

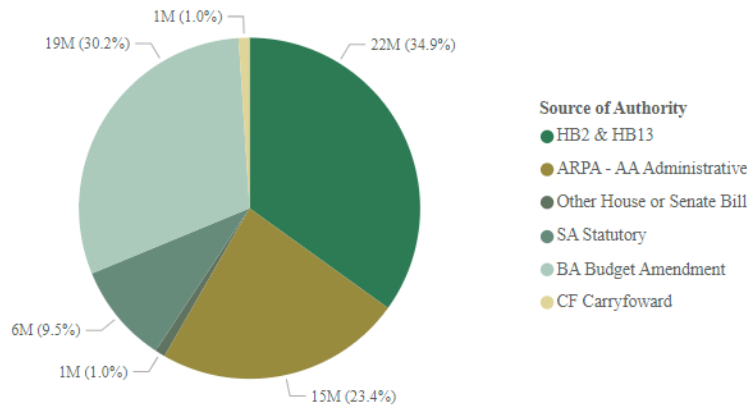
DEPARTMENT OF AGRICULTURE

Interim Budget Committee Report for March 2024

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the Department of Agriculture is shown in the pie chart below. HB 2 and HB 13 provide 35.0% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	% Expended
HB2 & HB13	21,824,469	11,001,857	50.4%
BA Budget Amendment	18,877,263	3,192,469	16.9%
CF Carryforward	639,778	2,315	0.4%
Other House or Senate Bill	605,000	430,000	71.1%
SA Statutory	5,920,932	3,370,883	56.9%
ARPA	14,597,102	541,713	3.7%
Total	62,464,545	18,539,237	29.7%

Budget Amendments

Statute allows agencies to amend the budget to access additional federal revenues (17-7-402(1)(a)(i), MCA). Federal authority through budget amendments totals \$18.9 million.

The federal Specialty Crop Block Grant Program (SCBGP) accounts for \$12.0 million. The purpose of the SCBGP is to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops. The agency expended \$2.9 million or 23.9% of this authority as of February 2024.

The agency received \$4.4 million in funding for the Resilient Food System Infrastructure (RFSI) Program. This program’s goal is to strengthen the food supply chain as well as provide more and better markets to small farms and food businesses. As of February, \$46,400 has been expended.

The United States Department of Agriculture Regional Food Business Centers (RFBC) grant totaled \$1.2 million. The program strives to create new markets and expand current linkages throughout the supply chain as well as drive economic opportunities across the region for small and mid-tier food and farm businesses. As of February, \$21,800 of this grant has been expended.

Federal loan and grant awards through the Rural Energy for America Program (REAP) for energy efficiency improvements and renewable energy investments were budgeted at \$250,000, with \$2,000 having been expended.

Federal authority for the prevention of food born illness (Food Safety Modernization Act) totals \$337,400 of which 52.8% or \$178,300 has been expended.

Other funding supports USDA National Institute of Food and Agriculture, noxious weed prevention, and marketing and programs.

Other Bills

Other legislation provides \$605,000 in general fund, state special revenue, and capital funds. From this authority the agency expended \$430,000 for weed control, long-term information technology, and growth through agriculture. Specifically, HB 821 allocated \$250,000 from the general fund for one-time weed control grants in Yellowstone, Musselshell, and Stillwater counties. Additionally, HB 10 enabled a transfer from the general fund to the Long-Range IT capital account for IT initiatives statewide. From this account, the Department of Agriculture received \$350,000, of which \$175,000 has been spent for the development of a commodity assessment system. Growth agriculture programs expended \$5,000.

Carryforward Authority

After each fiscal year, 30% of the unexpended and unencumbered HB 2 appropriations from the prior fiscal year for personal services, operating expenses, and equipment, may be re-appropriated in the two fiscal years following (17-7-304(4)(a), MCA).

The agency had \$639,800 in total authority carried forward from FY 2023. The carryforward authority consists almost entirely of state special revenue for various projects in the Agricultural Sciences Division, and the Agricultural Development Division. As of February, the agency has expended \$2,300.

Statutory

Expenditures of statutory appropriations totaled \$3.4 million.

In 2019, the legislature passed HB 52, which created annual statutory appropriations of interest income from the coal severance tax permanent fund. Specifically, \$65,000 was designated for the Montana Cooperative Development Center, and this appropriation has been fully expended. Additionally, \$900,000 was allocated for Growth Through Agriculture Programs, of which \$192,400, constituting 21.4% of the annual appropriation, has been spent. Finally, the Montana Food and Agricultural Development Program received \$600,000, with \$233,600 or 38.9% expended as of February.

The agency expended \$2.4 million from state special revenue which is statutorily appropriated for research and marketing programs for potatoes, pulse crops, and other agriculture development programs.

The agency expended \$520,200 in proprietary revenue which is statutorily appropriated for hail insurance claims.

ARPA

For FY 2024, the established ARPA budget is \$14.6 million, of which \$541,700 has been expended through the end of February. The authority supports infrastructure improvements at the ports in Butte and Shelby as well as and other infrastructure state-wide. The agency has awarded \$400,000 for a new yard locomotive in Butte, and \$1.6 million for the Port of Northern Montana Operating and Storage Track Expansion Project, yet to be expended. This project will construct up to 3.8 miles of new rail and install 18 new switches. Additionally, another \$4.6 million has been awarded, but not yet expended, for nearly 30 other agriculture related infrastructure projects around the state. In the current fiscal year, hail insurance has been earmarked for \$7.5 million.

Non-Budgeted Proprietary

Non-budgeted proprietary revenues are anticipated to be \$5.8 million for FY 2024. The executive must report on all enterprise funds and internal service funds, and the legislature approves a maximum rate that programs funded with internal service funds can charge for their services.

Internal service funds are used to account for operations that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. Enterprise funds are used to account for operations that generate revenue by providing goods or services to the public for a fee.

The agency has non-budgeted enterprise funds totaling \$5.8 million primarily for hail insurance and a small amount for beginning farm loans. In FY 2023 the agency expended \$1.7 million in hail insurance claims. In the current year, FY 2024, no expenditure have been made on hail insurance.

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, 2023, through February 2024. 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	Modified Budget	Net Modifications
▲ MT Dept of Agriculture	21,824,469	21,824,469	0
▣ 15 CENTRAL MANAGEMENT DIVISION	2,361,387	2,361,387	0
▣ 30 AGRICULTURAL SCIENCES DIVISION	10,982,446	10,982,446	0
▣ 50 AGRICULTURAL DEVELOPMENT DIV	8,480,636	8,480,636	0
Total	21,824,469	21,824,469	0

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
▲ 61000 Personal Services	10,163,520	10,163,520	
▣ 62000 Operating Expenses	5,921,344	5,796,344	-125,000
▣ 63000 Equipment & Intangible Assets	524,889	524,889	
▣ 66000 Grants	4,972,459	4,972,459	
▣ 68000 Transfers-out	164,757	289,757	125,000
▣ 69000 Debt Service	77,500	77,500	
Total	21,824,469	21,824,469	0

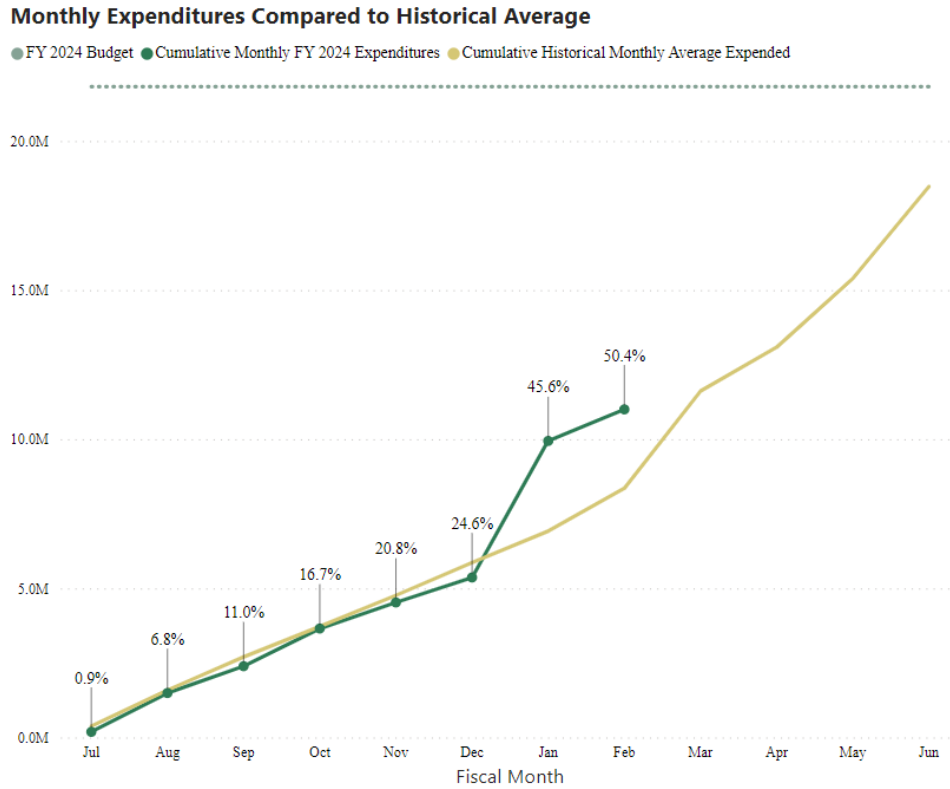
Fund Type	HB 2 Budget	Modified Budget	Net Modifications
▲ 01 General	1,568,310	1,568,310	0
▣ 02 State/Other Spec Rev	18,117,214	18,117,214	
▣ 03 Fed/Other Spec Rev	1,620,629	1,620,629	0
▣ 06 Enterprise	518,316	518,316	
Total	21,824,469	21,824,469	0

The Department of Agriculture reallocated \$125,000 from operational authority to transfer authority within the Agricultural Sciences Division. This authority was approved by the legislature as one-time-only to temporarily alleviate expenses incurred by the state administered hemp program.

Overall, there was no net change to the agency budget.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through February 29, 2024.



The tables below show expenditure rates through February 2024 for the agency compared to average expenditure rates over the previous five years.

Program Name	Modified Budget	Expended Budget	% Expended
15 CENTRAL MANAGEMENT DIVISION	2,361,387	1,260,141	53.4%
30 AGRICULTURAL SCIENCES DIVISION	10,982,446	4,366,120	39.8%
50 AGRICULTURAL DEVELOPMENT DIV	8,480,636	5,375,596	63.4%
Total	21,824,469	11,001,857	50.4%

Expenditure Type	Modified Budget	Expended Budget	% Expended
Personal Services	10,163,520	5,274,483	51.9%
Operating Expenses	5,796,344	2,796,240	48.2%
Equipment & Intangible Assets	524,889	123,847	23.6%
Grants	4,972,459	2,744,112	55.2%
Transfers-out	289,757	5,000	1.7%
Debt Service	77,500	58,176	75.1%
Total	21,824,469	11,001,857	50.4%

Fund Type	Modified Budget	Expended Budget	% Expended
01 General	1,568,310	907,967	57.9%
02 State/Other Spec Rev	18,117,214	9,077,455	50.1%
03 Fed/Other Spec Rev	1,620,629	744,279	45.9%
06 Enterprise	518,316	272,156	52.5%
Total	21,824,469	11,001,857	50.4%

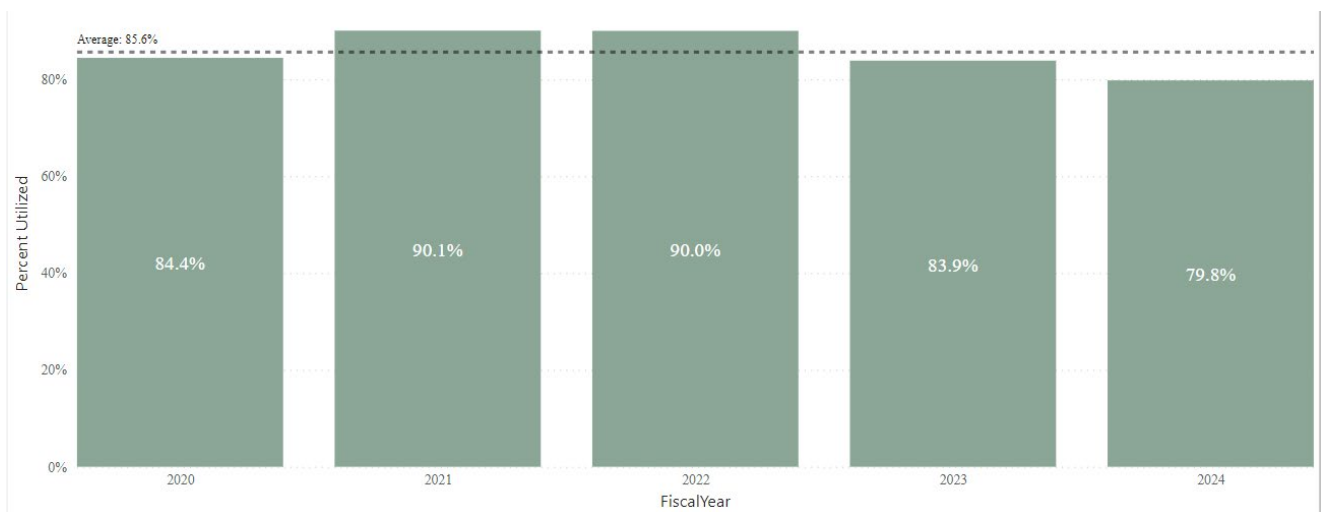
The Department of Agriculture expended 50.4% of its \$21.8 million HB 2 modified budget through February 2024. The agency expended \$2.6 million more than would be expected based on the five-year historical rate of 30.9% of the budget expended. In January alone, the agency expended \$2.7 million for wheat and barley research grants accounting for about 54.0% of the annual budget for grants. Audit recommendations changed the timing in which the agency booked expenditures for grants.

Personal Services

Appropriations for personal services in the Department of Agriculture total \$10.2 million and are 51.9% expended through February 2024. The department has 119.66 HB 2 FTE, of which 14.39 are classified as aggregate positions. Aggregate positions are historically more seasonal or temporary in nature. Multiple people may be employed under these position numbers throughout the year. The table below shows the budgeted FTE for the department.

Department of Agriculture HB 2 FTE			
Program	Regular	Aggregated	Total HB 2
Central Management Division	19.00	-	19.00
Agricultural Sciences Division	57.37	4.42	61.79
Agricultural Development Division	28.90	9.97	38.87
Total	105.27	14.39	119.66

The chart below shows the hourly utilization percentage for the Department of Agriculture between July 1 and February 1 for each fiscal year. Overall, the department has utilized 79.8% of the hours budgeted for FY 2024, as shown in the chart below. The Agricultural Sciences Division utilization rate was 83.9%, while the Central Management and the Agricultural Development Divisions combined had a utilization rate of 75.4%.



Vacant positions total 24.2 FTE, an increase of 7.4 FTE since November 2023. On average, positions have been open about 15 months. Since the beginning of FY 2024 five employees have left state government, seven have transferred to another agency, and one has retired.

The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate.

Department of Agriculture Vacancies As of February 1, 2024							
<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>
Central Services Division				Agricultural Development Div			
Business Executive	1.00	25.4	\$75.89	Rural Dev Specialist	1.00	13.0	\$36.25
Network Administrator	1.00	8.8	46.88	Instructional Coordinator 1	0.23	84.6	30.05
Deputy Attorney	1.00	22.7	41.36	Insurance Claims Adjuster	0.30	15.3	18.85
Division Total / Average¹	3.00	19.0	\$54.71	Insurance Claims Adjuster	0.25	4.5	18.85
Agricultural Sciences Division				Insurance Claims Adjuster	0.25	3.7	18.85
Nox Weed Free Material Coor	1.00	7.5	\$43.75	Insurance Claims Adjuster	0.25	4.3	18.85
Plant Science Specialist	1.00	4.6	43.75	Insurance Claims Adjuster	0.25	3.4	18.85
Delivery Driver 1	0.60	2.9	20.45	Insurance Claims Adjuster	0.25	4.5	18.85
Program Specialist 2	1.00	21.7	36.35	Insurance Claims Adjuster	0.25	64.9	18.85
Compliance Manager	1.00	40.5	51.21	Insurance Data Entry Support	0.25	5.2	13.63
Agricultural Science Specialis	0.52	10.7	43.75	Claims Examiner 1	0.25	39.6	18.85
Apiary Technician	1.00	15.8	21.76	Claims Examiner 1	0.25	39.6	18.85
Short Term Worker	1.00	5.8	23.05	Claims Examiner 1	0.25	64.0	18.85
Agricultural Inspector 2	0.45	8.3	21.76	Seasonal Sampler	8.65	0.6	21.76
Division Total / Average¹	7.57	14.1	\$34.96	Agricultural Inspector 3	0.72	102.9	27.19
				Division Total / Average¹	13.65	12.9	\$22.50
				Grand Total¹	24.22	14.0	\$30.38

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

OTHER ISSUES

Information Technology Project Expenditures

Large Information Technology Projects Original and Revised Budgets						
<u>Project</u>	<u>Start Date</u>	<u>Status</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Expended</u>	<u>Percent Expended</u>
Commodity Assessment System	8/14/2023	Executing	370,000	370,000	175,000	47.3%
Grants Management System	9/13/2023	Executing	60,000	60,000	-	-

Status of Line-Itemed Decision Packages, 2023 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 Agriculture 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 30003 - Lab Combustion Analyzer (OTO)	\$86,000	\$86,000	\$0	0.0%
DP 30008 - Chromatography Instrument (OTO)	100,000	100,000	99,047	99.0%
DP 30010 - Hemp Program Resources (OTO)	125,000	125,000	-	0.0%
DP 50001 - State Grain Lab Resources (OTO)	250,000	250,000	249,999	100.0%
DP 50005 - Hail Insurance System HB 10 (OTO)	50,000	50,000	50,000	100.0%
Total of HB 2 Line Itemed Decision Packages	\$611,000	\$611,000	\$399,046	65.3%

DP 30003 - Lab Combustion Analyzer (OTO) FY 2024 – \$86,000 State Special Revenue

The legislature approved a one-time-only appropriation of state special revenue to replace a combustion analyzer. The combustion analyzer is used to test animal feeds and fertilizer for nutrient content.

DP 30008 - Chromatography Instrument (OTO)

FY 2024 – \$100,000 State Special Revenue

The legislature approved a one-time-only increase in state special revenue for a chromatography instrument in the analytical lab. The equipment provides data on the physical properties of the groundwater from wells.

DP 30010 - Hemp Program Resources (OTO)

FY 2024 – \$125,000 General Fund

FY 2025 – \$125,000 General Fund

The legislature approved a one-time-only appropriation of general fund to temporarily mitigate costs paid by hemp producers to ensure they are following federal law. Ongoing revisions of federal law should be in place by 2025 negating the need for this funding on an ongoing basis.

DP 50001 - State Grain Lab Resources (OTO)

FY 2024 – \$250,000 General Fund

FY 2025 – \$250,000 General Fund

The legislature approved a \$500,000 general fund appropriation to supplement the state grain laboratory for two years.

DP 50005 - Hail Insurance System HB 10 (OTO)

FY 2024 – \$50,000 Proprietary Fund

The legislature approved a one-time-only \$50,000 increase in proprietary funds for a new hail insurance system.