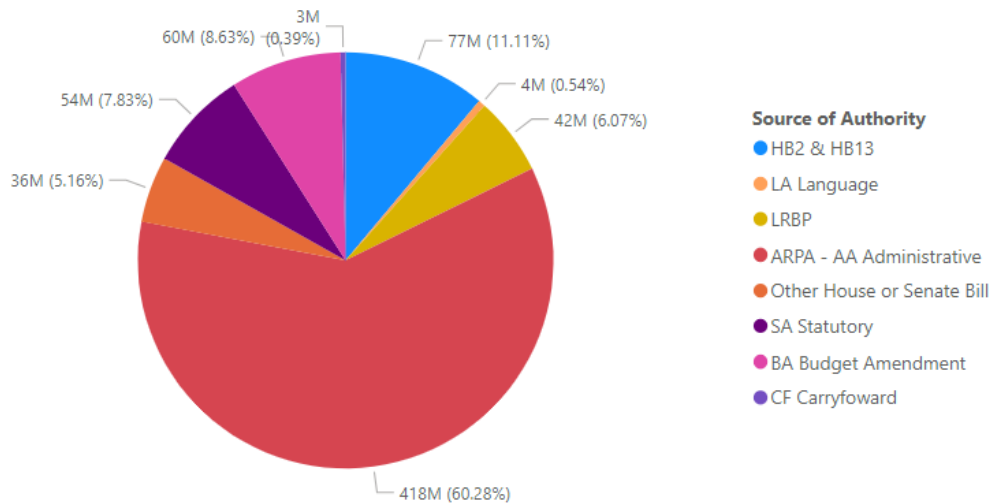


DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the Department of Natural Resources and Conservation is shown in the pie chart below. HB 2 and HB 13 provide 11.1% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	FYE23 Modified Budget	FYE23 Expended Budget	Percent Expended	
HB2 & HB13	76,939,637	72,259,212	93.9%	
BA Budget Amendment	59,800,190	19,055,928	31.9%	
CF Carryforward	2,701,189	1,225,631	45.4%	
LA Language	3,719,356	2,407,592	64.7%	
LRBP	42,067,821	3,597,550	8.6%	
Other House or Senate Bill	35,714,819	8,936,320	25.0%	
SA Statutory	54,231,128	39,569,196	73.0%	
ARPA	417,570,973	66,057,924	15.8%	
Total	692,745,114	213,109,351	30.8%	

Budget Amendments

Federal budget authority was increased by \$59.8 million to take advantage of several federal grants. The agency has expended 31.9% of the authority. Major projects funded through budget amendments include:

Federal Special Revenue: \$57.7 million budgeted, 32.8% expended

- **Water resource projects** had \$22.2 million budgeted, with 32.8% or \$6.8 million expended. Water resource projects include, flood plain mapping, dam safety programs, and drought planning

- **Conservation and resource programs** had \$17.8 million budgeted, with \$6.2 million or 34.7% expended. This funding covered drinking water programs, wastewater programs, non-point-source pollution, invasive species detection, and mitigation
- **Forestry programs** had \$17.9 million budgeted, with 32.9% or \$5.8 million expended. Forestry programs funded included hazardous fuel mitigation, good neighbor authority, and forest management.

State Special Revenue: \$2.1 million budgeted, 10.2% or \$215,990 expended

Language in HB 2 authorized certain identified state special revenues accounts eligible for the budget amendment process.

- Resource development bureau (RDB) state special revenue account had \$2.0 million budgeted, and expended \$215,990 or 10.8%. The RDB provides technical and financial assistance to local governments, state agencies, nonprofits, and private citizens for projects that benefit, protect, restore, conserve, or sustainably develop Montana's natural resources. RDB also aids conservation districts for the administration of water resources.
- Coal bed methane protection state special revenue account, had \$125,000 budgeted which was unexpended. This account is used to compensate landowners and water right holders for damages attributable to coal bed methane development

Carryforward Authority

The agency has carryforward authority of approximately \$2.7 million, of which \$1.9 million is state special revenue, and \$754,368 million is general fund.

Agencies can carryforward into the next fiscal year 30% of qualifying unused authority at the end of the fiscal year (17-7-304(4), MCA). All the carryforward authority was budgeted in the administration program. State special revenue totaling \$834,624 was expended primarily on operating expenses. General fund totaling \$391,006 was also expended on operating expenses.

Long Range Building Plan

The long-range building program (LRBP) is 6.1% of the agency budget and is funded almost entirely from federal sources. Of the \$42.1 million budgeted, the agency has expended \$3.6 million or 8.6% of the budget primarily on oil and gas infrastructure programs. Authority for the long-range program, unlike HB 2 authority, is continuing. Unexpended authority remains valid for its original purpose until the project is complete.

Other Bills

Funding from other bills totals \$35.7 million, or 5.2%, of the budget, and \$8.9 million, or 25.0%, was expended. Other house and senate bills include funding for infrastructure bonds, reclamation grants, resource grants, information technology projects, and one-time-only employee payments.

The table below summarizes authority and expenditures from other bills.

Department of Natural Resources and Conservation Other House and Senate Bills			
Authority	Budgeted	Expended	Percent Expended
HB 540 - Bonding for higher education and other state projects			
Saint Mary Water Project	\$6,574,656	\$0	0.0%
Fort Belknap Water Compact	9,500,000	0	0.0%
Total HB 701	16,074,656	0	0.0%
HB 7 - Reclamation and Development Grants			
Planning Grants	472,975	454,875	96.2%
Mineral County Conservation Districts	219,960	219,960	100.0%
Missoula County	351,000	351,000	100.0%
City Of Harlowton	500,000	500,000	100.0%
Mineral County	499,324	499,324	100.0%
Powell County	500,000	500,000	100.0%
MT Tech-Bureau Of Mines	481,739	481,739	100.0%
Department of Environmental Quality	411,099	411,099	100.0%
Lewis & Clark County	292,611	292,611	100.0%
Total HB 7	3,728,708	3,710,608	99.5%
HB 13 - One-time-only payment to state employees	699,690	595,660	85.1%
HB 6 - Renewable Resource Grants	1,234,586	1,214,461	98.4%
HB 10 - Water rights information system	306,842	306,842	100.0%
HB 14 - Long-Range Building Bonding Program	2,308,948	2,008,817	87.0%
HB 8 - Renewable resources bonds and loans	11,361,389	1,099,932	9.7%
Total	\$35,714,819	\$8,936,320	25.0%

Statutory Appropriations

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

State Special Revenue - Total Expenditures

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

The wildfire suppression account is statutorily appropriated for fire suppression, fuel reduction, and fire suppression equipment. The Department of Natural Resources and Conservation expended \$18.1 million fighting fires on 42,300 acres of state and county land in Montana; a total of 137,500 acres of state and federal land burned in FY 2023. The agency also spent \$7.3 million on Montana Forest Action Plans and fire suppression equipment for county fire agencies.

The 2023 Legislature approved a one-time-only \$152.0 million transfer from the general fund bringing the fund balance at fiscal year-end to \$185.4 million.

Sage grouse stewardship account – (87-5-909, MCA)

The sage grouse stewardship account is statutorily appropriated to maintain, enhance, restore, expand, or benefit sage grouse habitat and populations. In FY 2023, the fund had \$320,570 in revenues, primarily interest earned on the balance. Expenditures from the fund totaled \$723,416 for grants. The fund ended the fiscal year with a balance of \$5.3 million.

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

The oil and gas production damage mitigation account is statutorily appropriated to cover the reasonable restoration costs when the Montana Board of Oil and Gas determines that the site has been abandoned and that the responsible party cannot be identified or located or refuses to take proper action. Restoration may include properly plugging wells and either reclaiming or restoring a drill site or other production area damaged by oil and gas operations. In FY 2023, the agency expended \$74,891 from this account; the ending fund balance was \$492,796.

Good Neighbor Authority State Special Revenue (76-13-151, MCA)

The account is statutorily appropriated to carry out the provisions of the good neighbor policy. The agency expended \$143,414 from this fund in FY 2023.

Other statutorily appropriated state special revenue

The agency expended \$221,711 from other accounts that are statutorily appropriated for wastewater projects, drinking water projects, trust land administration, Montana Statue University (MSU) Morrill trust administration, and SLASH cleanup.

Federal Special Revenue - Total Expenditures

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

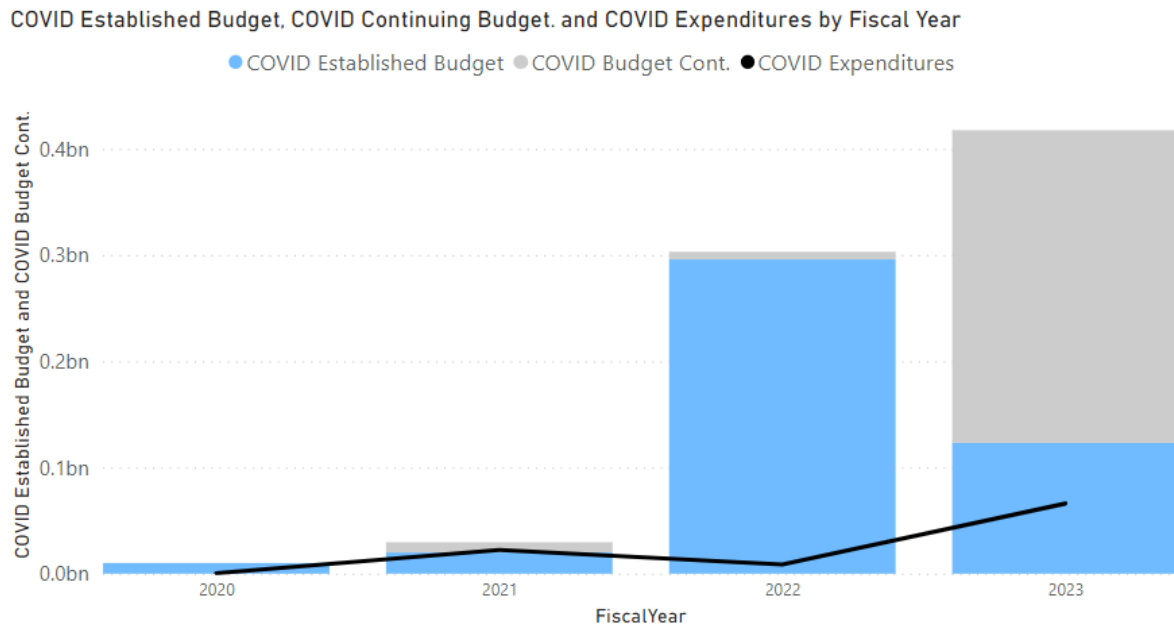
The agency received reimbursement from the federal government for state fire suppression efforts on federal lands totaling \$10.9 million. These revenues are statutorily appropriated to pay the costs of those efforts.

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

The Good Neighbor Authority (GNA) allows the USDA Forest Service to enter into agreements with the DNRC forestry and trust land division to perform forest management and restoration work on federal lands. In FY 2023, the GNA program has had nine timber sales that will treat over 6,000 acres and produced 22 million board feet of timber. The agency expended \$1.8 million from federal authority in FY 2023.

COVID-19 Authority

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts.



The FY 2023 budget for COVID -19 for the agency is \$417.6 million which includes \$294.4 million that was unexpended in FY 2022. The agency expended \$66.1 million or 15.8% of the budget almost entirely for grants to cities and counties for drinking water and wastewater projects.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from July 1, 2022 through June 30, 2023. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	HB 2 Budget	FYE23 Modified Budget	Net Modifications
Dept Nat Resource/Conservation	76,913,765	76,939,637	25,872
FORESTRY & TRUST LANDS	35,467,486	35,349,802	-117,684
WATER RESOURCES DIVISION	20,400,322	20,370,559	-29,763
CONSERVATION&RESOURCE DEV DIV	10,684,082	10,574,088	-109,994
DIRECTORS OFFICE	8,171,829	8,469,455	297,626
OIL & GAS CONSERVATION DIV	2,190,046	2,175,732	-14,314
Total	76,913,765	76,939,637	25,872

Expenditure Account	HB 2 Budget	FYE23 Modified Budget	Net Modifications
61000 Personal Services	45,080,397	45,169,634	89,237
62000 Operating Expenses	22,974,914	21,428,324	-1,546,590
63000 Equipment & Intangible Assets	1,353,066	1,353,066	0
65000 Local Assistance	2,058,090	2,058,090	0
66000 Grants	2,537,714	2,518,884	-18,830
67000 Benefits & Claims	400,000	400,000	0
68000 Transfers-out	1,724,243	1,747,873	23,630
69000 Debt Service	785,341	2,263,766	1,478,425

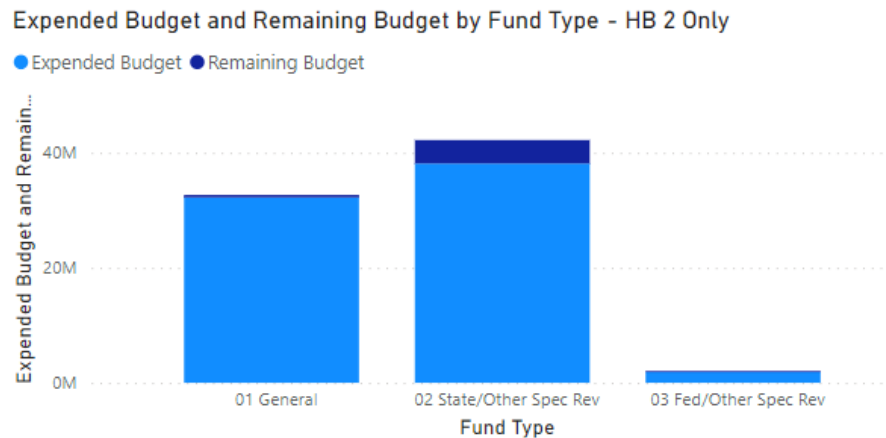
Fund Type	HB 2 Budget	FYE23 Modified Budget	Net Modifications
01 General	32,573,854	32,659,428	85,574
02 State/Other Spec Rev	42,231,684	42,209,586	-22,098
03 Fed/Other Spec Rev	2,108,227	2,070,623	-37,604

Modifications to HB 2 budget increased total authority by \$25,872 or less than one half of one percent. Increases were primarily general fund. Authority totaling \$125,872 budgeted for legislative audits in FY 2022 was transferred to FY 2023. State special revenue totaling \$100,000 appropriated for support of aquatic invasive species check stations operated by conservation districts was transferred to the Department of Fish, Wildlife, and Parks for the same purpose.

Operating plan changes moved \$1.7 million from authority for operations to debt service and grants. Program transfers moved \$168,960 in authority to the Director's Office from all other programs.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through the end of FY 2023.



Expenditure Account	Modified Budget	Expended Budget	Percent Expended
Personal Services	45,169,634	44,144,250	97.7%
Operating Expenses	21,428,324	19,075,918	89.0%
Equipment & Intangible Assets	1,353,066	1,382,643	102.2%
Local Assistance	2,058,090	1,656,164	80.5%
Grants	2,518,884	2,167,296	86.0%
Benefits & Claims	400,000		
Transfers-out	1,747,873	1,711,540	97.9%
Debt Service	2,263,766	2,121,400	93.7%

Program Name	Modified Budget	Expended Budget	Percent Expended
CONSERVATION&RESOURCE DEV DIV	10,574,088	9,343,808	88.4%
DIRECTORS OFFICE	8,469,455	8,445,284	99.7%
FORESTRY & TRUST LANDS	35,349,802	34,434,470	97.4%
OIL & GAS CONSERVATION DIV	2,175,732	1,723,042	79.2%
WATER RESOURCES DIVISION	20,370,559	18,312,607	89.9%
Total	76,939,637	72,259,212	93.9%

State special revenue supports 54.9% of the agencies HB 2 budget, general fund supports 42.4%, and federal special revenue supports 2.7%. The agency expended 93.9% of HB 2 authority.

Operating Expenses

The agency expended 89.0% of the \$21.4 million budgeted for operations, leaving \$2.3 million unexpended. In the previous five years, the expenditure rate for operations has averaged 86.6%. The higher expenditure rate is due in part to operating plan changes that moved \$1.7 million in authority for operations to other expenditure categories.

Equipment and Intangible Assets

The Equipment Development Center in the Fire Protection program buys pickup trucks and chassis every year to develop wildland firefighting engines for state and county co-op use. The agency also purchased ATVs, and a snowmobile for the area offices in trust lands.

Local Assistance

The agency expended \$2.2 million of the \$2.5 million budgeted for local assistance primarily for reclamation and development programs.

Grants

The agency expended \$2.2 million, or 85.8%, of the \$2.5 million budgeted for grants.

- State special revenue grant expenditures totaling \$1.9 were for the following:
 - Grants to conservation districts: \$1.6 million
 - Lake Elmo restoration: \$50,000
 - Aquatic Invasive Species: \$224,333
 - Forestry: \$77,243
 - Other grants of state special revenue totaled \$22,489
- General fund grant expenditures for forestry projects totaled \$200,000
- Federal grant expenditures for forestry projects totaled \$77,243

Transfers

The agency pays for services or funds certain programs under memos of understanding with other agencies through transfers. The budget included \$1.7 million for transfers; the agency expended 97.9% primarily for aviation services in the forestry division.

Personal Services

The \$45.2 million budget for personal services was 97.7% expended which is slightly higher than the 96.3% average over the five previous fiscal years.

In FY 2023, the agency was budgeted for 539.61 full time equivalent (FTE) positions. As of June 1, 2023, the agency had 52.76 vacant positions that have been vacant on average for 7.0 months. During FY 2023, the agency had 43 employees leave state government, 22 retired, 18 transferred to a new agency. Of the total person hours budgeted, the agency utilized 97.8% of the hours.

In FY 2023, the agency posted openings for 45 positions. Postings were open for an average of about three months with the longest posting being about nine months. There were 69 openings, mainly in the Wildlife, Parks and Recreation Divisions that received fewer than five replies. Positions that received five to nine replies totaled seventeen. Overall, the agency received on average eight submissions for each opening. Not all applications were from qualified candidates.

The table on the following page summarizes open positions within the agency as of June 1, 2023.

Department of Natural Resources and Conservation Vacancies
As of June 1, 2023

<u>Division</u>	<u>FTE</u>	<u>Months Vacant</u>	<u>Midpoint Pay Rate</u>		<u>FTE</u>	<u>Months Vacant</u>	<u>Midpoint Pay Rate</u>
Directors Office				Parks & Recreation Division			
Financial Executive	1.00	3.0	\$70.42	Forester	1.00	4.6	\$34.51
Lawyer 2	1.00	1.4	55.14	Administrative Assistant 3	1.00	2.7	21.48
Accountant 3	1.00	1.3	36.96	Administrative Assistant 3	0.81	1.4	21.48
IT Systems Administrator 2	1.00	1.8	46.88	Range Conservation Scientist 1	1.00	13.3	36.18
Lawyer 2	1.00	1.8	55.14	Range Conservation Scientist 1	1.00	2.3	36.18
Division Total / Average¹	5.00	1.9	\$52.91	Wildland Firefighter 2	0.75	2.7	24.86
Oil & Gas Conservation Division				Forestry Technician	0.75	4.1	15.47
Administrative Assistant 2	1.00	9.2	\$18.15	Wildland Firefighter 2	0.60	9.6	24.86
Administrative Assistant 2	1.00	14.6	18.15	Fire Prevention Team Lead	0.75	1.8	29.33
Data Processor 1	0.50	80.8	13.13	Helicopter Coordinator	0.50	23.9	15.47
Compliance Technician 1	1.00	3.0	22.07	Helicopter Manager	0.50	23.9	15.47
Compliance Specialist 2	1.00	9.6	34.04	Senior Engine Boss	0.50	23.9	15.47
OIL & GAS CONSER BD-PROF	1.00	11.0	49.07	Senior Engine Boss	0.50	23.9	15.47
Division Total / Average¹	5.50	16.0	\$26.92	Senior Engine Boss	0.50	23.9	15.47
Water Resources Division				Lead Crew Member	0.50	23.9	15.47
Program Specialist 2	1.00	1.7	\$36.35	Engine Boss	0.50	23.9	24.86
Compliance Specialist 3	0.75	1.8	\$42.55	Wildland Firefighter 2	0.50	1.9	24.86
Engineering Analyst 2	1.00	8.7	\$37.90	Wildland Firefighter 2	0.50	9.6	24.86
Engineering Analyst 2	1.00	4.6	\$37.90	Wildland Firefighter 2	0.50	4.1	24.86
Data Processor 2	1.00	1.3	\$15.84	Range Conservation Scientist 1	1.00	2.8	36.18
Hydrologist 1	1.00	6.0	\$26.38	Rural Fire Coordinator	1.00	23.9	29.33
Professional Engineer 1	1.00	3.6	\$40.97	Communications Technologist 1	1.00	23.9	30.11
Professional Engineer 1	1.00	3.6	\$40.97	Science Technician All Other	1.00	2.7	15.47
Water Conservation Specialist2	1.00	1.8	\$32.99	Program Specialist 2	1.00	1.8	36.35
Engineering Analyst 2	1.00	1.3	\$37.90	Administrative Assistant 2	1.00	2.5	18.15
Compliance Technician 1	1.00	1.8	22.07	Program Specialist 2	0.50	4.6	36.35
Water Conservation Specialist2	0.75	6.0	32.99	Right of Way Supervisor	1.00	1.4	43.37
Water Conservation Specialist1	1.00	2.7	25.57	Program Supervisor	1.00	1.8	36.25
Water Conservation Specialist1	1.00	6.0	25.57	Administrative Assistant 2	1.00	2.2	18.15
Water Conservation Specialist1	1.00	2.5	25.57	Program Supervisor	1.00	3.2	36.25
Data Processor 2	1.00	1.3	15.84	Forestry Technician	0.10	9.6	15.47
Compliance Technician 1	1.00	1.3	22.07	Division Total / Average¹	23.76	8.8	\$26.77
Compliance Specialist 3	1.00	2.2	42.55				
Division Total / Average¹	17.50	3.2	\$31.03	Grand Total¹	51.76	7.0	\$30.75

¹ Averages for months vacant and pay rate are weighted by FTE

OTHER ISSUES

IT Projects

The agency has two projects that are currently in execution

- Trust Lands Management System II - \$3.1 million budgeted, \$2.9 million or 93.6% expended
- Water Rights Information System II - \$4.2 million budgeted, \$3.8 million or 90.5% expended

Status of Line-Itemed Decision Packages, 2021 Legislature

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

Department of Natural Resources and Conservation				
Legislative Appropriation and Expenditures for the 2023 Biennium				
<u>Decision Package</u>	<u>Legislative Appropriation</u>	<u>Budgeted</u>	<u>Expended</u>	<u>Percent Expended</u>
DP 2318 - Lake Elmo Restoration (Restricted/One-Time-Only)	\$100,000	\$100,000	\$100,000	100.0%
DP 2319 - Conservation District AIS Check Stations (Restricted) ¹	100,000	100,000	100,000	100.0%
DP 2404 - WRD Flow Measurement Equipment (Restricted/One-Time-Only)	98,700	98,700	98,700	100.0%
DP 2405 - CSKT Montana Compact Implementation Restricted Portion	200,000	200,000	200,000	100.0%
Total of HB 2 Line Itemed Decision Packages	\$498,700	\$498,700	\$498,700	100.0%
¹ This authority was appropriated to DNRC and was transferred to FWP for expenditure on AIS Check Stations				

DP 2318 - Lake Elmo Restoration (RST/OTO)

FY 2022 - \$50,000 State Special Revenue

FY 2023 - \$50,000 State Special Revenue

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

DP 2319 - Conservation District AIS Check Stations (Restricted)

FY 2022 - \$100,000 State Special Revenue

FY 2023 - \$100,000 State Special Revenue

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

DP 2404 - WRD FLOW MEASUREMENT EQUIP (RST/OTO)

FY 2022 - \$98,700 State Special Revenue

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

DP 2405 - CSKT -MONTANA COMPACT IMPLEMENTATION Restricted Portion

FY 2022 - \$100,000 General Fund

FY 2023 - \$100,000 General Fund

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