revenue for 2.00 modified FTE. The FTE would provide support for all TLMD field programs for data related analytics, timber sale purchasers, recreating public, agriculture, and mineral lessees.

DP 350203 - TLMD TLMS APPLICATION O & M -

The executive proposes an increase in state special revenue to support operations and maintenance of the Trust Land Management System (TLMS). TLMS is used to administer and manage state lands, and the funding will be used to provide ongoing operations and maintenance.

DP 350204 - TLMD TLMS Customer Portal O & M -

The executive proposes an increase in state special revenue to fund operations and maintenance for the Trust Lands Management System (TLMS) customer portal. The public uses the portal to manage their own account information regarding contracts, invoices, payment receipts, and automate standard department work tasks.

**Other Issues -****Fund 06003 - State Nursery Enterprise Fund***Program Description*

The Montana State Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization and restoration, and other conservation uses. The program's mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of 900,000 seedlings annually on 87 acres of state land and in 17,760 square feet of greenhouse space. Sixty-seven plant species are currently in production. The nursery program is funded solely from the nursery proprietary account. The revenue generated funds the 10.92 FTE. Statutory authority for the program is in 77-5-404, MCA.

*Revenues and Expenses*

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

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

Rate(s) and Rate Explanation

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

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to increase gradually over the next three fiscal years.

2025 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands			
	<b>Fund</b>	<b>Fund Name</b>					
	06003	State Nursery Enterprise Fund					
		Actual FY20	Actual FY21	Actual FY22	Budgeted FY23	Budgeted FY24	Budgeted FY25
<b>Operating Revenues:</b>							
Fee and Charges							
Fee Revenue A							
		572,675	542,206	654,392	820,000	885,000	887,000
<b>Total Operating Revenues</b>							
		572,675	542,206	654,392	820,000	885,000	887,000
<b>Expenses:</b>							
Personal Services							
		397,429	405,100	364,614	633,930	682,293	686,337
Other Operating Expenses							
		112,684	92,022	123,501	129,751	142,634	142,879
Expense B							
		-	-	-	57,500	57,500	57,500
<b>Total Operating Expenses</b>							
		510,113	497,122	488,115	821,181	882,427	886,716
<b>Operating Income (Loss)</b>							
		62,562	45,084	166,277	(1,181)	2,573	284
Nonoperating Revenues:							
Nonoperating Expenses:							
<b>Total Nonoperating Revenues (Expenses)</b>							
		-	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>							
		62,562	45,084	166,277	(1,181)	2,573	284
<b>Change in Net Position</b>							
		62,562	45,084	166,277	(1,181)	2,573	284
<b>Beginning Net Position - July 1</b>							
		239,588	302,150	347,234	513,511	512,330	514,903
Change in Net Position							
		62,562	45,084	166,277	(1,181)	2,573	284
<b>Ending Net Position - June 30</b>							
		302,150	347,234	513,511	512,330	514,903	515,187
<b>Net Position (Fund Balance) Analysis</b>							

Fund 06538 - Air Operations Internal Svc

Program Description

The Air Operations program in the DNRC Forestry Division operates and maintains a fleet of nine aircraft, consisting of six helicopters and three single-engine fixed-wing aircraft. The aircraft are primarily used for fire detection, support, and suppression of wildfires, as well as reclamation work in the Department of Environmental Quality. The program is funded in part by revenue generated by the aircraft hourly flight rates and in part by the general fund and fire protection assessment revenues. Statutory authority for the program is found in 77-5-103, MCA.

Alternate sources of aviation services are available from private contractors, but historically the costs for these services have been two to three times more than the cost of the state operated aircraft. Additionally, contracted services are often not available for the extended timeframes currently covered by the state operated aircraft. An aviation program that is integrated with DNRC firefighters and managers and is committed to safe and aggressive fire suppression is the safest and most effective aviation model for the State of Montana.

*Revenues and Expenses*

Revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. The primary source of revenue is the legislative appropriation for the transfer of general fund and fire protection assessment funds to the proprietary account to cover the fixed costs, which include hangar rent, insurance, and personnel costs (14.23 FTE). These fixed costs must be paid regardless of the number of hours flown. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DNRC, other state agencies, local government, and federal agencies. Increased flight rates are proposed below to meet increased costs of fuel and replacement parts.

The cost drivers for the aircraft rates are to recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wildfires on state, private, and federal ownership; this includes all costs associated with the maintenance and operation of the aircraft. Some factors that contribute to the uncertainty in forecasting future expenses include unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft incidents resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. The average length of fire season and routine maintenance of aircraft are used to determine the anticipated future costs. Charges for services do not support any FTE for the aviation section. All FTE are supported by the general fund and fire protection assessment transfers.

The department has limited cooperative agreements to assist federal agencies (U.S. Forest Service, BLM, USFWS, BIA, & NPS) and counties with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state and private landowners within Montana through initial attack of fires under state direct protection, assistance with fires on county protection, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility and county assistance fires paid by the fire suppression fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue). Account 62525 is used by customers to record expenses for flight time charges.

*Rate(s) and Rate Explanation*

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

	Actual	Proposed	Proposed
Fee Desc:	FY23	FY24	FY25
Bell UH-1H Helicopter	\$1,650	\$1,860	\$1,860
Bell Jet Ranger	\$515	\$525	\$525
Cessna 180 Series	\$175	\$210	\$210

*Changes in Level of Fees and Charges*

Proposed increases in aircraft flight time rates are shown in the table below. Increases are based on the cost of aircraft parts and fuel prices. For instance, Bell helicopter and Cessna parts have experienced an approximate 20% increase in cost since 2015, when a rate increase last occurred. Fuel prices have also increased considerably in recent years and continue to experience volatility.

*Projected Fund Balance, Including Cash Fluctuations*

The projected fund balance for the program is anticipated to increase gradually over the next three fiscal years.

*Working Capital and Fees Commensurate Analysis*

Working Capital is estimated to be less than the 60 days of cash required to fund operations by approximately \$138,796 in FY24, and \$134,374 in FY25.

2025 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation		Program Name: Forestry & Trust Lands				
	<b>Fund</b>	<b>Fund Name</b>					
	06538	Air Operations Internal Svc.					
		Actual FY20	Actual FY21	Actual FY22	Budgeted FY23	Budgeted FY24	Budgeted FY25
<b>Operating Revenues:</b>							
Fee and Charges							
Fee Revenue A		510,015	1,235,292	1,082,730	1,210,000	1,210,000	1,210,000
Fee Revenue B		3,811	30,563	7,210	5,000	5,000	5,000
Fee Revenue C		38,675	32,830	61,950	35,000	35,000	35,000
<b>Total Operating Revenues</b>		<b>552,501</b>	<b>1,298,685</b>	<b>1,151,890</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,250,000</b>
<b>Expenses:</b>							
Personal Services							
Other Operating Expenses		868,856	1,275,473	1,086,979	1,372,895	1,487,539	1,501,298
<b>Total Operating Expenses</b>		<b>2,330,688</b>	<b>2,803,231</b>	<b>2,651,945</b>	<b>2,783,267</b>	<b>2,888,764</b>	<b>2,907,164</b>
<b>Operating Income (Loss)</b>		<b>(1,778,187)</b>	<b>(1,504,546)</b>	<b>(1,500,055)</b>	<b>(1,533,267)</b>	<b>(1,638,764)</b>	<b>(1,657,164)</b>
Nonoperating Revenues:							
Nonoperating Expenses:							
<b>Total Nonoperating Revenues (Expenses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>		<b>(1,778,187)</b>	<b>(1,504,546)</b>	<b>(1,500,055)</b>	<b>(1,533,267)</b>	<b>(1,638,764)</b>	<b>(1,657,164)</b>
Transfers In		1,664,652	1,664,652	1,638,877	1,664,652	1,664,652	1,664,652
<b>Change in Net Position</b>		<b>(113,535)</b>	<b>160,106</b>	<b>138,822</b>	<b>131,385</b>	<b>25,888</b>	<b>7,488</b>
<b>Beginning Net Position - July 1</b>		<b>538,618</b>	<b>425,083</b>	<b>585,189</b>	<b>721,687</b>	<b>853,072</b>	<b>878,960</b>
Prior Period Adjustments		-	-	(2,324)	-	-	-
Change in Net Position		(113,535)	160,106	138,822	131,385	25,888	7,488
<b>Ending Net Position - June 30</b>		<b>425,083</b>	<b>585,189</b>	<b>721,687</b>	<b>853,072</b>	<b>878,960</b>	<b>886,448</b>
<b>Net Position (Fund Balance) Analysis</b>							