

The Legislative Fiscal Division Presents an Agency Profile of:

The Department of Fish, Wildlife and Parks

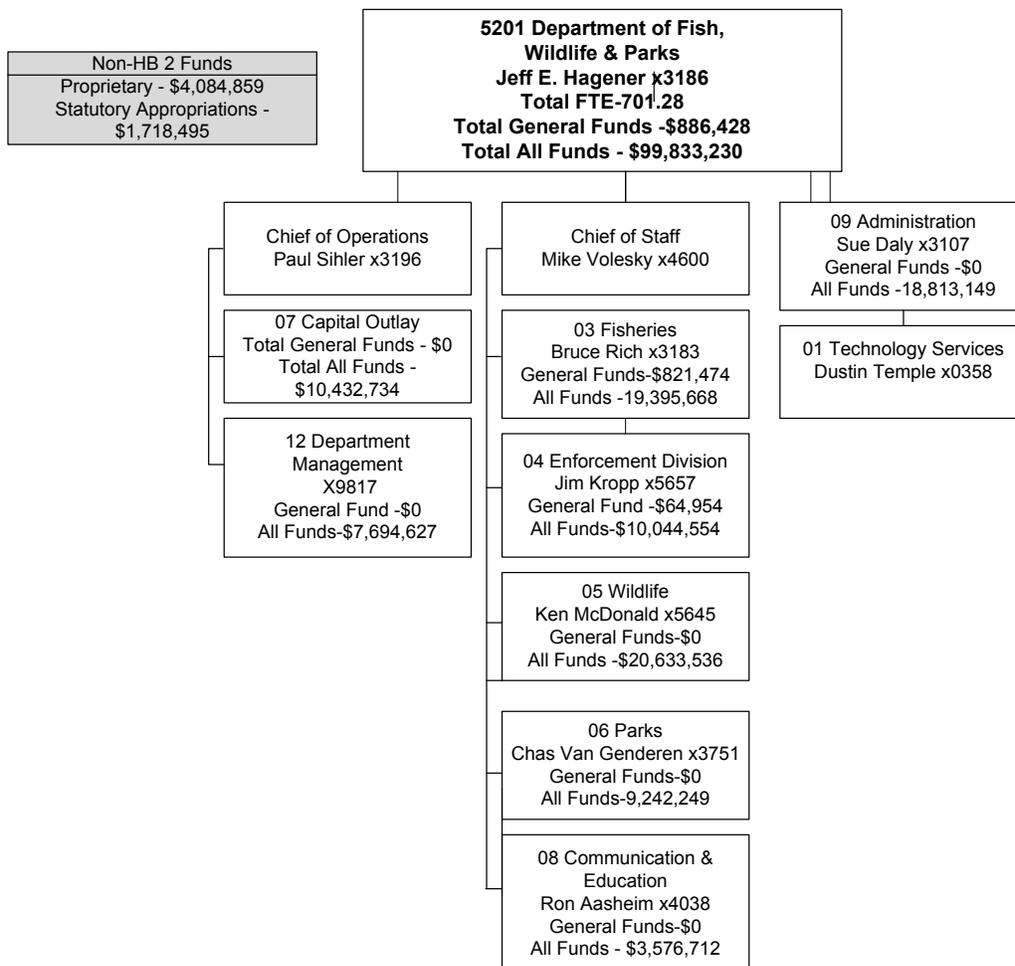
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Definition of Terms

Agency Description

Fish, Wildlife, and Parks is responsible for the management of Montana's fish, wildlife and recreational resources, development of recreational opportunities, and operation of the state park system. A five-member Governor-appointed commission provides direction on specific issues provided in statute. This guidance includes land usage, preservation and management of wildlife, establishment of license and permit fees, and the creation of hunting and fishing seasons.



How Services are Provided

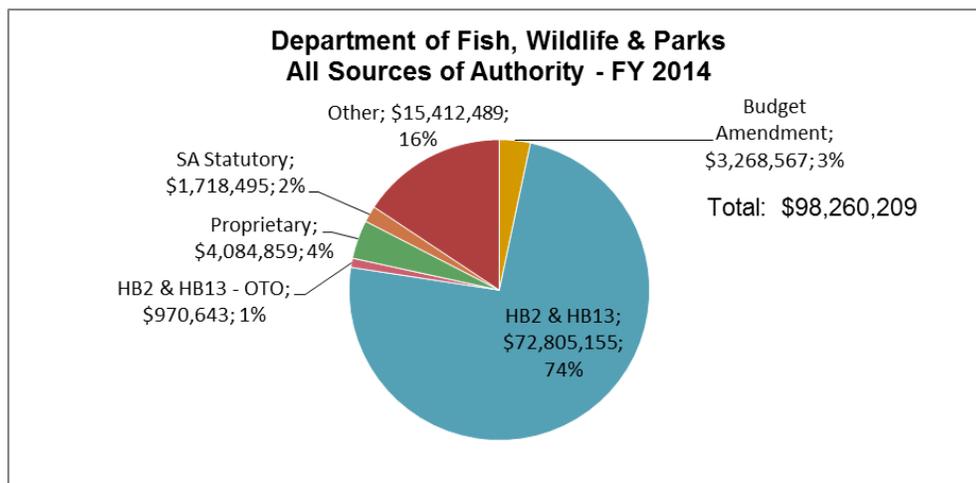
The department consists of four divisions with the following functions:

- The **Fisheries Division** is for preserving and perpetuating aquatic species and their ecosystems and for meeting public demand for fishing opportunities and aquatic wildlife stewardship.
- The **Department Management** provides oversight of the Enforcement, Wildlife, Fisheries, Communication and Education, and Parks Divisions, and the seven regional offices that are responsible for program implementation. The program also includes a strategic planning section to support division-wide planning needs, the Design and Construction Bureau which oversees the departments capital construction, and the Lands unit.
- The **Communication and Education Division** is the information and education branch of the department. The division coordinates the department’s information and education programs as well as the department’s planning efforts.

The **Administration Division** manages the administrative branch of the department. This branch is responsible for providing consistent, quality direction to the divisions and regions throughout the agency. Unlike the other divisions, they are a centralized function providing services for:

- Accounting
- Technology Services
- Fiscal management and budget preparation
- Purchasing and property management
- Federal aid and Internal Controls
- Sale of hunting, fishing, and other recreational licenses
- Biological Databases and GIS Applications

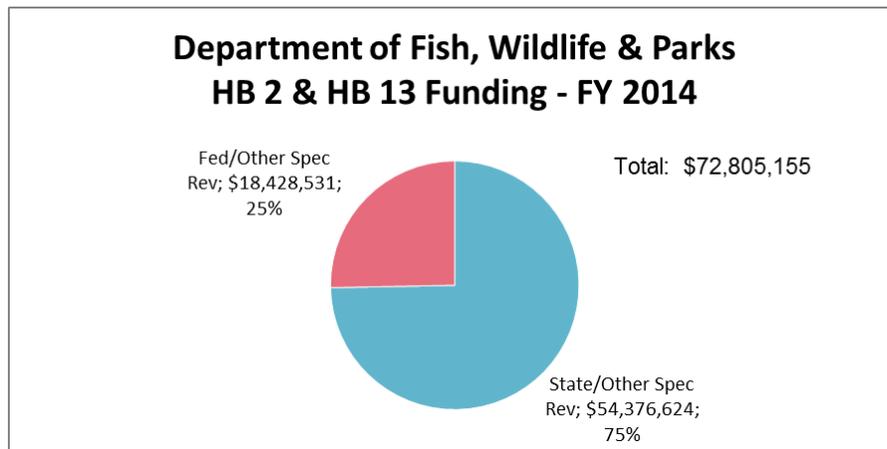
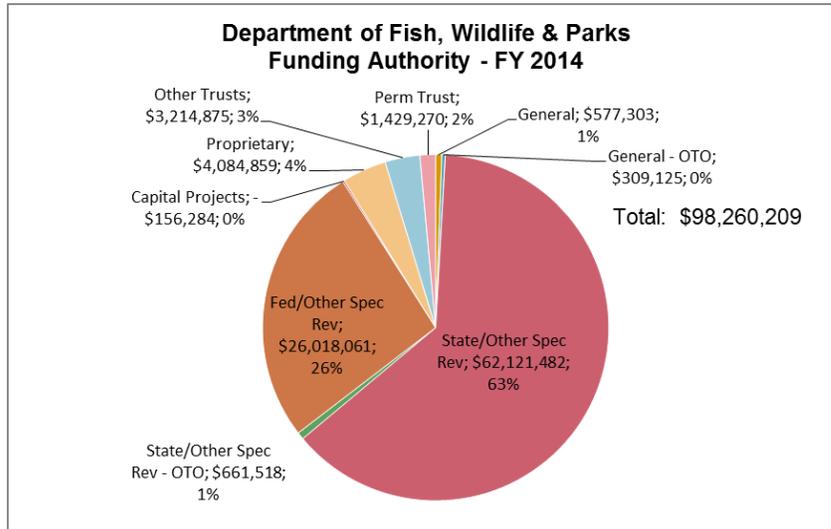
Sources of Spending Authority



The above chart shows the sources of authority for the Department of Fish, Wildlife, and Parks. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

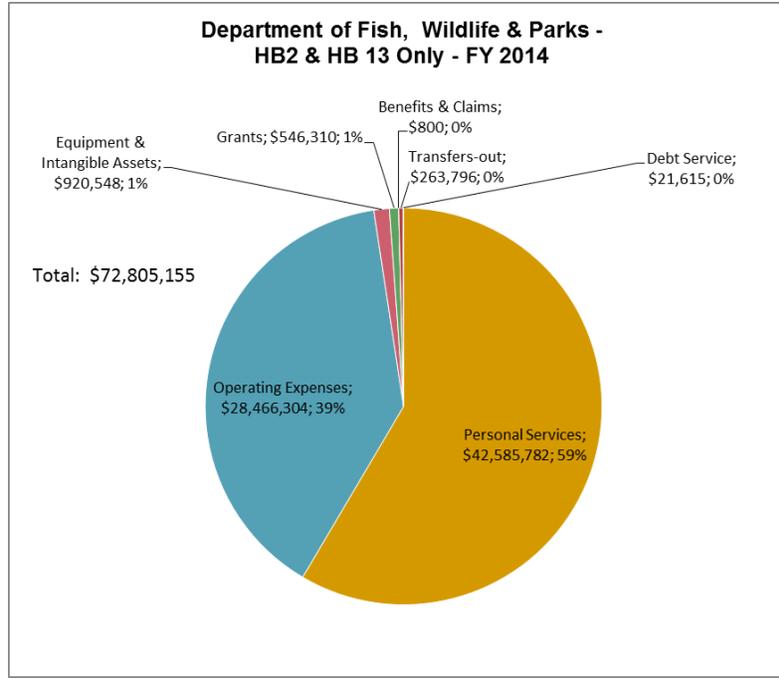
Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



Expenditures

This chart explains how the HB 2 authority is spent.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

Financial Management

Seventy percent of the department's funding comes from state special revenue. This revenue is derived from the sale of sportsman licenses, permits, and other fees, such as park entrance fees, campsite rental and the like. Department expenditures and activities can be affected through:

- Selecting the services and activities to be subject to fees
- Determining the amount to charge for licenses, permits, and fees
- Formation of the types and combination of licenses to be made available
- Designating fees, or portions of fees, for a particular use or project
- Establishing guidelines for charging fees or imposing fines

Species Management

The department is charged with protection, preservation, and management of all fish and game, fur-bearing animals, waterfowl, and nongame birds. The costs of this function can be affected by:

- Determining which species will require protection
- Guiding the degree of protection to be offered
- Evaluating the types of protection options
- The ability to access federal funding
- Urban sprawl or land development patterns

Access

The department may implement voluntary programs to expand hunting access on private lands. Currently, the department has achieved access to 6.4 million acres of enrolled land, and 336 fishing access sites. The cost of this program can be controlled by:

- Determining the number of acres and fishing access sites to be made available
- Establishing the number of landowners for participation
- Regulating the number of hunter days per site
- Defining the degree of department enforcement available on this acreage

Park Management

The diversity of Montana's 55 parks provide an abundance of recreational opportunities. The costs to operate the parks can be controlled through:

- Setting the number of parks under department management
- Establishing land size requirements for parks
- Determining the seasonal length of time the parks are open
- Authorizing the amount and scope of services available at the parks
- Guiding the scheduling and defining of maintenance activities

Enforcement

The enforcement of laws and rules pertaining to department activities is a main function of the department.

The ability to effect change in this area can be done by:

- Defining the scope of enforcement activities
- Mandating the number of wardens in the enforcement workforce
- Establishing enforcement priorities
- The authorization and subsequent disposition of penalties and fines

Land Management

The department, through multiple divisions, holds fee title to land and conservation easements for many purposes. Land transactions, for the most part, are approved by the Board of Land Commissioners. The amount and type of land procured can be influenced by:

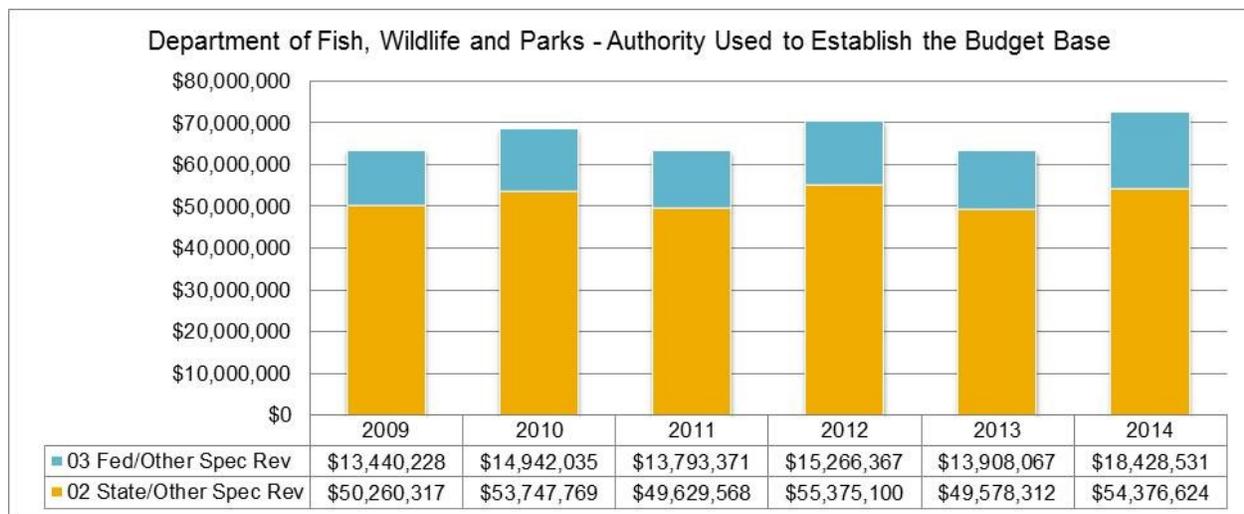
- Clarifying the use of conservation easements as a land management tool
- Establishing guidelines to ensure maximum public access to lands purchased or otherwise acquired with public funds
- Requiring development plans prior to land acquisitions

Major Cost Drivers

<i>Element</i>	<i>2013</i>	<i>2014</i>	<i>Significance of Data</i>
Number of license vendors in Montana	Average of 325/year	Average of 325/year	Revenue, workload
# of certified hunter education students	10,173	11,405	Safety
Amount of license commission paid to vendors	\$613,552	\$601,521	Fees paid to vendors
Number of licensed big game hunters	194,832	194,214	Revenue for programs
Tip Montana Calls	2,271	2,424	Workload, public participation

Funding/Expenditure History, Authority Used to Establish the Budget Base

The table shows the historical changes in the department's base budget authority.



Major Legislative Changes in the Last Ten Years

2013 Session HB 609 Provided for an interim study of hunting and fishing licensing to determine the long-term funding of the department and its complexity of its hunting and fishing license structure.

2013 Session HB 401 revised certain hunting license application fees and allows per species collection of the preference system application fee

2013 Session HB 586 appropriated \$640,000 general fund over the biennium for prevention of aquatic invasive species. HB2 provided \$600,000 over the biennium to the department for continuing aquatic invasive species detection and containment activities.

2013 Session SB 200 revised laws related to wolf management. It authorized multiple licenses to hunt and trap wolves and landowners to kill wolves on private property without a hunting license.

2011 Session HB 370 increased the optional motor vehicle registration fee from \$4 to \$6 for operations and maintenance at state parks and Virginia and Nevada Cities.

2011 Session HB 621 revised the Montana Aquatic Invasive Species Act in which FWP is a participating agency, provided an appropriation, and authorized the establishment of quarantine measures through rule-making, including mandatory inspections of interior portions of boats that contain water.

2007 Session SB 205 eliminated vacancy savings application to game wardens.

2007 Session SB 243 provided free sportsman licenses to certain military personnel.

2005 Session SB 461 directed the department to collar one wolf in packs that are near livestock or population centers for the purpose of tracking and directs that only federal dollars be expended. The legislature appropriated \$25,000 per year for this purpose.

For additional information, please contact the agency at:

Fish, Wildlife and Parks

1420 East Sixth Ave.

P.O. Box 200701

Helena, MT 59620-0701

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Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	701.28	701.28	694.62	694.08	701.28	694.08	(7.20)	(1.03)%
Personal Services	42,585,794	46,814,483	48,906,797	48,878,756	89,400,277	97,785,553	8,385,276	9.38 %
Operating Expenses	28,466,697	29,726,375	35,071,507	35,055,773	58,193,072	70,127,280	11,934,208	20.51 %
Equipment & Intangible Assets	920,550	946,038	794,210	788,710	1,866,588	1,582,920	(283,668)	(15.20)%
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Grants	546,310	952,466	593,910	593,910	1,498,776	1,187,820	(310,956)	(20.75)%
Benefits & Claims	800	6,225	800	800	7,025	1,600	(5,425)	(77.22)%
Transfers	263,797	338,408	363,464	363,464	602,205	726,928	124,723	20.71 %
Debt Service	21,615	21,427	16,088	12,427	43,042	28,515	(14,527)	(33.75)%
Total Costs	\$72,805,563	\$78,805,422	\$85,746,776	\$85,693,840	\$151,610,985	\$171,440,616	\$19,829,631	13.08 %
General Fund	0	309,125	1,628,431	1,532,716	309,125	3,161,147	2,852,022	922.61 %
State/Other Special Rev. Funds	54,376,925	58,434,134	61,089,624	61,128,258	112,811,059	122,217,882	9,406,823	8.34 %
Federal Spec. Rev. Funds	18,428,638	20,062,163	23,028,721	23,032,866	38,490,801	46,061,587	7,570,786	19.67 %
Total Funds	\$72,805,563	\$78,805,422	\$85,746,776	\$85,693,840	\$151,610,985	\$171,440,616	\$19,829,631	13.08 %

Mission Statement

Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana while contributing to the quality of life for present and future generations.

Agency Highlights

Department of Fish, Wildlife & Parks Major Budget Highlights
<ul style="list-style-type: none"> • The executive requests a biennial budget increase of 13.1% or \$19.8 million primarily related to <ul style="list-style-type: none"> ◦ 20% increase, \$11.9 million for operations ◦ 9.38% increase; \$8.5 million for personal services ◦ \$3.2 million in general fund for aquatic invasive species and sage grouse management
Legislative Action Issues
<ul style="list-style-type: none"> • HB 140 seeks to raise fees of certain hunting and fishing licenses. The success of this legislation may impact the department's budget

Agency Discussion

General License Funds

The general license account (GLA) is the major funding source for the department for this account, the depository for hunting, fishing, and conservation fees charged to residents and non residents. These fees are mostly mandated in state

law. Traditionally, FWP seeks a fee increase when the projected fund balance approaches \$6.0 million. This is the minimal amount needed to buffer cash flow. The increases have been approved by the legislature about once every ten years. In early years, revenues will exceed expenditures while in the later years the reverse is true, leading to a critical balance point.

As a result of the 2013 legislative session, the Environmental Quality Council was charged with reviewing the fee structure during the 2015 interim. A collaborative group of stakeholders worked together to create a recommendation. This recommendation is contained in HB 140. The status of this bill will need to be considered at each step of the budget process. If the bill does not pass, reductions to spending may need to occur.

At this point, the executive is requesting to spend general license dollars in the following manner.

General License Fund #02409 (\$ Millions)							
General License Acct Summary	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Requested FY 2016	Requested FY 2017
Beginning Fund Balances:	\$34.9	\$33.2	\$29.5	\$30.4	\$27.4	\$21.0	\$15.9
Revenue	38.5	39.6	40.7	39.0	39.7	40.2	40.6
Expenditures:							
HB2 Operations	(36.9)	(40.4)	(37.6)	(40.7)	(43.3)	(46.2)	(47.1)
HB5 Capital	(1.9)	(2.0)	(1.2)	(1.1)	(4.5)	(0.8)	(0.8)
Misc Items*	(1.3)	(1.0)	(0.9)	(0.1)	1.6	1.6	1.6
Total Expenditures	(40.2)	(43.4)	(39.8)	(41.9)	(46.2)	(45.3)	(46.2)
Ending Fund Balances	\$33.2	\$29.5	\$30.4	\$27.4	\$21.0	\$15.9	\$10.3

Total expenditures for the 2017 biennia exceed the revenues by \$10.7 million, requiring the use of the fund balance. To remain structurally balanced without a fee increase, the legislature would need to reduce the biennial budget by \$10.7 million.

General Fund

The 2015 Legislature provided a one-time appropriation of general fund for Aquatic Invasive Species (AIS) work. This budget request includes \$3.1 million in general fund to support AIS activities (\$1.9 million) and sage grouse management (\$1.2 million). Both proposals are on-going and would add general fund to the agency's base budget. This agency has not had general fund in the base budget for at least eight years.

LFD COMMENT	The legislature may wish to consider restricting the above mentioned requests as well as coordinate the requests with the Department of Natural Resources and Conservation (AIS and sage grouse) and the Department of Agriculture (AIS). Each project should have documented goals and objectives as well as memos of understanding with the other parties. This insures all parties know their roles and increases the chance of project success.
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Agency Personal Services

The following is a summary of personal services issues provided by the department.

- Pay Philosophy - FWP attempts to keep employees at 90% of the 2012 market analysis and does not negotiate for new hires

- Recruitment and Retention - According to the department, turnover is related more to job location than occupation. The exception is the difficulty to hire biologists within current pay scales. While pay plan rules allow for flexibility to address location and/or position challenges, the department has not used them.
- Retirements - Approximately 30% of department staff are retirement eligible. FWP uses staff mentoring, cross-training, and leadership develop to a pool of eligible employees.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base, by program.

The FY 2015 legislative budget is slightly higher than the 2015 appropriation due to a reversion of \$69,432 in coordination with the agency reorganization. However, the authority granted by the legislature was redistributed across the agency as part of a reorganization that consolidated management and other administrative activities. The Information Technology Division was eliminated and moved into the Administration Program and the managerial staff of each division was moved into the Management Division. The executive implementation column reflects the reorganization of the department at the end of the 2013 Legislative Session, the 2015 Legislative appropriation does not.

Comparison of FY 2014 Actuals to FY 2015 Appropriations

The department expended 93.5% of available authority in FY 2014. A portion of the FY 2014 remaining authority was continued into FY 2015 for the purpose of biennial appropriations. FY 2014 expenditures represents 92.4% of actual FY 2015 appropriations.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks								
Program	Legislative Approps	Leg App OTO	Bien Approp	House Adj	Op Plan	Program Transfers	Reorgs	Total Exec Implement
01 INFO	\$4,508,333					\$60,170	(\$4,568,503)	-
Pers Svcs	2,443,745						(2,443,745)	-
Op Exp	2,011,477					60,170	(2,071,647)	-
Equip/As	53,111						(53,111)	-
03 FISH	18,108,948	\$319,125		-	-	(250)	(661,186)	17,766,637
Pers Svcs	11,611,886	124,949		-	248,420		(593,457)	11,391,798
Op Exp	5,981,363	194,176		12,771	(244,253)	(250)	(9,000)	5,934,807
Equip/As	436,532			-				436,532
Tranfers	72,896			(6,500)	(4,167)		(58,729)	3,500
Dbt Svc	6,271			(6,271)				-
04 ENFRC	10,337,121			-			197,916	10,535,037
Pers Svcs	8,212,765			-			163,076	8,375,841
Op Exp	1,963,791			(6,500)			34,840	1,992,131
Equip/As	116,256			-				116,256
Grants	15,200			-				15,200
Tranfers	29,109			6,500				35,609
05 WLDLF	19,485,909	11,500		-	-	132,384	(77,379)	19,552,414
Pers Svcs	8,751,478			-	396,629	132,384	(71,442)	9,209,049
Op Exp	10,517,460	11,500		-	(396,629)		(5,937)	10,126,394
Equip/As	47,867			-				47,867
Grants	162,879			-				162,879
Benefits	6,225			-				6,225
06 PARKS	8,254,219	300,000	(\$210,000)	-	-	(750)	(444,824)	7,898,645
Pers Svcs	5,223,781			-	69,183		(329,984)	4,962,980
Op Exp	2,330,585	100,000		-	(69,183)	(750)	(114,840)	2,245,812
Equip/As	262,248	200,000	(210,000)	-				252,248
Grants	437,605			-				437,605
08 C & ED	3,824,320					(2,000)	(59,214)	3,763,106
Pers Svcs	2,078,658					-	(55,714)	2,022,944
Op Exp	1,408,880					(2,000)	(3,500)	1,403,380
Grants	336,782							336,782
09 ADMIN	9,641,091					(14,840)	2,553,493	12,179,744
Pers Svcs	4,487,989					-	34,830	5,561,210
Op Exp	4,975,683				(4,949)	(49,670)	1,532,069	6,453,133
Equip/As	12,640						53,111	65,751
Tranfers	164,779				4,949		(70,078)	99,650
12 MGMT	4,224,856			-		(174,714)	2,990,355	7,040,497
Pers Svcs	3,165,000			2,870		(167,214)	2,292,875	5,293,531
Op Exp	940,203			(13,190)		(7,500)	638,015	1,557,528
Equip/As	27,384			-				27,384
Tranfers	70,842			10,320			59,465	140,627
Dbt Svc	21,427							21,427
Agency Total	\$78,384,797	630,625	(210,000)	-	-	-	(\$69,342)	78,736,080

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Fish, Wildlife & Parks Funding by Source of Authority 2017 Biennium Budget - Department of Fish, Wildlife & Parks						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	3,161,147	0	0	3,161,147	1.72 %	
State Special Total	122,217,882	0	3,312,297	125,530,179	68.50 %	
Federal Special Total	46,061,587	0	346,738	46,408,325	25.32 %	
Proprietary Total	0	8,162,944	0	8,162,944	4.45 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$171,440,616	\$8,162,944	\$3,659,035	\$183,262,595		
Percent - Total All Sources	93.55 %	4.45 %	2.00 %			

FWP is predominately funded by state special revenue sources derived from fees for hunting, fishing, and other recreational activities, the largest is the general license account. Federal sources are predominately derived from federal excise taxes on hunting and fishing equipment, grants for endangered species state wildlife grants.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	73,876,464	73,876,464	147,752,928	86.18 %
PL Adjustments	974,000	974,000	1,948,000	61.62 %	7,759,839	7,807,631	15,567,470	9.08 %
New Proposals	654,431	558,716	1,213,147	38.38 %	4,110,473	4,009,745	8,120,218	4.74 %
Total Budget	\$1,628,431	\$1,532,716	\$3,161,147		\$85,746,776	\$85,693,840	\$171,440,616	

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	181.25	181.25	174.67	174.65	181.25	174.65	(6.60)	(3.64)%
Personal Services	10,251,922	11,391,798	11,694,548	11,702,661	21,643,720	23,397,209	1,753,489	8.10 %
Operating Expenses	5,098,487	5,934,807	6,124,135	6,170,331	11,033,294	12,294,466	1,261,172	11.43 %
Equipment & Intangible Assets	370,455	436,532	370,455	370,455	806,987	740,910	(66,077)	(8.19)%
Transfers	2,392	3,500	2,392	2,392	5,892	4,784	(1,108)	(18.81)%
Debt Service	0	0	0	0	0	0	0	0.00 %
Total Costs	\$15,723,256	\$17,766,637	\$18,191,530	\$18,245,839	\$33,489,893	\$36,437,369	\$2,947,476	8.80 %
General Fund	0	309,125	974,000	974,000	309,125	1,948,000	1,638,875	530.17 %
State/Other Special Rev. Funds	7,035,907	7,517,599	7,797,345	7,836,441	14,553,506	15,633,786	1,080,280	7.42 %
Federal Spec. Rev. Funds	8,687,349	9,939,913	9,420,185	9,435,398	18,627,262	18,855,583	228,321	1.23 %
Total Funds	\$15,723,256	\$17,766,637	\$18,191,530	\$18,245,839	\$33,489,893	\$36,437,369	\$2,947,476	8.80 %

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems as well as meeting public demand for fishing opportunities and aquatic wildlife stewardship. This division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The program:

- Operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- Regulates angler harvests
- Monitors fish populations
- Manages the fishing access site program

Program Highlights

Fisheries Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases resources by \$2.9 million or 8.8% • Increases are attributable to: <ul style="list-style-type: none"> ◦ Annualization of personal services, fixed costs and inflation/deflation ◦ Adjustments for hatchery operations ◦ Restoration of general fund for aquatic invasive species
Major LFD Issues
<ul style="list-style-type: none"> • Management of aquatic invasive species involves three departments: FWP, Department of Natural Resources and Conservation, and Department of Agriculture. The legislature may wish to consolidate the requests via a combined hearing in order to evaluate the total request.

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks							
Program	Legislative Appropriation	Legislative Approp OTO	House Adj	Operating Plan	Program Transfers	Reorgs	Total Executive Implementation
03 FISHERIES	\$18,108,948	\$319,125				(\$593,457)	\$17,766,637
03 FISHERIES						(9,000)	
03 FISHERIES						(58,729)	
03 FISHERIES					(\$250)		
03 FISHERIES				(\$76,195)			
03 FISHERIES				(41,028)			
03 FISHERIES				(131,197)			
03 FISHERIES				(4,167)			
03 FISHERIES				76,195			
03 FISHERIES				41,028			
03 FISHERIES				131,197			
03 FISHERIES				4,167			
03 FISHERIES			\$275,355				
03 FISHERIES			(275,989)				
03 FISHERIES			9,060				
03 FISHERIES			(8,426)				
03 FISHERIES			(212,584)				
03 FISHERIES			(7,112)				
03 FISHERIES			169,270				
03 FISHERIES			(56,614)				
03 FISHERIES			39,833				
03 FISHERIES			9,978				
03 FISHERIES			3,729				
03 FISHERIES			50,000				
03 FISHERIES			3,500				
Program Total	\$18,108,948	\$319,125	-	-	(\$250)	(\$661,186)	\$17,766,637

The FY 2015 legislative appropriation was reduced by \$661,186 which represents the transfer of 7.0 FTE and operating costs from the Fisheries Division to the Department Management Division. The 2015 legislative appropriation does not contain the impacts of the reorganization.

Comparison of FY 2014 Actuals to FY 2015 Appropriation

The Fisheries Division expended \$15.7 million in FY 2014, or 86.7% of the FY 2015 legislative appropriation.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 03-Fisheries Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,948,000	0	0	1,948,000	5.35 %	
02051 Private Contracts & Grants	0	0	0	0	0.00 %	
02084 Fish WL Forest Management	0	0	0	0	0.00 %	
02148 Paddlefish Roe Account	49,828	0	0	49,828	0.32 %	
02333 Fishing Access Site Maint	825,717	0	0	825,717	5.28 %	
02409 General License	14,388,962	0	0	14,388,962	92.04 %	
02558 FAS - Vehicle Registration	369,279	0	0	369,279	2.36 %	
State Special Total	\$15,633,786	\$0	\$0	\$15,633,786	42.91 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	12,908,847	0	0	12,908,847	68.46 %	
03129 USFWS SECTION 6	0	0	0	0	0.00 %	
03403 Misc. Federal Funds	5,363,980	0	0	5,363,980	28.45 %	
03408 State Wildlife Grants	582,756	0	0	582,756	3.09 %	
Federal Special Total	\$18,855,583	\$0	\$0	\$18,855,583	51.75 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$36,437,369	\$0	\$0	\$36,437,369		

This program is predominantly funded with GLA (General License Account) dollars derived from fishing license fees and 25 cents from each light vehicle registration to support the Fishing Access Site (FAS) program.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	18,108,948	18,108,948	36,217,896	99.40 %
PL Adjustments	974,000	974,000	1,948,000	100.00 %	82,582	136,891	219,473	0.60 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$974,000	\$974,000	\$1,948,000		\$18,191,530	\$18,245,839	\$36,437,369	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	1,019,914	(654,597)	(407,604)	(42,287)	0.00	1,019,914	(640,471)	(413,617)	(34,174)
DP 99 - LEG. Present Law	0.00	(45,914)	282,907	(112,124)	124,869	0.00	(45,914)	307,877	(90,898)	171,065
Grand Total All Present Law Adjustments	0.00	\$974,000	(\$371,690)	(\$519,728)	\$82,582	0.00	\$974,000	(\$332,594)	(\$504,515)	\$136,891

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	174.67	-	\$36,166	\$48,724	\$84,890
Executive Implementation of 2015 Pay Increase	-	-	82,289	112,432	194,721
Fully Fund 2015 Legislatively Authorized FTE	-	-	103,568	120,351	223,919
Other	0.00	1,019,914	(876,621)	(689,110)	(545,817)
Personal Services Present Law Adjustments	174.67	\$1,019,914	(\$654,597)	(\$407,604)	(\$42,287)
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	174.65	-	\$36,161	\$48,719	\$84,880
Executive Implementation of 2015 Pay Increase	-	-	82,289	112,432	194,721
Fully Fund 2015 Legislatively Authorized FTE	-	-	103,568	120,351	223,919
Other	0.00	1,019,914	(862,489)	(695,119)	(537,694)
Personal Services Present Law Adjustments	174.65	\$1,019,914	(\$640,471)	(\$413,617)	(\$34,174)

Personal services are reduced by approximately \$66,000 over the biennium. Other changes include agency reorganizations, re-establishing vacant positions and any pay adjustments provided at agency discretion. The general fund is offset to the correct amount of \$974,000 by DP 99 and is actually for support of the Aquatic Invasive Species Program.

DP 99 - LEG. Present Law -

The LGPL includes adjustments for:

- Increase operating expenses at state hatcheries; \$270,000, state special revenue, for increase costs in fuels, and fish food.
- Adjustments for fixed costs and inflation/deflation

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	116.88	116.88	117.49	117.49	116.88	117.49	0.61	0.52 %
Personal Services	7,593,799	8,375,841	8,835,620	8,837,197	15,969,640	17,672,817	1,703,177	10.67 %
Operating Expenses	2,018,595	1,992,131	2,124,679	2,127,065	4,010,726	4,251,744	241,018	6.01 %
Equipment & Intangible Assets	34,652	116,256	40,152	34,652	150,908	74,804	(76,104)	(50.43)%
Grants	15,199	15,200	15,199	15,199	30,399	30,398	(1)	0.00 %
Transfers	38,672	35,609	60,116	60,116	74,281	120,232	45,951	61.86 %
Total Costs	\$9,700,917	\$10,535,037	\$11,075,766	\$11,074,229	\$20,235,954	\$22,149,995	\$1,914,041	9.46 %
State/Other Special Rev. Funds	9,362,775	10,124,846	10,444,745	10,442,676	19,487,621	20,887,421	1,399,800	7.18 %
Federal Spec. Rev. Funds	338,142	410,191	631,021	631,553	748,333	1,262,574	514,241	68.72 %
Total Funds	\$9,700,917	\$10,535,037	\$11,075,766	\$11,074,229	\$20,235,954	\$22,149,995	\$1,914,041	9.46 %

Program Description

The Law Enforcement Division is responsible for ensuring compliance with laws and regulations to protect and preserve big game animals, fur-bearing animals, fish, game birds, and other protected wildlife. The division also enforces the laws and regulations relative to lands or waters under agency jurisdiction such as state parks, fishing access sites, and wildlife management areas, as well as those laws and regulations pertaining to outfitters/guides, boating, snowmobiles, and off highway vehicles safety and registration. Other duties include block management patrols, stream access enforcement, commercial wildlife permitting, hunter education, license vendor contacts, game damage response, urban wildlife activities, and assisting other law enforcement agencies as requested.

Program Highlights

Law Enforcement Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget represents an increase of \$1.9 million • The increase is attributed to: <ul style="list-style-type: none"> ◦ Personal services adjustments ◦ Game Warden overtime ◦ Operating adjustments
Major LFD Issues
<ul style="list-style-type: none"> • The division is seeking trust land administration funds to support 1.0 FTE to increase warden presence on state trust lands. Some verification should occur before utilizing these funds.

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks					
Program	Legislative Approps	Leg App	OTOHouse Adj	Reorgs	Total Executive Implementation
04 ENFORCEMENT DIVISION	\$10,337,121				\$163,076
04 ENFORCEMENT DIVISION					\$10,535,037
04 ENFORCEMENT DIVISION				34,840	
04 ENFORCEMENT DIVISION				(\$140,430)	
04 ENFORCEMENT DIVISION				(5,330)	
04 ENFORCEMENT DIVISION				119,827	
04 ENFORCEMENT DIVISION				23,434	
04 ENFORCEMENT DIVISION				(19,393)	
04 ENFORCEMENT DIVISION				(6,172)	
04 ENFORCEMENT DIVISION				17,163	
04 ENFORCEMENT DIVISION				10,901	
Program Total	\$10,337,121	-	-	\$197,916	\$10,535,037

The increase from the legislative appropriation is the result of a transfer of 3.0 FTE and related operating costs from the Parks Division.

Comparison of FY 2014 Acutals to FY 2015 Appropriations

The Law Enforcement Division expended \$9.7 millioin in FY 2014; or 93.8% of the FY 2015 appropriation.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 04-Law Enforcement Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02115 Off-Highway Vehicle Fines	111,855	0	0	111,855	0.54 %	
02329 Snowmobile Fuel Tax-Enforcemnt	58,007	0	0	58,007	0.28 %	
02334 Hunting Access	966,121	0	0	966,121	4.63 %	
02409 General License	18,075,010	0	0	18,075,010	86.54 %	
02411 State Parks Miscellaneous	814,776	0	0	814,776	3.90 %	
02413 F & G Motorboat Cert Id	222,854	0	0	222,854	1.07 %	
02414 Snowmobile Reg	144,548	0	0	144,548	0.69 %	
02938 TLMD - Administration	494,250	0	0	494,250	2.37 %	
State Special Total	\$20,887,421	\$0	\$0	\$20,887,421	94.30 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	412,500	0	0	412,500	32.67 %	
03403 Misc. Federal Funds	850,074	0	0	850,074	67.33 %	
Federal Special Total	\$1,262,574	\$0	\$0	\$1,262,574	5.70 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$22,149,995	\$0	\$0	\$22,149,995		

The largest source of funding is the General License Account, other state special funds support the division in relation to warden activities, such as snowmobile fees, state parks funds and trust land revenues.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	10,337,121	10,337,121	20,674,242	0.00 %
PL Adjustments	0	0	0	0.00 %	652,600	665,820	1,318,420	0.00 %
New Proposals	0	0	0	0.00 %	86,045	71,288	157,333	0.00 %
Total Budget	\$0	\$0	\$0		\$11,075,766	\$11,074,229	\$22,149,995	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	522,911	41,474	564,385	0.00	0	523,963	42,181	566,144
DP 99 - LEG. Present Law	0.00	0	115,109	(26,894)	88,215	0.00	0	126,745	(27,069)	99,676
Grand Total All Present Law Adjustments	0.00	\$0	\$638,020	\$14,580	\$652,600	0.00	\$0	\$650,708	\$15,112	\$665,820

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	116.49	\$0	\$54,645	\$1,969	\$56,614
Executive Implementation of 2015 Pay Increase		-	137,996	4,818	142,814
Fully Fund 2015 Legislatively Authorized FTE		-	9,961	582	10,543
Other	0.00	-	320,309	34,105	354,414
Personal Services Present Law Adjustments	116.49	\$0	\$522,911	\$41,474	\$564,385
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	116.49	-	\$54,645	\$1,969	\$56,614
Executive Implementation of 2015 Pay Increase		-	137,998	4,817	142,814
Fully Fund 2015 Legislatively Authorized FTE		-	9,961	582	10,543
Other	0.00	-	321,359	34,813	356,173
Personal Services Present Law Adjustments	116.49	-	\$523,963	\$42,181	\$566,144

The other increase can be attributed to costs of reorganization and longevity adjustments.

DP 99 - LEG. Present Law -

The LGPL adjustment includes a reduction from inflation/deflation adjustments, operational adjustments for field operations due to increasing ammunition and specialized equipment costs, as well as warden overtime.

LFD ISSUE	<p><u>Overtime needs and the FY 2015 Legislative Budget</u></p> <p>In FY 2014 the agency expended \$223,562 in overtime for approximately 7490 hours. The executive request includes \$348,510 for overtime in FY 2016 and FY 2017 or a 36% increase from the last completed year. The FY 2015 legislative appropriation base includes \$290,000 for overtime, this is \$66,438 higher than the 2014 expended</p>
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amount and \$58,510 lower than the executive request for FY 2016 and FY 2017. The legislature should determine the level of overtime necessary for the program to meet it's mission and adjust the FY 2015 Legislative base of \$290,000 as necessary.

Operational Costs in FY 2015

In the FY 2015 legislative budget \$116,256 exists for contracts, training and specialized law enforcement for persons. The executive is requesting an operational increase of \$190,944. If the Legislature is interested in funding this adjustment, it should be recalculated from the FY 2015 legislative base. The actual adjustment to meet the executive request would be \$74,688 each year of the biennium.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 400404 - Funding Switch to PR	0.00	0	(206,250)	206,250	0	0.00	0	(206,250)	206,250	0
DP 400405 - DNRC Recreational Warden	1.00	0	86,045	0	86,045	1.00	0	71,288	0	71,288
Total	1.00	\$0	(\$120,205)	\$206,250	\$86,045	1.00	\$0	(\$134,962)	\$206,250	\$71,288

DP 400405 - DNRC Recreational Warden -

The executive requests 1.00 FTE and state special revenue of \$86,045 in FY 2016 and \$71,288 in FY 2017 to increase enforcement on state trust lands. Funding is from the trust land administration account managed by the Department of Natural Resources.

LFD COMMENT Trust land administration funds are derived from activities off of state trust lands. Trust lands are specific lands were provided at the time of statehood or through other acts of congress. Some lands, such as Morrill trust lands, can not use revenue to support land management per granting documents. It can be appropriate to utilize these funds in this manner, however the legislature may want assurance that Morrill funds are not being utilized and that there is specific coordination with the Department of Natural Resources for this activity.

DP 400404 - Funding Switch to PR -

The executive requests a budget neutral shift of \$206,250 per year from the general license account to Pittman Robertson funds. PR funds can be used for non-enforcement duties which may maximize federal funds and offset general license dollars.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	135.98	135.98	140.94	140.43	135.98	140.43	4.45	3.27 %
Personal Services	8,245,831	9,209,049	9,717,617	9,677,520	17,454,880	19,395,137	1,940,257	11.12 %
Operating Expenses	10,091,906	10,126,394	11,423,967	11,377,724	20,218,300	22,801,691	2,583,391	12.78 %
Equipment & Intangible Assets	47,867	47,867	47,867	47,867	95,734	95,734	0	0.00 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Grants	0	162,879	0	0	162,879	0	(162,879)	(100.00)%
Benefits & Claims	800	6,225	800	800	7,025	1,600	(5,425)	(77.22)%
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$18,386,404	\$19,552,414	\$21,190,251	\$21,103,911	\$37,938,818	\$42,294,162	\$4,355,344	11.48 %
General Fund	0	0	654,431	558,716	0	1,213,147	1,213,147	0.00 %
State/Other Special Rev. Funds	9,990,806	11,023,122	11,770,930	11,777,432	21,013,928	23,548,362	2,534,434	12.06 %
Federal Spec. Rev. Funds	8,395,598	8,529,292	8,764,890	8,767,763	16,924,890	17,532,653	607,763	3.59 %
Total Funds	\$18,386,404	\$19,552,414	\$21,190,251	\$21,103,911	\$37,938,818	\$42,294,162	\$4,355,344	11.48 %

Program Description

The Wildlife Division is responsible for the conservation and management of Montana’s birds, mammals, reptiles, and amphibians and their habitat. Activities related to the Wildlife Division include monitoring the status of wildlife and habitats, conserving and enhancing wildlife habitat, as well as providing opportunity for public enjoyment of wildlife through hunting, trapping, and viewing. The division manages animals legislatively categorized as big game, nongame wildlife, migratory game birds, upland game, furbearers, and threatened and endangered species. Responsibilities within the Wildlife Division fall into four major themes: management, habitat, access, and wildlife conflict.

Program Highlights

Wildlife Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget represents an 11% increase over the biennium or \$4.3 million • The biennial increase is attributable to: <ul style="list-style-type: none"> ◦ \$1.2 million of general fund for sage grouse conservation, including 7.0 FTE ◦ \$1.0 million split between state special and federal special for wolf management ◦ \$1.2 million of state special revenue for the hunter access program • There are no proposed changes to the department aircraft proprietary program.

Major LFD Issues
<ul style="list-style-type: none"> The executive has also requested \$5.0 million general fund each year of the biennium for sage grouse management in the Department of Natural Resources and Conservation (DNRC). The legislature may wish to consider all sage grouse requests in a hearing with both FWP and DNRC present

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks							
Program	Legislative Appropriation	Legislative Approp OTO	House Adj	Operating Plan	Program Transfers	Reorgs	Total Executive Implementation
05 WILDLIFE DIV	\$19,485,909	\$11,500				(\$71,442)	\$19,552,414
05 WILDLIFE DIV						(5,937)	
05 WILDLIFE DIV					\$132,384		
05 WILDLIFE DIV				(\$22,825)			
05 WILDLIFE DIV				(278,316)			
05 WILDLIFE DIV				(8,888)			
05 WILDLIFE DIV				(26,663)			
05 WILDLIFE DIV				(11,500)			
05 WILDLIFE DIV				(48,437)			
05 WILDLIFE DIV				22,825			
05 WILDLIFE DIV				278,316			
05 WILDLIFE DIV				8,888			
05 WILDLIFE DIV				26,663			
05 WILDLIFE DIV				11,500			
05 WILDLIFE DIV				48,437			
05 WILDLIFE DIV			\$2,811				
05 WILDLIFE DIV			(3,251)				
05 WILDLIFE DIV			5,320				
05 WILDLIFE DIV			34,597				
05 WILDLIFE DIV			(11,233)				
05 WILDLIFE DIV			75,630				
05 WILDLIFE DIV			(103,697)				
05 WILDLIFE DIV			(2,153)				
05 WILDLIFE DIV			(24,037)				
05 WILDLIFE DIV			26,013				
Program Total	\$19,485,909	\$11,500	-	-	\$132,384	(\$77,379)	\$19,552,414

The difference between the legislative appropriation and the executive is a program transfer of FTE and the reduction of \$77,379 associated with the transfer of 1.5 FTE to the Department Management Division as part of the reorganization.

Comparison of FY 2014 Actual to FY 2015 Appropriations

The Wildlife Division expended \$18.4 million in FY 2014, or 94.4% of the FY 2015 legislative appropriation

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 05-Wildlife Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,213,147	0	0	1,213,147	2.81 %	
02051 Private Contracts & Grants	0	0	0	0	0.00 %	
02061 Nongame Wildlife Account	101,624	0	0	101,624	0.43 %	
02084 Fish WL Forest Management	242,573	0	0	242,573	1.03 %	
02085 Waterfowl Stamp Spec. Rev.	26,124	0	0	26,124	0.11 %	
02086 Mountain Sheep Account	295,960	0	0	295,960	1.26 %	
02112 Moose Auction	72,380	0	0	72,380	0.31 %	
02113 Upland Game Bird Habitat	350,581	0	0	350,581	1.49 %	
02176 Mountain Goat Auction	0	0	0	0	0.00 %	
02334 Hunting Access	10,629,313	0	0	10,629,313	45.14 %	
02409 General License	9,539,679	0	0	9,539,679	40.51 %	
02423 Wolf Collaring	620,092	0	0	620,092	2.63 %	
02424 Wolf Depredation	620,072	0	0	620,072	2.63 %	
02469 Habitat Trust Interest	999,964	0	0	999,964	4.25 %	
02559 Mule Deer Auction	50,000	0	0	50,000	0.21 %	
02560 Elk Auction	0	0	0	0	0.00 %	
02432 Oil and Gas ERA	0	0	0	0	0.00 %	
State Special Total	\$23,548,362	\$0	\$0	\$23,548,362	54.46 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	16,061,853	0	0	16,061,853	91.61 %	
03129 USFWS SECTION 6	0	0	0	0	0.00 %	
03403 Misc. Federal Funds	551,156	0	0	551,156	3.14 %	
03408 State Wildlife Grants	919,644	0	0	919,644	5.25 %	
Federal Special Total	\$17,532,653	\$0	\$0	\$17,532,653	40.55 %	
06540 FWP AIRCRAFT	0	943,207	0	943,207	100.00 %	
Proprietary Total	\$0	\$943,207	\$0	\$943,207	2.18 %	
Total All Funds	\$42,294,162	\$943,207	\$0	\$43,237,369		

This division is predominantly funded with hunter access fees, the general license account and federal fish and wildlife funds. The general fund (\$1.2 million) is related to the executive request to implement the sage grouse conservation plan.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	19,485,909	19,485,909	38,971,818	92.14 %
PL Adjustments	0	0	0	0.00 %	785,302	794,881	1,580,183	3.74 %
New Proposals	654,431	558,716	1,213,147	100.00 %	919,040	823,121	1,742,161	4.12 %
Total Budget	\$654,431	\$558,716	\$1,213,147		\$21,190,251	\$21,103,911	\$42,294,162	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	554,150	(180,286)	373,864	0.00	0	550,383	(180,512)	369,871
DP 99 - LEG. Present Law	0.00	0	(4,446)	415,884	411,438	0.00	0	6,027	418,983	425,010
Grand Total All Present Law Adjustments	0.00	\$0	\$549,704	\$235,598	\$785,302	0.00	\$0	\$556,410	\$238,471	\$794,881

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	131.08	-	\$30,568	\$33,136	\$63,705
Executive Implementation of 2015 Pay Increase		-	69,386	85,021	154,407
Fully Fund 2015 Legislatively Authorized FTE		-	88,831	79,100	167,931
Other	0.00	-	365,365	(377,543)	(12,179)
Personal Services Present Law Adjustments	131.08	-	\$554,150	(\$180,286)	\$373,864
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	131.07	-	30,567	33,133	\$63,700
Executive Implementation of 2015 Pay Increase		-	69,386	85,021	154,407
Fully Fund 2015 Legislatively Authorized FTE		-	88,831	79,100	167,931
Other	0.00	-	361,600	(377,766)	(16,167)
Personal Services Present Law Adjustments	131.07	-	\$550,383	(\$80,512)	\$369,871

The other adjustments include increases for retirement and longevity offset by small funding switches.

DP 99 - LEG. Present Law -

Operational costs included in this adjustment are related to wolf management and the hunter access program off set by reductions in fixed costs and inflation/deflation.

LFD ISSUE

Wolf Management

The executive requested approximately \$1.0 million in federal and state special fund for the wolf management program. The decision package includes travel related expenses and minor equipment. The adjustments for travel are ten times the amount expended in FY 2014, motor pool triples and contract services about double. The executive did not provide any reason why these funds are needed. The legislature may wish to have the agency clearly describe the needs and provide an update on the wolf management program as part of the decision making process.

LFD COMMENT

Hunter Access

The executive request to align hunter access revenue with expenditures results in an increase of approximately \$1.2 million. The legislature may wish to consider what the hunting community will receive with this adjustment. The narrative suggests increased contractor payments, it does not discuss increased land access.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 500504 - WMA Maintenance FTE	1.86	0	118,232	0	118,232	1.86	0	118,209	0	118,209
DP 500506 - Sage Grouse Implementation	7.00	654,431	0	0	654,431	6.50	558,716	0	0	558,716
DP 500508 - Forest Management FTE and Operations	1.00	0	121,377	0	121,377	1.00	0	121,196	0	121,196
DP 500509 - Mule Deer Auction	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
Total	9.86	\$654,431	\$264,609	\$0	\$919,040	9.36	\$558,716	\$264,405	\$0	\$823,121

DP 500506 - Sage Grouse Implementation -

The executive requests \$654,431 in FY 2016 and \$558,716 in FY 2017 for 7.50 FTE and operations costs required to implement the Sage Grouse Conservation Strategy developed by the Sage Grouse Advisory Council. The purpose of the council and this request is to avoid federal listing under the Endangered Species Act. Funding for the proposal comes from the general fund.

LFD ISSUE

What is the Sage Grouse Plan?

According to the agency website, the goals of the plan include the following:

- Minimize impacts of wildfire or prescribed fire on sage grouse habitat.
- Maintain sage grouse hunting without impacting the viability of sage grouse populations and the public's sage grouse hunting opportunity.
- Maintain and enhance sagebrush rangelands to provide productive sage grouse habitat while providing for grazing and the other uses of Montana's sagebrush grasslands desired by society.
- Engage in mining and oil and gas development and minimize impacts to sage grouse and sagebrush habitats.
- Minimize impacts of noxious weeds and other invasive species on sage grouse.

- Teach and inform Montanans and others about sage grouse populations and habitat needs, to help coordinate Montana's conservation plan on public and private lands.
- Continue to provide electric service to customers (which requires power lines and generation facilities) while minimizing impacts to sage grouse and sagebrush habitats.
- Where appropriate, manage predation rates to enhance sage grouse survival and production using either indirect control (reduction of perch sites, elimination of denning site, or improved habitat conditions) or direct control where legal and cost effective.
- Continue to provide sage grouse viewing and other recreational opportunities while minimizing impacts to sage grouse and sagebrush habitats.
- Manage existing and future roads to minimize road-related disturbance, loss of habitat, degradation of habitat, and mortality of sage grouse.
- Manage vegetation to maintain the health of the sagebrush community, enhance sage grouse habitats, and meet the needs of other species and human uses.
- Maintain sage grouse habitat where the effects of other wild herbivores (especially ungulates) are reducing the quality of the site for use by sage grouse.

To obtain these goals, the executive has also requested \$5.0 million general fund each year of the biennium for the purpose of funding non-regulatory, conservation based measures on private land to preserve sage grouse habitat to be managed by the Department of Natural Resources and Conservation. This raises the general fund investment to \$5.6 million per year or \$11.2 million general fund over the biennium.

In order to contemplate funding of the plan, the legislature could request a joint hearing between FWP and DNRC. This would allow the legislature to examine the plan as a whole rather in parts, including each agency's responsibilities.

DP 500509 - Mule Deer Auction -

The executive requests \$25,000 per year in state special revenue for enhanced mule deer management efforts to improve the understanding of habitat use by the species and enable predictive population modeling. Funding is from the earmarked mule deer auction account which must be used to benefit the species.

DP 500508 - Forest Management FTE and Operations -

The executive request is for \$121,377 in FY 2016 and \$121,196 in FY 2017 for 1.00 FTE and related operational expenses with the intent of establishing an active forest management program including sustainable yield activities on the 151,000 acres of forest land administered by FWP as well as guide forest planning for the 203,000 acres of conservation easement interests held by FWP.

LFD COMMENT

While prior legislatures have directed FWP to complete this activity, the legislature may wish to examine how the Forestry Division in DNRC can assist in this activity as that program houses the State Forester who is responsible for forest health statewide.

DP 500504 - WMA Maintenance FTE -

This executive requests \$118,232 in FY 2016 and \$118,209 in FY 2017 to make permanent the 1.86 modified FTE that were previously funded under SB 164 from the 2009 session, which has expired. The funding is statutorily dedicated to Wildlife Management Area maintenance.

LFD COMMENT

SB 164 (2009)

The good neighbor policy requires the department to maintain land and water under department ownership. The original legislation included revenue from land acquisitions and disposals. While the requirement to maintain land and water remains, the funding source and the corresponding statutory appropriation have expired due to a sunset clause. This request would establish the FTE within HB 2 (rather than a statutory appropriation) and is funded with habitat trust interest. The habitat trust is provided for in 87-1-601 (5), MCA which limits appropriations to the interest off the trust for the purpose of operation, maintenance, and development of property under agency ownership.

Other Issues -

Proprietary Program Description

Fund 06540 - Aircraft Fund

Program Description

The department's aircraft fund provides aircrafts to department employees. These users are mostly fish and wildlife biologists. Every month, users are charged for the hours flown during the previous month.

Revenues and Expenses

The objective of the aircraft account is to recover sufficient funds to cover insurance costs, fuel, repair costs, and general operational costs of the airplanes. Personal Services are not covered by this fund. The two largest costs are fuel and repairs. The average annual repair costs for the past six years have been \$197,000. In FY 2014, the department flew just approximately 2,040 hours in department aircrafts.

Rates and Rate Explanation

The costs of the Aircraft Unit to FWP are a combination of hourly rates to operate, scheduled and non-scheduled maintenance, and associated costs such as hanger rental, insurance, and airport fees. The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

	FY2014	FY2015	FY2016	FY2017
Two place-single engine - per hour	\$130.00	\$150.00	\$150.00	\$150.00
Partnavia - per hour	\$425.00	\$500.00	\$500.00	\$500.00
Turbine helicopter - per hour	\$425.00	\$500.00	\$500.00	\$500.00

Changes in Level of Fees and Charges

No changes in services or fees are proposed.

Projected Fund Balance, Including Cash Fluctuations

There is no requirement to reserve fund balance. However, a portion of the program's fund balance has been reserved for the book value of department aircraft. The fund balance in FY 2014 was \$124,023 and the cash balance was \$85,547.

Working Capital and Fees Commensurate Analysis

The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level.

The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods.

Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

Cash balances fluctuate during the year for two reasons. Monthly flight hours vary due to optimum times to do species counts, and major repairs and scheduled maintenance occur sporadically throughout the year.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Wildlife Division			
	Fund	Fund Name					
	06540	FWP AIRCRAFT					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		523,966	463,951	464,771	500,000	500,000	500,000
Total Operating Revenues							
		523,966	463,951	464,771	500,000	500,000	500,000
Expenses:							
Other Operating Expenses							
		411,904	443,390	415,539	450,000	450,000	450,000
Total Operating Expenses							
		411,904	443,390	415,539	450,000	450,000	450,000
Operating Income (Loss)							
		112,062	20,561	49,232	50,000	50,000	50,000
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		112,062	20,561	49,232	50,000	50,000	50,000
Change in Net Position							
		112,062	20,561	49,232	50,000	50,000	50,000
Beginning Net Position - July 1							
		(8,599)	103,463	124,024	173,256	223,256	273,256
Change in Net Position							
		112,062	20,561	49,232	50,000	50,000	50,000
Ending Net Position - June 30							
		103,463	124,024	173,256	223,256	273,256	323,256
Net Position (Fund Balance) Analysis							

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	83.04	83.04	83.18	83.17	83.04	83.17	0.13	0.16 %
Personal Services	4,668,467	4,962,980	5,069,275	5,064,901	9,631,447	10,134,176	502,729	5.22 %
Operating Expenses	2,100,742	2,245,812	2,271,196	2,277,055	4,346,554	4,548,251	201,697	4.64 %
Equipment & Intangible Assets	388,948	252,248	257,108	257,108	641,196	514,216	(126,980)	(19.80)%
Grants	390,000	437,605	437,600	437,600	827,605	875,200	47,595	5.75 %
Total Costs	\$7,548,157	\$7,898,645	\$8,035,179	\$8,036,664	\$15,446,802	\$16,071,843	\$625,041	4.05 %
State/Other Special Rev. Funds	7,407,592	7,723,487	7,878,744	7,880,339	15,131,079	15,759,083	628,004	4.15 %
Federal Spec. Rev. Funds	140,565	175,158	156,435	156,325	315,723	312,760	(2,963)	(0.94)%
Total Funds	\$7,548,157	\$7,898,645	\$8,035,179	\$8,036,664	\$15,446,802	\$16,071,843	\$625,041	4.05 %

Program Description

The Parks Division is responsible for conserving the scenic, historic, archeological, scientific, and recreational resources of the state for public use and enjoyment. The program includes 55 parks and 13 affiliated lands such as rifle ranges, as well as recreation sites managed by local and federal agencies. Other programs administered by the division include motorized and non-motorized trail grants and local government recreation grants.

Program Highlights

Parks Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget is a biennial increase of 4.0% or \$600,000 • Increases are attributable to: <ul style="list-style-type: none"> ◦ Requests for additional operational support ◦ 3.0 FTE to provide onsite customer support at parks and visitor centers.
Major LFD Issues
<ul style="list-style-type: none"> • Requests for operational adjustments may not be sufficient to keep up with repairs and maintenance.

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks								
Program	Legislative Approp	Legislative App OTO	Cons Bien Approp	House Adj	Operating Plan	Prog Trans	Reorgs	Total Executive Implementation
06 PARKS	\$8,254,219	\$300,000					(\$329,984)	\$7,898,645
06 PARKS							(114,840)	
06 PARKS							(\$750)	
06 PARKS					(\$17,300)			
06 PARKS					(35,654)			
06 PARKS					(12,770)			
06 PARKS					(3,459)			
06 PARKS					17,300			
06 PARKS					35,654			
06 PARKS					12,770			
06 PARKS					3,459			
06 PARKS				(\$89,053)				
06 PARKS				89,053				
06 PARKS				(19,125)				
06 PARKS				19,125				
06 PARKS				(2,832)				
06 PARKS				(17,171)				
06 PARKS				11,500				
06 PARKS				8,503				
06 PARKS				(3,327)				
06 PARKS				3,327				
06 PARKS			(\$210,000)					
Program Total	\$8,254,219	\$300,000	(\$210,000)	-	-	(\$750)	(\$444,824)	\$7,898,645

The difference between the legislative appropriation and the executive implementation is due to the consolidation of the snowmobile equipment biennial appropriation, a small program transfer and the transfer of 3.0 FTE to the Enforcement Division and 2.0 FTE to the Department Management Division as part of the reorganization.

Comparison of FY 2014 Actuals to FY 2015 Appropriations

The Parks Division expended \$7.6 million in FY 2014, or 94.3% of the 2015 legislative budget.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 06-Parks Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02051 Private Contracts & Grants	0	0	0	0	0.00 %	
02213 Off Highway Vehicle Gas Tax	262,770	0	0	262,770	1.48 %	
02238 Off-Hwy Vehicle Acct (Coned)	0	0	0	0	0.00 %	
02239 Off Hwy Vehicle Acct (Parks)	56,208	0	0	56,208	0.32 %	
02273 Motorboat Fees	152,776	0	0	152,776	0.86 %	
02274 FWP Accommodations Tax	0	0	2,030,757	2,030,757	11.42 %	
02328 OHV Gas Tax - Con Ed	36,414	0	0	36,414	0.20 %	
02330 Snowmobile Fuel Tax-Con Ed	201,922	0	0	201,922	1.14 %	
02331 Motorboat Certification-Parks	40,562	0	0	40,562	0.23 %	
02332 Snowmobile Registration-Parks	476,048	0	0	476,048	2.68 %	
02407 Snowmobile Fuel Tax	1,072,229	0	0	1,072,229	6.03 %	
02408 Coal Tax Trust Account	1,260,328	0	0	1,260,328	7.08 %	
02411 State Parks Miscellaneous	9,428,955	0	0	9,428,955	53.00 %	
02412 Motorboat Fuel Tax	2,770,871	0	0	2,770,871	15.58 %	
State Special Total	\$15,759,083	\$0	\$2,030,757	\$17,789,840	95.63 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	295,561	0	0	295,561	94.50 %	
03403 Misc. Federal Funds	17,199	0	0	17,199	5.50 %	
Federal Special Total	\$312,760	\$0	\$0	\$312,760	1.68 %	
06068 MFWP Visitor Services	0	500,474	0	500,474	100.00 %	
Proprietary Total	\$0	\$500,474	\$0	\$500,474	2.69 %	
Total All Funds	\$16,071,843	\$500,474	\$2,030,757	\$18,603,074		

The parks division is funded with light vehicle registration fees as well as fuel taxes, recreational vehicle registration fees, and some coal tax dollars. This division does not utilize GLA due to federal regulations.

LFD ISSUE	<u>Future funding</u>
	This program supports the operation and maintenance of parks and affiliated lands. This budget does not include any cost for operation and maintenance for parks under development or in need of major improvements.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	8,254,219	8,254,219	16,508,438	0.00 %
PL Adjustments	0	0	0	0.00 %	(219,040)	(217,555)	(436,595)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$8,035,179	\$8,036,664	\$16,071,843	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating

expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	(468,404)	(16,086)	(484,490)	0.00	0	(472,008)	(16,856)	(488,864)
DP 99 - LEG. Present Law	0.00	0	268,087	(2,637)	265,450	0.00	0	273,286	(1,977)	271,309
Grand Total All Present Law Adjustments	0.00	\$0	(\$200,317)	(\$18,723)	(\$219,040)	0.00	\$0	(\$198,722)	(\$18,833)	(\$217,555)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	80.18	-	\$37,861	\$1,106	\$38,967
Executive Implementation of 2015 Pay Increase		-	80,273	2,320	82,594
Fully Fund 2015 Legislatively Authorized FTE		-	97,120	2,318	99,438
Other	3.00	-	(683,659)	(21,830)	(705,489)
Personal Services Present Law Adjustments	83.18	-	(\$468,404)	(\$16,086)	(\$484,490)
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	80.17	0	\$37,857	\$1,106	\$38,963
Executive Implementation of 2015 Pay Increase		0	80,274	2,320	82,594
Fully Fund 2015 Legislatively Authorized FTE		0	97,120	2,318	99,438
Other	3.00	0	(687,258)	(22,600)	(709,858)
Personal Services Present Law Adjustments	83.17	0	(\$472,008)	(\$16,856)	(\$488,864)

The other portion includes an adjustment for 3.0 FTE for park rangers and administrative staff and offset by longevity, retirement adjustments and the refilling of vacant positions.

LFD COMMENT	<p><u>New FTE</u></p> <p>The executive requested 3.0 FTE to provide frontline customer support at parks and visitor centers statewide. This requests is for \$141,000 in state special revenue.</p>
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DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Adjustments	Present	Law	FY 2016			
			General Fund	State Special	Federal Special	Total Funds
CP 99 Item						
Parks Operational Increase			\$0	\$98,000	\$0	\$98,000
Adjustments for base operations			-	84,500	-	84,500
Other			-	85,587	(2,637)	82,950
Legislative Adjustments	Present	Law	\$0	\$268,087	(\$2,637)	\$265,450
			FY 2017			
CP 99 Item			General Fund	State Special	Federal Special	Total Funds
Parks Operational Increase			\$0	\$98,000	\$0	\$98,000
Adjustments for base operations			-	84,500	-	84,500
Other			-	90,786	(1,977)	88,809
Legislative Adjustments	Present	Law	\$0	\$273,286	(\$1,977)	\$271,309

The executive is requesting \$98,000 state special revenue for increased operational costs in state parks. This is due to increased visitation, rising utility costs, repairs and general maintenance. The \$84,500 state special revenue request is to restore funding that was not utilized in FY 2014. The remainder is due to reinstatement of the biennial appropriation for trail groomers, support for the requested 3.0 FTE (see DP 98) and offsets for fixed costs and inflation/deflation.

LFD ISSUE	<p><u>FY 2015 Legislative Appropriations</u></p> <p>The legislature is starting from the FY 2015 appropriations; the \$84,500 base adjustment is not necessary. The authority is contained in FY 2015 and will carry through to FY 2016 and 2017 unless adjusted by the legislature.</p>
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Other Issues -

Fund 06068 - Enterprise Account

Proprietary Program Description

Section 23-1-105 (5), MCA, authorizes the Parks Division of Montana Fish, Wildlife and Parks to establish an enterprise fund for the purpose of managing state park visitor services revenue.

The fund is used by the department to provide inventory through purchase, production, or donation and for the sale of educational, commemorative, and interpretive merchandise and other related goods and services at department sites and facilities.

The fund was established primarily to better manage Montana State Parks visitor centers that sell books, clothing, and commemorative items at parks like First Peoples Buffalo Jump, Makoshika, and Chief Plenty Coups as well as parks that sell items like firewood and ice. Monies generated go back into the purchase of inventory and also the improvement of

visitor services in state parks and FWP overall.

Revenues and Expenses

Revenues are generated by the sales of interpretive and educational merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include personal services, office supplies, merchandising materials, and the purchase of inventory to replenish stock.

In FY 2014, this fund accounted for \$233,379 of earned revenue, \$184,038 of expenditures, and a fund balance in the amount of \$431,920.

Rates and Rate Explanation

A markup of 40% - 50% on goods sold is applied to ensure sufficient revenues are collected to cover expenses.

Changes in Level of Fees and Charges

There are no changes in fees.

Projected Fund Balance, Including Cash Fluctuations

The objective is to maintain a fund balance as compared to the FY2014 base year fund balance. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenished inventory.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Parks Division			
	Fund	Fund Name					
	06068	MFWP Visitor Services					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
	Fee Revenue A	185,769	197,877	238,014	240,000	245,000	250,000
	Other Operating Revenue	627	593	361	-	-	-
	Total Operating Revenues	186,396	198,470	238,375	240,000	245,000	250,000
Expenses:							
	Personal Services	4,744	14,140	6,237	52,015	55,000	55,000
	Other Operating Expenses	148,959	147,092	175,649	198,750	200,000	200,000
	Total Operating Expenses	153,703	161,232	181,886	250,765	255,000	255,000
	Operating Income (Loss)	32,693	37,238	56,489	(10,765)	(10,000)	(5,000)
Nonoperating Revenues:							
Nonoperating Expenses:							
	Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
	Income (Loss) Before Contributions and Transfers	32,693	37,238	56,489	(10,765)	(10,000)	(5,000)
	Change in Net Position	32,693	37,238	56,489	(10,765)	(10,000)	(5,000)
	Beginning Net Position - July 1	314,223	346,916	384,154	440,643	429,878	419,878
	Change in Net Position	32,693	37,238	56,489	(10,765)	(10,000)	(5,000)
	Ending Net Position - June 30	346,916	384,154	440,643	429,878	419,878	414,878
Net Position (Fund Balance) Analysis							

Working Capital and Fees Commensurate Analysis

The program objective is to maintain fees commensurate with costs by using a markup rate on goods for resale that is sufficient to cover costs.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	27.05	27.05	25.75	25.75	27.05	25.75	(1.30)	(4.81)%
Personal Services	1,931,308	2,022,944	2,127,133	2,130,866	3,954,252	4,257,999	303,747	7.68 %
Operating Expenses	1,386,313	1,403,380	1,380,415	1,382,038	2,789,693	2,762,453	(27,240)	(0.98)%
Grants	141,111	336,782	141,111	141,111	477,893	282,222	(195,671)	(40.94)%
Total Costs	\$3,458,732	\$3,763,106	\$3,648,659	\$3,654,015	\$7,221,838	\$7,302,674	\$80,836	1.12 %
State/Other Special Rev. Funds	2,733,643	3,011,621	2,886,581	2,891,234	5,745,264	5,777,815	32,551	0.57 %
Federal Spec. Rev. Funds	725,089	751,485	762,078	762,781	1,476,574	1,524,859	48,285	3.27 %
Total Funds	\$3,458,732	\$3,763,106	\$3,648,659	\$3,654,015	\$7,221,838	\$7,302,674	\$80,836	1.12 %

Program Description

The Communication & Education Division coordinates the department's information and education programs, administers the shooting range grants program, and oversees the wild animal rehabilitation center.

Program Highlights

<p>Communication and Education Division Major Budget Highlights</p>
<ul style="list-style-type: none"> • The proposed budget represents a 1% increase or \$80,000, all of which are present law adjustments

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks						
Program	Legislative Appropriation	Legislative Approp OTO	Operating Plan	Program Transfers	Reorgs	Total Executive Implementation
08 COMM & EDUCATION	\$3,824,320				(\$55,714)	\$3,763,106
08 COMM & EDUCATION					(3,500)	
08 COMM & EDUCATION				(\$2,000)		
08 COMM & EDUCATION			(\$7,165)			
08 COMM & EDUCATION			(4,450)			
08 COMM & EDUCATION			(10,202)			
08 COMM & EDUCATION			(12,513)			
08 COMM & EDUCATION			17,165			
08 COMM & EDUCATION			4,450			
08 COMM & EDUCATION			10,202			
08 COMM & EDUCATION			2,513			
Program Total	\$3,824,320	-	-	(\$2,000)	(\$59,214)	\$3,763,106

The difference between the legislative appropriation and the executive implementation is a program transfer 1.0 FTE and operating costs as part of the reorganization.

Comparison of FY 2014 actuals and FY 2015 Appropriations

The Communication and Education Division expended \$3.5 million in FY 2014, or 90% of the FY 2015 legislative appropriation.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 08-Communication and Education Div Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02409 General License	5,777,815	0	0	5,777,815	100.00 %	
State Special Total	\$5,777,815	\$0	\$0	\$5,777,815	79.12 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	1,452,432	0	0	1,452,432	95.25 %	
03403 Misc. Federal Funds	72,427	0	0	72,427	4.75 %	
Federal Special Total	\$1,524,859	\$0	\$0	\$1,524,859	20.88 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$7,302,674	\$0	\$0	\$7,302,674		

This program is funded with 80% general license funds and 20% federal funds.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	3,824,320	3,824,320	7,648,640	0.00 %
PL Adjustments	0	0	0	0.00 %	(175,661)	(170,305)	(345,966)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$3,648,659	\$3,654,015	\$7,302,674	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	51,398	(2,923)	48,475	0.00	0	55,671	(3,463)	52,208
DP 99 - LEG. Present Law	0.00	0	(237,652)	13,516	(224,136)	0.00	0	(237,272)	14,759	(222,513)
Grand Total All Present Law Adjustments	0.00	\$0	(\$186,254)	\$10,593	(\$175,661)	0.00	\$0	(\$181,601)	\$11,296	(\$170,305)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	25.75	-	\$10,802	\$1,712	\$12,515
Executive Implementation of 2015 Pay Increase		-	31,394	4,975	36,369
Fully Fund 2015 Legislatively Authorized FTE		-	34,289	5,328	39,617
Other	0.00	-	(25,087)	(14,938)	(40,026)
Personal Services Present Law Adjustments	25.75	-	\$51,398	(\$2,923)	\$48,475
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	25.75	-	\$10,802	\$1,712	\$12,515
Executive Implementation of 2015 Pay Increase		-	31,394	4,975	36,369
Fully Fund 2015 Legislatively Authorized FTE		-	34,289	5,328	39,617
Other	0.00	-	(20,814)	(15,478)	(36,293)
Personal Services Present Law Adjustments	25.75	-	\$55,671	(\$3,463)	\$52,208

DP 99 - LEG. Present Law -

The LGPL adjustments include reductions in fixed costs and adjustments in inflation/deflation.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	78.82	78.82	76.12	76.12	78.82	76.12	(2.70)	(3.43)%
Personal Services	4,993,780	5,561,210	5,720,363	5,724,307	10,554,990	11,444,670	889,680	8.43 %
Operating Expenses	6,193,252	6,453,133	10,087,755	10,058,948	12,646,385	20,146,703	7,500,318	59.31 %
Equipment & Intangible Assets	63,630	65,751	63,630	63,630	129,381	127,260	(2,121)	(1.64)%
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Grants	0	0	0	0	0	0	0	0.00 %
Transfers	91,119	168,992	169,342	169,342	260,111	338,684	78,573	30.21 %
Total Costs	\$11,341,781	\$12,249,086	\$16,041,090	\$16,016,227	\$23,590,867	\$32,057,317	\$8,466,450	35.89 %
State/Other Special Rev. Funds	11,218,705	12,051,919	12,871,513	12,861,665	23,270,624	25,733,178	2,462,554	10.58 %
Federal Spec. Rev. Funds	123,076	197,167	3,169,577	3,154,562	320,243	6,324,139	6,003,896	1,874.79 %
Total Funds	\$11,341,781	\$12,249,086	\$16,041,090	\$16,016,227	\$23,590,867	\$32,057,317	\$8,466,450	35.89 %

Program Description

The Administration Division manages the administrative branch of the department. This branch is responsible for providing consistent, quality direction to the division and regions throughout the agency. The division is centralized to provide services including accounting, information technology services, fiscal management and budget preparation, procurement and property management, management of federal aid, maintenance of internal control procedures, sale of hunting, fishing and other recreational licenses, and maintenance of biological and GIS applications.

(Note: During the 2013 Legislative Session, the information technology activities were in a separate program.)

Program Highlights

Administration Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases 36% or \$8.4 million primarily due to reorganization which eliminated the Information Technology Division and relocated its activities into this program. • The budget includes a request of \$3.0 million in federal Pittman Robertson authority for future unnamed projects
Major LFD Issues
<ul style="list-style-type: none"> • Providing federal authority for unnamed projects does not allow input from the legislature on how that authority should be used

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

The table below illustrates the elimination of the Information Technology Services Division. These funds were transferred to the Administration Division.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks					
Program	Legislative Appropriation	Legislative Approp OTO	Program Transfers	Reorgs	Total Executive Implementation
01 INFORMATION SERVICES DIV	\$4,508,333			(\$2,443,745)	-
01 INFORMATION SERVICES DIV				(1,980,955)	
01 INFORMATION SERVICES DIV				(53,111)	
01 INFORMATION SERVICES DIV				(80,000)	
01 INFORMATION SERVICES DIV				(10,692)	
01 INFORMATION SERVICES DIV			\$60,170		
Program Total	\$4,508,333	-	\$60,170	(\$4,568,503)	-

Below are the transactions for the Administration program. Note that the positive adjustments under reorganization represent those functions and employees that were transferred into this program, the reductions indicate what was transferred out. The agency moved the Directors Office, Land Section, Legal and Human Resources to Department Management.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks						
Program	Legislative Appropriation	Legislative Approp OTO	Operating Plan	Program Transfers	Reorgs	Total Executive Implementation
09 ADMINISTRATION	\$9,641,091				\$13,076	\$12,179,744
09 ADMINISTRATION					18,819	
09 ADMINISTRATION					2,804,316	
09 ADMINISTRATION					1,882,852	
09 ADMINISTRATION					53,111	
09 ADMINISTRATION					80,000	
09 ADMINISTRATION					10,692	
09 ADMINISTRATION					135,943	
09 ADMINISTRATION					5,547	
09 ADMINISTRATION					(1,912,788)	
09 ADMINISTRATION					(430,429)	
09 ADMINISTRATION					(70,078)	
09 ADMINISTRATION					(13,218)	
09 ADMINISTRATION					(20,975)	
09 ADMINISTRATION					(3,375)	
09 ADMINISTRATION				\$42,330		
09 ADMINISTRATION				(57,170)		
09 ADMINISTRATION			(\$10,177)			
09 ADMINISTRATION			(603)			
09 ADMINISTRATION			(824)			
09 ADMINISTRATION			(826)			
09 ADMINISTRATION			(11,829)			
09 ADMINISTRATION			601			
09 ADMINISTRATION			2,013			
09 ADMINISTRATION			8,166			
09 ADMINISTRATION			824			
09 ADMINISTRATION			826			
09 ADMINISTRATION			11,829			
Program Total	\$9,641,091	-	-	(\$14,840)	\$2,553,493	\$12,179,744

The executive implementation number is lower on this chart than the main program table. This is due to \$69,342 being reverted as part of the department reorganization.

Comparison of FY 2014 Actual to FY 2015 Appropriations

The Administration Division expended \$11.3 million in FY 2014, or 118% of the FY 2015 legislative budget. This was due to the transfer of of the information technology services into this division.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 09-Administration Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02051 Private Contracts & Grants	0	0	0	0	0.00 %	
02086 Mountain Sheep Account	64,000	0	0	64,000	0.25 %	
02112 Moose Auction	4,666	0	0	4,666	0.02 %	
02176 Mountain Goat Auction	3,000	0	0	3,000	0.01 %	
02408 Coal Tax Trust Account	0	0	0	0	0.00 %	
02409 General License	25,302,046	0	0	25,302,046	98.32 %	
02411 State Parks Miscellaneous	0	0	0	0	0.00 %	
02469 Habitat Trust Interest	0	0	0	0	0.00 %	
02547 Search & Rescue	200,000	0	0	200,000	0.78 %	
02559 Mule Deer Auction	2,800	0	0	2,800	0.01 %	
02560 Elk Auction	6,666	0	0	6,666	0.03 %	
02600 Hunters Against Hunger	150,000	0	0	150,000	0.58 %	
State Special Total	\$25,733,178	\$0	\$0	\$25,733,178	66.36 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	6,121,423	0	0	6,121,423	96.79 %	
03129 USFWS SECTION 6	0	0	0	0	0.00 %	
03403 Misc. Federal Funds	202,716	0	0	202,716	3.21 %	
03408 State Wildlife Grants	0	0	0	0	0.00 %	
Federal Special Total	\$6,324,139	\$0	\$0	\$6,324,139	16.31 %	
06501 Duplicating Center	0	138,607	0	138,607	2.06 %	
06502 Equipment Enterprise Fund	0	6,430,439	0	6,430,439	95.70 %	
06503 F & G Warehouse Inventory	0	150,217	0	150,217	2.24 %	
Proprietary Total	\$0	\$6,719,263	\$0	\$6,719,263	17.33 %	
Total All Funds	\$32,057,317	\$6,719,263	\$0	\$38,776,580		

This program is funded with 80% general license dollars, the remainder are other state special funds and federal authority.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	9,641,091	9,641,091	19,282,182	0.00 %
PL Adjustments	0	0	0	0.00 %	3,329,999	3,295,136	6,625,135	0.00 %
New Proposals	0	0	0	0.00 %	3,070,000	3,080,000	6,150,000	0.00 %
Total Budget	\$0	\$0	\$0		\$16,041,090	\$16,016,227	\$32,057,317	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law										
0.00	0	1,310,290	(77,916)	1,232,374	0.00	0	1,154,969	81,349	1,236,318	
DP 99 - LEG. Present Law										
0.00	0	1,913,936	183,689	2,097,625	0.00	0	2,049,409	9,409	2,058,818	
Grand Total All Present Law Adjustments										
0.00	\$0	\$3,224,226	\$105,773	\$3,329,999	0.00	\$0	\$3,204,378	\$90,758	\$3,295,136	

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	76.12	-	\$35,773	\$1,221	\$36,994
Executive Implementation of 2015 Pay Increase		-	95,020	2,782	97,803
Fully Fund 2015 Legislatively Authorized FTE		-	131,561	520	132,081
Other	0.00	-	1,035,234	(69,737)	965,496
Personal Services Present Law Adjustments	76.12	-	\$1,297,588	(\$65,214)	\$1,232,374
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	76.12	-	\$35,773	\$1,221	\$36,994
Executive Implementation of 2015 Pay Increase		-	95,020	2,782	97,803
Fully Fund 2015 Legislatively Authorized FTE		-	131,561	520	132,081
Other	0.00	-	1,039,668	(70,227)	969,440
Personal Services Present Law Adjustments	76.12	-	\$1,302,022	(\$65,704)	\$1,236,318

Other portions of the personal services adjustments include increases in longevity and fund the employees transferred from the Information Technology Division.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
FY 2016				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Technology Upgrades		\$280,690		\$280,690
Search and Rescue Funds		78,223		78,223
Other	-	1,555,023	183,689	1,738,712
Legislative Present Law Adjustments	\$0	\$1,913,936	\$183,689	\$2,097,625
FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Technology Upgrades		280,690		\$280,690
Search and Rescue Funds		78,223		78,223
Other	-	1,690,496	9,409	1,699,905
Legislative Present Law Adjustments	\$0	\$2,049,409	\$9,409	\$2,058,818

The other adjustments can be attributed increased fixed cost, and support of employees transferred from the Information Technology Services Division.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 900903 - Federal Pittman Robertson Funds	0.00	0	0	3,000,000	3,000,000	0.00	0	0	3,000,000	3,000,000
DP 900904 - Hunters Against Hunger	0.00	0	70,000	0	70,000	0.00	0	80,000	0	80,000
Total	0.00	\$0	\$70,000	\$3,000,000	\$3,070,000	0.00	\$0	\$80,000	\$3,000,000	\$3,080,000

DP 900903 - Federal Pittman Robertson Funds -

The executive requests a one-time-only restricted budget of \$3,000,000 of federal special revenue for additional federal Pittman-Robertson appropriation authority. This will allow FWP to use the additional federal dollars available to Montana on eligible projects that may arise.

**LFD
COMMENT**Eligible projects that **may** arise:

The executive is asking for open federal authority without a specific purpose. This provides the agency the ability to fund eligible projects without input from the legislature. If projects become available the agency can utilize the budget amendment process to acquire the authority. This activity is reported to the Legislative Fiscal Division and the Legislative Finance Committee for review and comment.

DP 900904 - Hunters Against Hunger -

The executive requests \$70,000 in FY 2016 and \$80,000 in FY 2017 to enter into a contract with non-profit organizations (MT Food Bank) to process and distribute wild game meat to those in need. SB 123 (2013) established the Hunters Against Hunger program to provide for optional donations on certain hunting licenses.

Other Issues -

The Administration Division provides the following functions funded with proprietary funds. These programs are described separately along with a discussion of the program expenses, revenues, and rates being requested to finance the program:

- Duplicating Center
- Vehicle Fund
- Supply Warehouse

Fund 06501 Duplicating Center*Program Description*

The department's duplicating center provides duplicating and bindery services to department employees. The duplicating center has 1.00 FTE and whenever the demand for services becomes too great or a particular job is considered too large, the excess jobs are taken to Publications and Graphics in the Department of Administration to be completed.

Revenues and Expenses

Revenues are generated from charges on a per page basis for both copying and binding.

Expenses recovered in the rates are the personal services of 1.00 FTE, operating expenses, and the raw materials needed for duplicating.

Rates and Rate Explanation

Rates have been historically adjusted based on the need to increase or decrease the cash balances in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2014, the cash balance was (\$1,961).

Item	FY2014	FY2015	FY2016	FY2017
Copies				
1-20	\$0.065	\$0.070	\$0.070	\$0.070
21-100	\$0.050	\$0.055	\$0.055	\$0.055
101-1,000	\$0.045	\$0.050	\$0.050	\$0.050
1,001-5,000	\$0.040	\$0.045	\$0.045	\$0.045
Color- per sheet	\$0.25	\$0.25	\$0.25	\$0.25
Binding				
Collating - per sheet	\$0.010	\$0.010	\$0.010	\$0.010
Hand Stapling - per set	\$0.020	\$0.020	\$0.020	\$0.020
Saddle Stitch - per set	\$0.035	\$0.035	\$0.035	\$0.035
Folding - per sheet	\$0.010	\$0.010	\$0.010	\$0.010
Punching - per sheet	\$0.005	\$0.005	\$0.005	\$0.005
Cutting - per minute	\$0.600	\$0.600	\$0.600	\$0.600

Changes in Level and Fees and Charges

No changes in services or fees are proposed.

Projected Fund Balance, Including Cash Fluctuations

A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At FYE 2014 the fund value was \$6,413.18 and the fund had \$16,756 in inventory.

Field projects are billed monthly for the services provided during the month. The workload is fairly consistent so there is little fluctuation in cash balances except when additional inventory is purchased.

Working Capital and Fees Commensurate Analysis

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. Rates have been historically adjusted based on the need to increase or decrease the cash balance in the account. Prior to requesting new rates, a review of the cash balance is completed. At FYE 2014, the cash balance was \$1,961. The rate methodology attempts to determine a rate for various duplicating and bindery services that allow the fund to recover both the cost of the raw materials and all associated personal services and operating costs. Rates have been historically adjusted based on the need to increase or decrease the cash balance.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Administration			
	Fund 06501	Fund Name Duplicating Center					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		80,880	59,752	58,326	70,000	70,000	70,000
Total Operating Revenues							
		80,880	59,752	58,326	70,000	70,000	70,000
Expenses:							
Personal Services							
		40,359	41,264	42,970	44,000	44,000	44,000
Other Operating Expenses							
		37,987	26,766	21,370	20,000	20,000	20,000
Total Operating Expenses							
		78,346	68,030	64,340	64,000	64,000	64,000
Operating Income (Loss)							
		2,534	(8,278)	(6,014)	6,000	6,000	6,000
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		2,534	(8,278)	(6,014)	6,000	6,000	6,000
Change in Net Position							
		2,534	(8,278)	(6,014)	6,000	6,000	6,000
Beginning Net Position - July 1							
		31,094	33,628	25,350	19,336	25,336	31,336
Change in Net Position							
		2,534	(8,278)	(6,014)	6,000	6,000	6,000
Ending Net Position - June 30							
		33,628	25,350	19,336	25,336	31,336	37,336
Net Position (Fund Balance) Analysis							

Fund 06502 Equipment Fund

Program Description

The department's equipment fund provides a fleet of vehicles to department employees. The users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees. Every month, users are charged for the miles driven during the previous month. This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Revenues and Expenses

The objective of the vehicle account is to recover (through rates and annual auction sales) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel and repair costs of fleet, and replacement of fleet vehicles at approximately 120,000 miles. A total of 2.56 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2012, the fund spent over \$1.36 million on fuel and \$418,000 on repairs. In FY2014, the fund spent \$1.41 million on fuel and \$527,000 on repairs. The volatility of gasoline prices continues to be a major challenge in estimating future

rates. In FY 2014 the department drove 5.9 million miles.

Each year, department employees drive approximately 6 million miles in department owned vehicles. The department currently has a fleet of over 525 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists and parks employees. The department's request for vehicle replacement is for 30 vehicles in both FY 2016 and FY 2017. This is based on replacing vehicles after a minimum of 120,000 miles. This replacement schedule does not require a present law adjustment.

Rates and Rate Explanation

The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

Description	FY2014	FY2015	FY2016	FY2017
Per Mile Rates:				
Sedans	\$0.46	\$0.46	\$0.46	\$0.46
Vans	\$0.53	\$0.53	\$0.53	\$0.53
Utilities	\$0.58	\$0.58	\$0.58	\$0.58
Pickup 1/2 Ton	\$0.53	\$0.53	\$0.53	\$0.53
Pickup 3/4 Ton	\$0.61	\$0.61	\$0.61	\$0.61

Vehicles will be assessed a minimum overhead charge in addition to the regular rates if not driven a minimum number of miles.

Changes in Level of Fees and Charges

No changes in rates are proposed.

Projected Fund Balance, Including Cash Fluctuations

At FYE 2014, the vehicle fund had total assets of \$6,713,867 and the book value (original cost less accumulated depreciation) of the fleet was \$5,902,590. A portion of the program's fund balance has been reserved for the book value of department vehicles. The fund's cash balance fluctuates during the year for two reasons. The first is that more miles are driven during the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus, the cash balance is normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly higher than spring balances.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Administration			
	Fund 06502	Fund Name Equipment Enterprise Fund					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue B							
		2,382,711	2,686,086	2,781,145	2,900,000	2,900,000	2,900,000
Total Operating Revenues							
		2,382,711	2,686,086	2,781,145	2,900,000	2,900,000	2,900,000
Expenses:							
Personal Services							
		111,465	158,904	156,059	156,691	156,691	156,691
Other Operating Expenses							
		2,548,316	3,057,761	2,543,100	2,646,904	2,752,780	2,862,892
Total Operating Expenses							
		2,659,781	3,216,665	2,699,159	2,803,595	2,909,471	3,019,583
Operating Income (Loss)							
		(277,070)	(530,579)	81,986	96,405	(9,471)	(119,583)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		(277,070)	(530,579)	81,986	96,405	(9,471)	(119,583)
Transfers In							
		283,110	-	257,919	150,000	150,000	150,000
Change in Net Position							
		6,040	(530,579)	339,905	246,405	140,529	30,417
Beginning Net Position - July 1							
		6,694,742	6,700,782	6,170,203	6,510,108	6,756,513	6,897,042
Change in Net Position							
		6,040	(530,579)	339,905	246,405	140,529	30,417
Ending Net Position - June 30							
		6,700,782	6,170,203	6,510,108	6,756,513	6,897,042	6,927,459
Net Position (Fund Balance) Analysis							

Working Capital and Fees Commensurate Analysis

The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level.

Fund 06503 Warehouse Inventory

Program Description

The department's warehouse contains mainly uniform items (both for wardens and non-wardens) and items specifically related to the duties of the department such as gill nets for the fisheries biologists. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

Revenues and Expenses

Revenues come from the sales of inventory items to department employees. The department anticipates revenues to be constant at around \$105,000 per year for FY 2016 and FY 2017. The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker, and inventory purchased to replenish existing stock.

Rate and Rate Explanation

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate is expected to generate sufficient revenue to cover the administrative costs of the program. In 2014 the overhead rate was 25% and generated sufficient revenue to allow the department to reduce the \$27,000 loan from another fund to zero and cover the administrative costs of the program. No change in the overhead rate is being requested for FY 2016 and FY2017. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies, and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

Changes in Level of Fees and Charges

There are no changes in fees proposed.

Projected Fund Balance, Including Cash Fluctuations

The fund balance in FY2014 was \$144,440. A portion of the program's fund balance has been reserved for the warehouse inventory. At FYE 2014, the warehouse inventory was \$104,004.

The cash balance is lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired and issued uniform items.

Working Capital and Fees Commensurate Analysis

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. The department attempts to ensure that fees are commensurate with costs over time by adjusting the proposed rates for excess income or loss from previous periods.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife & Parks			Program Name: Administration			
	Fund 06503	Fund Name F & G Warehouse Inventory					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue C							
		102,621	83,177	85,132	89,900	89,900	89,900
Total Operating Revenues							
		102,621	83,177	85,132	89,900	89,900	89,900
Expenses:							
Personal Services							
		15,715	21,941	22,060	24,218	24,218	24,218
Other Operating Expenses							
		86,362	72,052	71,974	81,404	81,404	81,404
Total Operating Expenses							
		102,077	93,993	94,034	105,622	105,622	105,622
Operating Income (Loss)							
		544	(10,816)	(8,902)	(15,722)	(15,722)	(15,722)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		544	(10,816)	(8,902)	(15,722)	(15,722)	(15,722)
Transfers In							
		-	63,000	-	-	-	-
Change in Net Position							
		544	52,184	(8,902)	(15,722)	(15,722)	(15,722)
Beginning Net Position - July 1							
		98,406	98,950	151,134	142,232	126,510	110,788
Change in Net Position							
		544	52,184	(8,902)	(15,722)	(15,722)	(15,722)
Ending Net Position - June 30							
		98,950	151,134	142,232	126,510	110,788	95,066
Net Position (Fund Balance) Analysis							

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	78.26	78.26	76.47	76.47	78.26	76.47	(1.79)	(2.29)%
Personal Services	4,900,687	5,290,661	5,742,241	5,741,304	10,191,348	11,483,545	1,292,197	12.68 %
Operating Expenses	1,577,402	1,570,718	1,659,360	1,662,612	3,148,120	3,321,972	173,852	5.52 %
Equipment & Intangible Assets	14,998	27,384	14,998	14,998	42,382	29,996	(12,386)	(29.22)%
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	131,614	130,307	131,614	131,614	261,921	263,228	1,307	0.50 %
Debt Service	21,615	21,427	16,088	12,427	43,042	28,515	(14,527)	(33.75)%
Total Costs	\$6,646,316	\$7,040,497	\$7,564,301	\$7,562,955	\$13,686,813	\$15,127,256	\$1,440,443	10.52 %
State/Other Special Rev. Funds	6,627,497	6,981,540	7,439,766	7,438,471	13,609,037	14,878,237	1,269,200	9.33 %
Federal Spec. Rev. Funds	18,819	58,957	124,535	124,484	77,776	249,019	171,243	220.17 %
Total Funds	\$6,646,316	\$7,040,497	\$7,564,301	\$7,562,955	\$13,686,813	\$15,127,256	\$1,440,443	10.52 %

Program Description

Department Management provides oversight of the Enforcement, Wildlife, Fisheries, Communication and Education, and Parks Divisions, as well as the seven regional offices that are responsible for program implementation. The program also includes a strategic planning section to support division wide planning needs, a Design and Construction Bureau which oversees capital construction, and the Lands Section which manages department real estate issues.

Program Highlights

Department Management Major Budget Highlights
<ul style="list-style-type: none"> • The proposed budget increases 10.5% or \$1.4 million over the biennium • The increases are attributed to: <ul style="list-style-type: none"> ◦ Present law adjustments ◦ Requests for bison technicians

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Fish, Wildlife & Parks						
Program	Legislative Appropriation	Legislative Approp OTO	House Adj	Program Transfers	Reorgs	Total Executive Implementation
12 DEPARTMENT MGMT	\$4,224,856				(\$13,076)	\$7,040,497
12 DEPARTMENT MGMT					(18,819)	
12 DEPARTMENT MGMT					18,819	
12 DEPARTMENT MGMT					117,625	
12 DEPARTMENT MGMT					13,218	
12 DEPARTMENT MGMT					2,800,309	
12 DEPARTMENT MGMT					528,866	
12 DEPARTMENT MGMT					128,807	
12 DEPARTMENT MGMT					20,975	
12 DEPARTMENT MGMT					3,375	
12 DEPARTMENT MGMT					(379,390)	
12 DEPARTMENT MGMT					(19,522)	
12 DEPARTMENT MGMT					(69,342)	
12 DEPARTMENT MGMT					(135,943)	
12 DEPARTMENT MGMT					(5,547)	
12 DEPARTMENT MGMT					(\$174,714)	
12 DEPARTMENT MGMT			\$2,870			
12 DEPARTMENT MGMT			(13,190)			
12 DEPARTMENT MGMT			(27,384)			
12 DEPARTMENT MGMT			27,384			
12 DEPARTMENT MGMT			10,320			
Program Total	\$4,224,856	-	-	(\$174,714)	\$2,990,355	\$7,040,497

The change between the legislative appropriation and the executive implementation is the transfer of management functions from other divisions into this division.

Comparison of FY 2014 Actual to FY 2015 Appropriations

The Management Division expended \$6.6 million or 165% of the FY 2015 legislative appropriation due to reorganizations.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Fish, Wildlife & Parks, 12-Department Management Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02051 Private Contracts & Grants	0	0	0	0	0.00 %	
02086 Mountain Sheep Account	0	0	0	0	0.00 %	
02112 Moose Auction	0	0	0	0	0.00 %	
02176 Mountain Goat Auction	0	0	0	0	0.00 %	
02408 Coal Tax Trust Account	26,436	0	0	26,436	0.16 %	
02409 General License	14,797,746	0	977,262	15,775,008	97.62 %	
02411 State Parks Miscellaneous	0	0	106,706	106,706	0.66 %	
02469 Habitat Trust Interest	54,055	0	197,572	251,627	1.56 %	
02547 Search & Rescue	0	0	0	0	0.00 %	
02559 Mule Deer Auction	0	0	0	0	0.00 %	
02560 Elk Auction	0	0	0	0	0.00 %	
State Special Total	\$14,878,237	\$0	\$1,281,540	\$16,159,777	96.44 %	
03097 Fedl Fish(W/B) Wildlife(P/R)	233,771	0	346,738	580,509	97.44 %	
03403 Misc. Federal Funds	0	0	0	0	0.00 %	
03408 State Wildlife Grants	15,248	0	0	15,248	2.56 %	
Federal Special Total	\$249,019	\$0	\$346,738	\$595,757	3.56 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$15,127,256	\$0	\$1,628,278	\$16,755,534		

The Management Division is funded almost entirely of state special revenue, of which the largest source is the general license account, or \$14.8 million for the biennium. The division also utilizes a small amount of federal authority.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	4,224,856	4,224,856	8,449,712	0.00 %
PL Adjustments	0	0	0	0.00 %	3,304,057	3,302,763	6,606,820	0.00 %
New Proposals	0	0	0	0.00 %	35,388	35,336	70,724	0.00 %
Total Budget	\$0	\$0	\$0		\$7,564,301	\$7,562,955	\$15,127,256	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law										
0.00	0	2,558,723	18,518	2,577,241	0.00	0	2,557,791	18,513	2,576,304	
DP 99 - LEG. Present Law										
0.00	0	815,562	(88,746)	726,816	0.00	0	815,212	(88,753)	726,459	
Grand Total All Present Law Adjustments										
0.00	\$0	\$3,374,285	(\$70,228)	\$3,304,057	0.00	\$0	\$3,373,003	(\$70,240)	\$3,302,763	

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	76.47	-	\$36,948	\$216	\$37,164
Executive Implementation of 2015 Pay Increase		-	97,299	515	97,814
Fully Fund 2015 Legislatively Authorized FTE		-	56,702	3,532	60,234
Other	0.00	-	2,367,774	14,255	2,382,028
Personal Services Present Law Adjustments	76.47	-	\$2,558,723	\$18,518	\$2,577,241
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	76.47	-	\$36,948	\$216	\$37,164
Executive Implementation of 2015 Pay Increase		-	97,299	515	97,814
Fully Fund 2015 Legislatively Authorized FTE		-	56,702	3,532	60,234
Other	0.00	-	2,366,842	14,250	2,381,091
Personal Services Present Law Adjustments	76.47	-	\$2,557,791	\$18,513	\$2,576,304

The other personal services is attributable to the request for additional FTE, the reorganization of the department and other mandatory increases such as longevity and retirement.

DP 99 - LEG. Present Law -

The LGPL adjustments include increases to lease payment due to change in land use, fixed costs, and other operating adjustments.

LFD COMMENT	Lease Adjustment
	The lease adjustment request is for \$57,000 each year of the biennium to account for the change from a grazing lease to a land use license. Other trust land leases have also increased.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 120003 - Bison Technicians	0.00	0	8,847	26,541	35,388	0.00	0	8,834	26,502	35,336
Total	0.00	\$0	\$8,847	\$26,541	\$35,388	0.00	\$0	\$8,834	\$26,502	\$35,336

DP 120003 - Bison Technicians -

The executive is requesting approximately \$35,000 each year of federal and state funding to hire two seasonal bison technicians (0.8 FTE). The bison technicians would be located in Gardiner and West Yellowstone, to respond to public safety and property damage complaints by landowners and assist in the hazing of bison. FWP has a responsibility to take these actions under the Interagency Bison Management Plan.

LFD COMMENT	<p>Bison Management</p> <p>The bison management plan activities are under the direct supervision of the Region 3 administrator. This is a unique situation as no other region has the responsibility for bison issues. The funds support the modified FTE and related travel costs.</p>
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The Legislative Fiscal Division Presents an Agency Profile of: The Department of Environmental Quality

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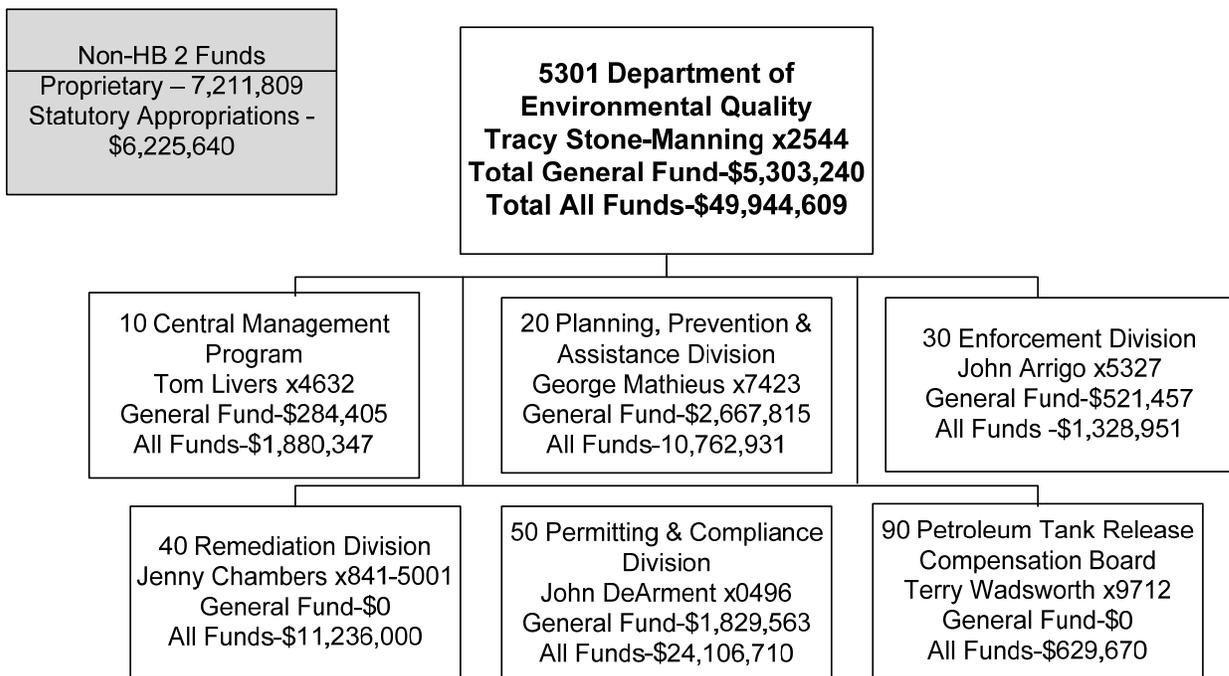
Updated August 2014

Agency Description

Definition of Terms

The department is responsible for regulating air quality, water quality, underground storage tanks, automobile wrecking facilities, hazardous waste facilities, solid waste management systems, and mining operations and for the siting and needs analyses of large-scale energy facilities. In addition, the department is the lead agency for reclamation and cleanup activities related to the federal and state superfund programs, leaking underground storage tanks, and regulation and permitting of mining conducted on private, state, and federal lands.

The department works in partnership with the federal Environmental Protection Agency (EPA). Congress gave the EPA the initial responsibility for development and implementation of environmental protection, but many federal statutes contain preference for delegation of the program to the states when the state can demonstrate capacity to carry it out. This arrangement establishes state-federal environmental goals and priorities with the funding and flexibility to achieve desired results. These joint activities become the basis of future agreements and long-term strategic planning. Given this unique relationship, the federal government dictates many of the department's activities.



How Services are Provided

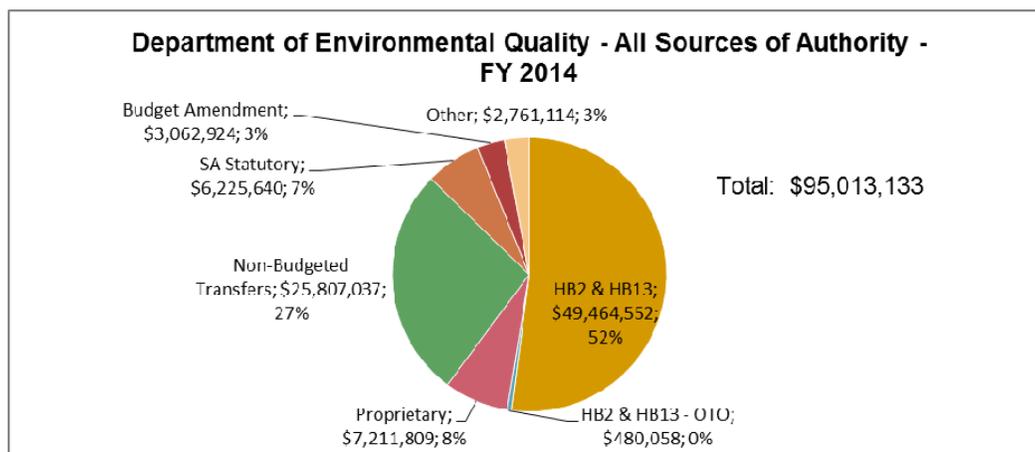
The department consists of five divisions with the following functions:

- The **Central Management Division** houses the director's office, financial services, information technology, centralized legal services, and personnel. This division provides the management, planning, and accountability functions. Primarily proprietary dollars fund the 9.10 FTE used to complete these activities
- The **Planning Prevention and Assistance Division** develops and implements integrated air, energy, waste management, and water plans to protect Montana's environmental resources. This division utilizes 83.5 FTE to complete its duties
- The **Enforcement Division** facilitates enforcement of the laws and regulations administered by the department when efforts of the other divisions have not been successful. 14.73 FTE manage the enforcement process
- The **Remediation Division** is responsible for overseeing investigation and cleanup activities at state and federal Superfund sites; reclaiming abandoned mine lands; implementing corrective actions at sites with leaking underground storage tanks (LUSTs); and overseeing ground water remediation at sites where agricultural and industrial chemical spills have caused ground water contamination. 63.01 FTE handle remediation oversight activities
- The **Permitting and Compliance Division** reviews and assesses all environmental permit and license applications to determine the correct control measures and requirements needed to meet the laws and rules that have been enacted to protect the quality of the state's air, water, and land. This includes preparing appropriate environmental review documents, conducting all facility inspections and reviews to determine compliance with permit conditions and the laws and regulations. 207.14 FTE support this division
- The **Petroleum Tank Release Compensation Board** is responsible for administering the petroleum tank release cleanup fund. It has a staff of 6.00 FTE. It is attached to the DEQ for administrative purposes

Sources of Spending Authority

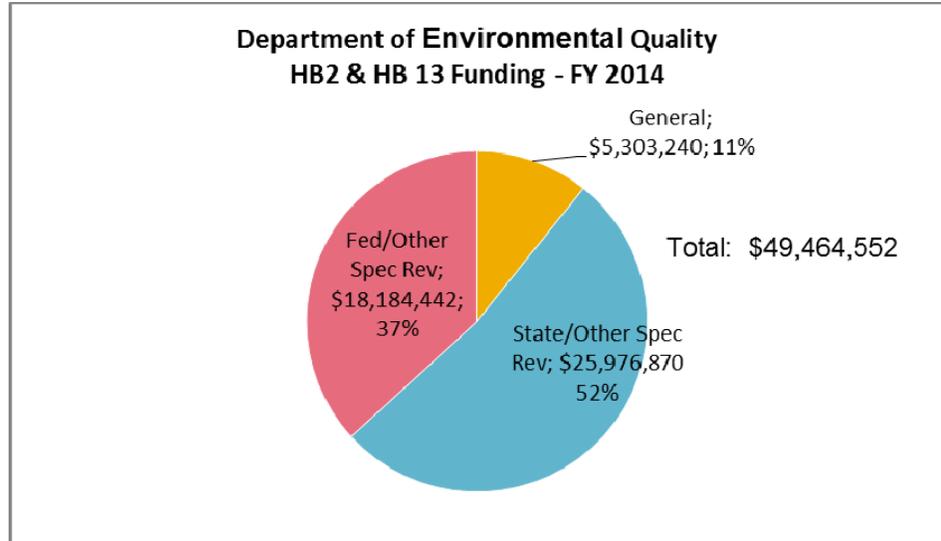
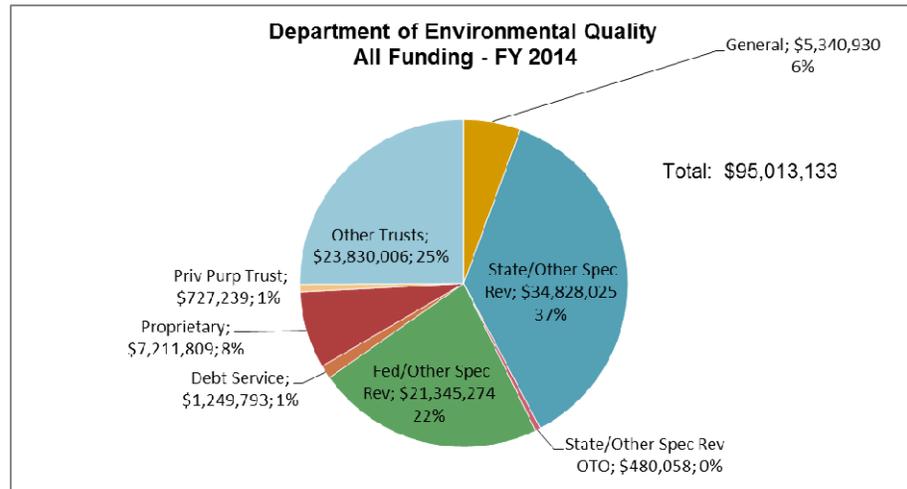
The chart below shows the sources of authority for the Department of Environmental Quality. The other authority includes bonds for remediation and clean-up costs.

Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



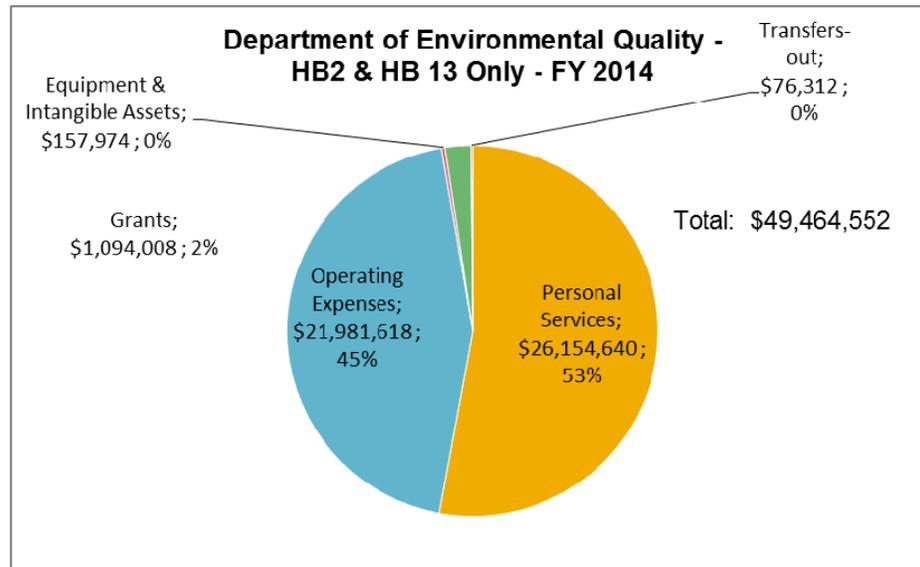
Funding

The charts below show the agency's HB 2 funding authority by fund type and all sources or its total funding authority. A large portion of funding for the department is received from the Resource Indemnity Trust (RIT); it includes funding from the Hazardous Waste- CERCLA account, Environmental Quality Protection Fund (EQPF), Orphan Share account, and the Natural Resource Operations account.



Expenditures

The next chart explains how the HB 2 authority is spent. This chart matches the agency chart found in the 2017 Budget Analysis.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs:

Licensing

The department provides processes to license a number of environmentally related occupations. To influence expenditure levels or agency activities in this area:

- Determine occupations that need to be licensed for the protection of the environment
- Establish guidelines for licensing a particular occupation or category of occupations
- Set fees for licensing activities
- Direct licensing fees to support a specific activity or program
- Determine re-application intervals for licenses

Permitting

The department provides processes to release permits for such activities as building waste management facilities, emitting pollutants into air and water, and strip mining activities. Change can be achieved through:

- Determining the types of environmental activities that require permitting to protect the environment
- Establishing general guidelines for the permitting process
- Defining the length of time for a valid permit
- Evaluating fees for permitting activities
- Directing fees to support specific activities or programs

Monitoring

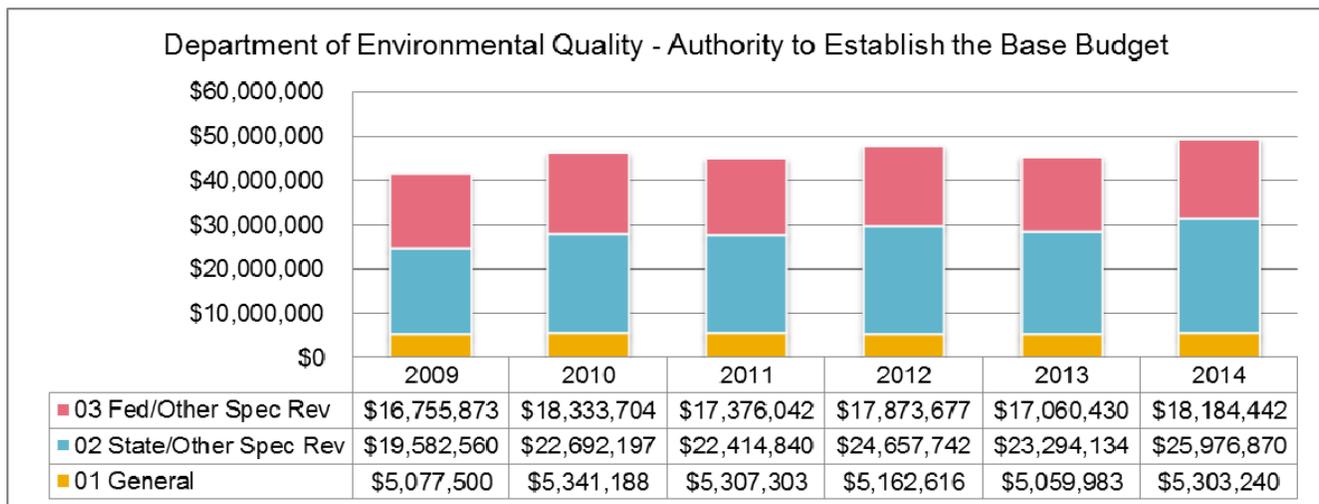
As a regulatory agency, the department is constantly monitoring activities that could affect the environment as well as air and water quality. To affect this activity, consider the following:

- Determine how much air and water quality monitoring is sufficient
- Define compliance monitoring intervals for reclamation and cleanup activities
- Establish priorities for monitoring activities
- Define the scope of monitoring activities

Major Cost Drivers

Elements	2013	2014	Significance of Data
Number of reclamation bonds held	3	3	# of mining sites with reclamation bonds, potential workload
Value of reclamation bonds held (in millions)	\$217,451.7	\$214,930.6	Value of bonded reclamation work in Montana
Acres of mining land reclaimed (excludes hard-rock mining)	101.7	66.45	Workload
Number of federally designated Superfund sites	18	18	Workload, Federal revenue
Number of water quality permits released	1287	815	Workload, revenue
Number of air quality permits released	386	522	Workload, revenue
Number of complaints received	954	971	Workload
Number of complaints resulting in enforcement action	6	9	Workload, revenue from fines, severity of complaints
Total number of new and on-going enforcement actions	396	385	Workload, revenue from fines severity of complaints

Funding/Expenditure History, Authority Used to Establish the Budget Base



The table shows the historical changes in the department's base budget authority. The general fund and federal funding base for the department has stayed relatively stable, with no major fluctuations in the last four years. The department's special revenue base expenditures have increased \$5.3 million over the last four years due to increases from the Environmental Quality Protection Fund due to successful cost recovery efforts, which produces more cleanups, and from the Hard Rock Mining Reclamation Fund for the Zortman/Landusky site expenditures.

Major Legislative Changes in the Last Ten Years

2009 Session HB 645 provided \$23.9 million in funding for the state energy building program, development of wastewater and drinking water infrastructure, cleanup of leaking underground storage tanks, diesel emission reductions and support for permit functions associated with infrastructure development.

2007 Session HB 116 revised the distribution of resource indemnity trust interest and resource indemnity groundwater assessments, clarifies use of resource indemnity related funds, and prioritizes expenditures to on-the-ground projects. This legislation impact the department through increases in revenues to the orphan share and the environmental quality protection fund.

2005 Session HB 60 established standards for the cleanup of indoor property contaminated by a clandestine methamphetamine lab and the requirements for certifying persons to conduct the remediation of such properties.

For further information, you may wish to contact the agency at:

Department of Environmental Quality

1520 E. Sixth Ave.

P.O. Box 200901

Helena, MT 59620-1201

Phone: (406) 444-2544

webpage: <http://www.deq.mt.gov>

Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	383.47	383.47	365.55	365.54	383.47	365.54	(17.93)	(4.68)%
Personal Services	26,154,656	28,600,895	29,653,755	29,661,876	54,755,551	59,315,631	4,560,080	8.33 %
Operating Expenses	21,981,631	28,250,831	30,680,625	30,684,430	50,232,462	61,365,055	11,132,593	22.16 %
Equipment & Intangible Assets	157,973	101,740	189,079	189,079	259,713	378,158	118,445	45.61 %
Grants	1,094,008	1,635,863	1,654,293	1,654,293	2,729,871	3,308,586	578,715	21.20 %
Benefits & Claims	0	425,000	0	0	425,000	0	(425,000)	(100.00)%
Transfers	76,313	35,400	130,682	130,682	111,713	261,364	149,651	133.96 %
Total Costs	\$49,464,581	\$59,049,729	\$62,308,434	\$62,320,360	\$108,514,310	\$124,628,794	\$16,114,484	14.85 %
General Fund	5,303,211	5,508,477	6,011,153	6,011,704	10,811,688	12,022,857	1,211,169	11.20 %
State/Other Special Rev. Funds	25,976,905	32,613,798	32,015,567	32,023,117	58,590,703	64,038,684	5,447,981	9.30 %
Federal Spec. Rev. Funds	18,184,465	20,927,454	24,281,714	24,285,539	39,111,919	48,567,253	9,455,334	24.18 %
Total Funds	\$49,464,581	\$59,049,729	\$62,308,434	\$62,320,360	\$108,514,310	\$124,628,794	\$16,114,484	14.85 %

Mission Statement

To protect, sustain, and improve a clean and healthful environment to benefit present and future generations. For more information, please refer to the agency profile: <http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Department Environmental Quality Major Budget Highlights
<ul style="list-style-type: none"> • Present law adjustments reduce department funding by \$204,004, primarily due to reductions in planning, prevention, and assistance projects • New proposals totaling \$8.5 million are requested for two purposes: <ul style="list-style-type: none"> ◦ \$500,000 in general fund for water treatment at Zortman/Landusky ◦ \$8 million in federal special revenue for remediation of abandoned mine lands
Legislative Action Issues
<ul style="list-style-type: none"> • The Zortman/Landusky new proposal shifts funding from state special revenue to general fund

Agency Personal Services

Pay Plan Philosophy – DEQ maintains pay schedules for each occupation and band level with target market ratios graduated according to years of job-related experience.

Program Specific Obstacles – Funding sources are primarily federal and state special revenues. Federal revenues are generally flat and in some cases declining, many state special revenue sources are also capped, this makes implementing pay increases a challenge. High turnover rates in DEQ occur in the technology related occupations, these are also the areas where the departments has challenges recruiting applicants. Generally, employees leave or offers are rejected due to finding higher pay in the private sector or more opportunity for advancement in larger state agencies.

Vacancy – The agency primarily experienced vacancies in the technology sector which has led to deferring or declining new IT projects or contracting out by necessity.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - Department of Environmental Quality					
Program	Legislative Appropriation	Legislative Approps OTO	House Adjustment	Operating Plan	Total Executive Implementation
Central Management	\$1,894,374		-		\$1,894,374
Personal Services	792,831				792,831
Operating Expenses	1,101,543		-		1,101,543
Planning, Prevention, & Assistance	13,304,294		-		13,304,294
Personal Services	6,504,816		-		6,504,816
Operating Expenses	6,799,478		-		6,799,478
Enforcement	1,426,330				1,426,330
Personal Services	1,102,045				1,102,045
Operating Expenses	324,285				324,285
Remediation	11,497,694	425,000	-	-	11,922,694
Personal Services	4,662,668		-		4,662,668
Operating Expenses	6,825,662		-	(68,000)	6,757,662
Benefits & Claims		425,000			425,000
Transfers	9,364		-	68,000	77,364
Permitting & Compliance	29,486,784	367,514	(250,000)	-	29,604,298
Personal Services	15,074,597		-		15,148,914
Operating Expenses	12,651,550		(250,000)	(3,002)	12,691,745
Equipment & Intangible Assets	101,740		-		101,740
Grants	1,635,863				1,635,863
Transfers	23,034			3,002	26,036
Petro Tank Release Comp. Board	647,739				647,739
Personal Services	389,621				389,621
Operating Expenses	258,118				258,118
Agency Total	\$58,257,215	\$792,514	(\$250,000)	-	\$58,799,729

The changes made by the department include consolidation of a biennial appropriation, shifting funds from FY 2015 to FY 2014, and a house adjustment to decrease the budget when settlement funds became available per HB 2 language. This second change is not reflected in the budget comparison table.

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Environmental Quality Funding by Source of Authority 2017 Biennium Budget - Department of Environmental Quality						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	12,022,857	0	0	12,022,857	8.03 %	
State Special Total	64,038,684	0	8,451,280	72,489,964	48.42 %	
Federal Special Total	48,567,253	0	0	48,567,253	32.44 %	
Proprietary Total	0	16,646,103	0	16,646,103	11.12 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$124,628,794	\$16,646,103	\$8,451,280	\$149,726,177		
Percent - Total All Sources	83.24 %	11.12 %	5.64 %			

The department's largest source of funding is state special revenue. This revenue is derived from permitting fees, fines, and bonds proceeds utilized to support specific department functions such as permitting, enforcement, and remediation. The federal revenue is provided from the U.S. Environmental Protection Agency (EPA) performance partnership grant, the Superfund Program, and other federal grant resources. The partnership grant is a block grant to the state to provide funding the EPA had previously made through individual grants. Federal grants have varying match requirements. Wetland grants require 25% match, drinking water capital improvement requires a 20% match, and nonpoint source funding can require as much as a 40% match. General fund is utilized for personal services and related operating expenses such as travel, communications, and equipment.

Resource Indemnity Trust

Article IX of the Montana Constitution provides for the protection and improvement of the Montana environment and requests that the legislature provide adequate remedies for environmental protection from degradation. It specifically requires "all lands disturbed by the taking of natural resources shall be reclaimed" and requires the existence of a resource indemnity trust (RIT) fund for that purpose, to be funded by taxes on the extraction of natural resources. The Constitution further states, "The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000) guaranteed by the state against loss or diversion." The state Constitution requires a trust, but does not require the trust to be funded. The legislature utilized certain natural resource extraction tax proceeds as a revenue source for the trust. In February of 2002, the Governor certified that the balance of the trust had exceeded the \$100 million threshold. Tax proceeds previously directed to the RIT have been re-directed by the legislature ever since.

Accounts Receiving RIT Related Revenue

The biennial executive budget contains \$38.8 million in RIT related funding to support a number of natural resource activities from a number of accounts. The department is the largest recipient of these funds. The following discusses the accounts and the current uses. From those accounts, appropriations are made by the legislature to support natural resource agencies and activities. The major accounts of importance are as follows:

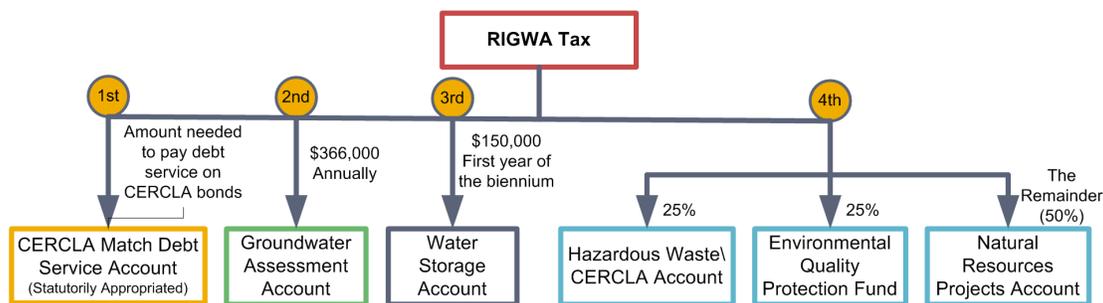
- Oil & Gas production mitigation account – funds utilized by the Montana Board of Oil and Gas for properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations
- Future Fisheries – funds provided to the Department of Fish, Wildlife and Parks to reclaim habitat and spawning areas of the bull and cutthroat trout
- Hazardous Waste/CERCLA - funds provided to the Remediation Division of the department for the implementation of the Montana Hazardous Waste Act and state expenses for overseeing the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)
- Environmental contingency account (ECA) - an account controlled by the Governor for the purpose of responding to emergent or imminent threats to the environment

- Environmental quality protection fund (EQPF) - utilized by the Remediation Division to identify, investigate, negotiate, and prosecute individuals/entities to achieve remedial action or recover costs and damages. This fund is also referred to as the state Superfund
- Water storage account – funds provided to the Water Resources Division of the Department of Natural Resources and Conservation for rehabilitation and major maintenance on state owned water projects
- Ground water assessment account –funds ground water monitoring and characterization studies completed by the Montana Bureau of Mines and Geology at the University of Montana in Butte
- Orphan share account - used by the department to fund the percent of remediation activities at a contaminated site that is attributable to a bankrupt or otherwise insolvent entity
- Natural resources operations – funds operating costs of Montana’s natural resource agencies, including this department and the Department of Natural Resources and Conservation
- Natural resource projects-provides grants and loans to enhance Montana’s renewable resources through projects that measurably conserve, develop, manage or preserve resources or to repair, reclaim, and mitigate environmental damage to public resources. These funds are managed by the Conservation and Development Division of the Department of Natural Resources and Conservation

RIT Distributions and Tax Proceeds

Since the \$100 million RIT trust threshold was met and natural resource taxes were no longer required to be deposited to the trust, the legislature has statutorily allocated these three taxes: 1) resource indemnity and ground water assessment; 2) metalliferous mine; and 3) applicable portions of the oil and gas tax.

1) Resource indemnity and ground water assessment (RIGWA) taxes are paid by person(s) who engage in or carry on the business of mining, extracting, or producing a mineral from any quartz vein or lode, placer claim, dump or tailings, or other place or source. These taxes are distributed according to statute (15-38-106, MCA) to a number of natural resource accounts as pictured in the following chart and explained below.



- First, a deposit is made to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) match debt service account for Superfund debt
- Then, \$366,000 is deposited into the ground water assessment account
- \$150,000 is deposited to the water storage account in only the first year of the biennium
- The remaining funds are distributed 25% to the hazardous waste account, 25% to the environmental quality protection funds, and 50% to the Natural Resources Project Account.

2) The metalliferous mine tax is paid by persons engaged in the mining of gold, silver, copper, lead, and other metals or precious or semiprecious stones. 7% of this tax is deposited to the natural resources operations fund.

3) A portion of oil and gas production taxes are used for natural resource activities. This portion is distributed 2.99% to the orphan share account and 1.45% to the natural resources operations and 1.45% to the natural resources project funds.

RIT Distributions – Interest Allocations

Allocations of RIT interest earnings are not restricted by the Constitution. The legislature has chosen to directly and indirectly allocate interest for a number of purposes. The statutory allocations are not directed to be funded in any particular order of preference.

Direct allocations: 15-38-202, MCA directs where the interest from the RIT is allocated. Direct allocations are made to a number of sources.

- Made at the beginning of the biennium:
 - Oil and gas production mitigation account (\$50,000)
 - Environmental contingency account (\$175,000)
 - Water storage account (\$500,000)
- Made on an annual basis:
 - Allocations to the natural resources projects fund (\$3.5 million)
 - Ground water assessment account (\$0.3 million)
 - Future fisheries fund (\$0.5 million)

Indirect allocations: After direct interest allocations are made, 15-38-202, MCA directs the remaining interest on a formula basis.

- 65% to the natural resources operations fund
- 26% to the hazardous waste/CERCLA fund
- 9% to the environmental quality protection fund

RIT Expenditures

The figure on the following page shows the executive's requested use of the RIT interest and related funds. The figure provides the balance at the end of FY 2013, projected revenues and appropriations for FY 2015, and the biennial effect of revenues and the executive request for the 2015 biennium.

Resource Indemnity Funding: 2015 Session										
Related Funds	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02107 ECA	02162 EQPF	02216 Wa Sto	02289 GRW	02472 Share	02576 Operations	02577 Projects
Beginning FY2015 Fund Balance	\$448,981	\$1,405,350	\$278,367	\$750,101	\$5,932,536	\$383,208	(\$40,937)	\$7,973,697	\$957,033	\$9,612,907
RIT Interest		500,000					282,000			3,291,632
STIP	400		300		2,000	200		4,000		
RIGWA			441,580		441,580		366,000			883,159
Metal Mines Tax									983,000	
Oil and Gas Tax								3,078,722	2,108,215	2,254,290
Other Income	50,000				2,716,500	60,000			500	
FY 2015 Total Revenues & Fund Balance	\$499,381	\$1,905,350	\$720,247	\$750,101	\$9,092,616	\$443,408	\$607,063	\$11,056,419	\$4,048,748	\$16,041,988
FY 2015 Appropriations	(292,088)	(1,573,480)	(566,101)	(112,527)	(4,628,818)	0	(666,000)	(5,219,311)	(5,234,246)	
HB 6 & HB 7 Appropriations										(14,689,412)
Projected Fund Balance Ending FY 2015	\$207,293	\$331,871	\$154,146	\$637,574	\$4,463,798	\$443,408	(\$58,937)	\$5,837,108	(\$1,185,498)	\$1,352,575
Revenues for 2017 Biennium										
RIT Interest - Direct	50,000	1,000,000		175,000		500,000	510,493			5,955,763
RIGWA			908,805		908,805	150,000	732,000			1,817,609
Short Term Investment Pool - Interest	800		600		4,000	400		8,000		
Metal Mines Tax									1,904,303	
Oil and Gas Tax								5,741,634	3,931,697	4,204,116
Agency Generated Revenues					5,437,000	120,000				31,000
Other Income	100,000									8,018,828
Projected Fund Balance Beginning FY 2016	\$358,093	\$1,331,871	\$1,063,550	\$812,574	\$10,813,602	\$1,213,808	\$1,183,556	\$11,586,742	\$4,650,502	\$21,379,892
Appropriations for 2017 Biennium										
UM-Bureau of Mines							(1,478,927)		(351,772)	
DNRC - Centralized Services									(91,588)	
DNRC - Conservation and Resource									(575,318)	
DNRC-Water Resources Division						(609,518)			(218,623)	
DNRC - Board of Oil & Gas	(200,000)									
DNRC - Forestry/Trust Lands									(187,144)	
DEQ-Central Management									(27,455)	
DEQ-Planning, Prevention & Assistance			(178,455)							
DEQ-Enforcement			(52,480)						(13,482)	
DEQ-Remediation			(240,898)		(7,727,579)			(30,000)		
DEQ-Permitting & Compliance			(514,198)						(4,417,555)	
NR Projects										(21,786,658)
Total Appropriations	(\$200,000)	\$0	(\$986,031)	\$0	(\$7,727,579)	(\$609,518)	(\$1,478,927)	(\$30,000)	(\$5,882,937)	(\$21,786,658)
Adjustments for Agency 5% plans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Biennium Ending Fund Balance	\$158,093	\$1,331,871	\$77,519	\$812,574	\$3,086,023	\$604,290	(\$295,371)	\$11,556,742	(\$1,232,435)	(\$406,766)

The Orphan Share Program was established to provide a means for determining the share of remediation costs of a defunct party. The fund pays for the costs of the allocation process and then pays for the defunct party's share of the remediation as established by that process.

The Orphan Share has historically had a large fund balance. In FY 2014, the ending fund balance was \$8.0 million. The current projection for the ending fund balance in FY 2017 is \$13.1 million dollars. This fund balance offers the legislature the option of bolstering weaker funds with transfers from the Orphan Share Fund. The risk to such a transfer is that the liability for the orphan share is unknown and could prevent reimbursement for cleanup costs at some point in the future. Additionally, the executive is requesting legislation (LC19) that would allow for additional uses of the orphan share fund. At the time of publication, the draft was on hold.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	5,508,477	5,508,477	11,016,954	91.63 %	58,257,215	58,257,215	116,514,430	93.49 %
PL Adjustments	252,676	253,227	505,903	4.21 %	(204,004)	(192,078)	(396,082)	(0.32)%
New Proposals	250,000	250,000	500,000	4.16 %	4,255,223	4,255,223	8,510,446	6.83 %
Total Budget	\$6,011,153	\$6,011,704	\$12,022,857		\$62,308,434	\$62,320,360	\$124,628,794	

Language and Statutory Authority -

The following language is requested in HB 2:

"The program is authorized to decrease federal special revenue and increase state special revenue in the drinking water and/or water pollution control revolving loan programs by a like amount within the administration account, when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes."

"If federal funds are received to help meet the annual shortfall in operating and maintenance costs at the Zortman-Landusky mine sites, this general fund spending authority will be reduced by the same amount."

"The department is appropriated up to \$1,000,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2017 biennium for the purpose of paying contract expenses related to the recovery of funds."

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	8.00	8.00	7.64	7.64	8.00	7.64	(0.36)	(4.50)%
Personal Services	717,876	792,831	785,075	787,935	1,510,707	1,573,010	62,303	4.12 %
Operating Expenses	1,152,831	1,101,543	1,172,785	1,172,790	2,254,374	2,345,575	91,201	4.05 %
Equipment & Intangible Assets	9,624	0	9,624	9,624	9,624	19,248	9,624	100.00 %
Total Costs	\$1,880,331	\$1,894,374	\$1,967,484	\$1,970,349	\$3,774,705	\$3,937,833	\$163,128	4.32 %
General Fund	284,396	323,563	309,056	309,072	607,959	618,128	10,169	1.67 %
State/Other Special Rev. Funds	1,176,906	1,187,058	1,268,553	1,270,915	2,363,964	2,539,468	175,504	7.42 %
Federal Spec. Rev. Funds	419,029	383,753	389,875	390,362	802,782	780,237	(22,545)	(2.81)%
Total Funds	\$1,880,331	\$1,894,374	\$1,967,484	\$1,970,349	\$3,774,705	\$3,937,833	\$163,128	4.32 %

Program Description

The Central Management Program consists of the Director's Office, a Financial Services office, and an Information Technology Office. It is the organizational component of DEQ responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out the department's mission and statutory responsibilities. The Director's Office includes the director's staff, the deputy director, an administrative officer, a public information officer, a centralized legal services unit, and a centralized personnel office. The Financial Services Office provides budgeting, accounting, payroll, procurement, and contract management support to other divisions. The Information Technology Office provides information technology services support to other divisions.

Program Highlights

Central Management Program Major Budget Highlights
<ul style="list-style-type: none"> Increases in expenditures are primarily due to various personal services adjustments, including annualization of costs of the 2015 biennium pay plan and fully funding all FTE

Program Discussion -

Comparison of 2015 Legislative Appropriation to 2015 Executive Implementation

The only budgetary shift from the legislative appropriation was an adjustment within the program resulting in no change in authority between the original appropriation and the executive implementation.

Comparison of FY 2014 Actual Expenditures to 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$14,043 below the FY 2015 legislative appropriation. The primary reasons for the difference is lower personal services expenses.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Environmental Quality, 10-Central Management Program Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	618,128	0	0	618,128	3.00 %
02075 UST Leak Prevention Program	13,563	0	0	13,563	0.53 %
02097 Environmental Rehab & Response	175,190	0	0	175,190	6.90 %
02157 Solid Waste Management Fee	62,396	0	0	62,396	2.46 %
02201 Air Quality-Operating Fees	199,280	0	0	199,280	7.85 %
02202 Asbestos Control	54,257	0	0	54,257	2.14 %
02204 Public Drinking Water	19,692	0	0	19,692	0.78 %
02223 Wastewater SRF Special Admin	5,425	0	0	5,425	0.21 %
02278 MPDES Permit Program	273,576	0	0	273,576	10.77 %
02370 Energy Conserv Repayment Acct	3,662	0	0	3,662	0.14 %
02418 Subdivision Plat Review	143,778	0	0	143,778	5.66 %
02542 MT Environ Policy Act Fee	1,530,293	0	0	1,530,293	60.26 %
02555 Alternative Energy Rev Loan	0	0	0	0	0.00 %
02576 Natural Resources Operations SSR Fu	27,455	0	0	27,455	1.08 %
02955 STATE ENERGY CONSERVATION ARRA	30,901	0	0	30,901	1.22 %
State Special Total	\$2,539,468	\$0	\$0	\$2,539,468	12.34 %
03015 2013 Exchange Network Grant	0	0	0	0	0.00 %
03067 DSL Federal Reclamation Grant	56,627	0	0	56,627	7.26 %
03151 2012 Exchange Network Grant	0	0	0	0	0.00 %
03152 DW SRF FY15 Grant	0	0	0	0	0.00 %
03262 EPA PPG	307,009	0	0	307,009	39.35 %
03337 2011 Exchange Network Grant	318,586	0	0	318,586	40.83 %
03430 DW SRF FY14 Grant	0	0	0	0	0.00 %
03433 EPA PPG FY10-11	0	0	0	0	0.00 %
03436 NPS 09 Staffing & Support	20,656	0	0	20,656	2.65 %
03442 FY09 Exchange Network Grant	0	0	0	0	0.00 %
03691 Non Pt Source Staffing/Support	20,612	0	0	20,612	2.64 %
03816 DOI OSM A&E GRANT	56,747	0	0	56,747	7.27 %
Federal Special Total	\$780,237	\$0	\$0	\$780,237	3.79 %
06509 DEQ Indirects	0	16,646,103	0	16,646,103	100.00 %
Proprietary Total	\$0	\$16,646,103	\$0	\$16,646,103	80.87 %
Total All Funds	\$3,937,833	\$16,646,103	\$0	\$20,583,936	

The majority of the functions in the division are funded with non-budgeted proprietary funds that are not appropriated through HB 2. The proprietary funding is based upon a negotiated indirect rate with the Environmental Protection Agency (EPA). The indirect rate is assessed against funding for all personal services, temporary services, and work study projects as well as contracted services within each division, and transferred to fund operating costs. This funding supports management tasks, budgeting, accounting, payroll, procurement, contract management, and information technology services to other divisions. A further discussion of the proposed rate for the proprietary fund is at the end of the division narrative.

The appropriated funds provide support for the agency's legal services, the Board of Environmental Review, and Montana Environmental Protection Act (MEPA) activities. The appropriated funds consist of general fund, a number of state special revenue fees, and small federal grants. The majority of the funding comes from MEPA review fees.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	323,563	323,563	647,126	104.69 %	1,894,374	1,894,374	3,788,748	96.21 %
PL Adjustments	(14,507)	(14,491)	(28,998)	(4.69)%	73,110	75,975	149,085	3.79 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$309,056	\$309,072	\$618,128		\$1,967,484	\$1,970,349	\$3,937,833	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(45,384)	161,143	(123,515)	(7,756)	0.00	(66,964)	248,468	(186,400)	(4,896)
DP 99 - LEG. Present Law	0.00	30,877	(79,648)	129,637	80,866	0.00	52,473	(164,611)	193,009	80,871
Grand Total All Present Law Adjustments	0.00	(\$14,507)	\$81,495	\$6,122	\$73,110	0.00	(\$14,491)	\$83,857	\$6,609	\$75,975

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
					FY 2016
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	7.64	\$1,525	\$3,279	(\$1,090)	\$3,713
Executive Implementation of 2015 Pay Increase		4,748	13,818	(4,567)	13,998
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(51,657)	144,047	(117,857)	(25,468)
Personal Services Present Law Adjustments	7.64	(\$45,384)	\$161,143	(\$123,515)	(\$7,756)
					FY 2017
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	7.64	\$1,525	\$3,279	(\$1,090)	\$3,713
Executive Implementation of 2015 Pay Increase		4,458	13,935	(4,395)	13,998
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(72,947)	231,254	(180,915)	(22,608)
Personal Services Present Law Adjustments	7.64	(\$66,964)	\$248,468	(\$186,400)	(\$4,896)

The executive proposes to decrease overall personal services in both FY 2016 and FY 2017 when compared to the FY 2015 legislative appropriation. Part of this reduction is due to implementation of the HB 2 boilerplate language.

DP 99 - LEG. Present Law -

This adjustment reflects all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs.

Other Issues -

Proprietary Program Overview

The Agricultural Development Division operates two proprietary programs: the Hail Insurance program and the Montana Beginning Farmer/Rancher Loan Program.

DEQ Indirect (Proprietary Fund)

This program is funded with an proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. The DEQ Indirect fund supports common functions across the agency. In this regard, the indirect fund can be thought of as the “overhead” of the department.

Expenses?

The functions supported by the indirect fund include:

- management
- budgeting
- accounting
- payroll
- procurement
- contract management
- information technology services

Revenues?

The fund is supported by a charge against other parts of the department. The percentage of the charge is approved by the United State Environmental Protection Agency. The rate cannot exceed 24%. At the time of writing an approved rate was not available.

2017 Biennium Report on Internal Service and Enterprise Funds								
Agency # 53010	Agency Name: Department of Environmental Quality			Program Name: Central Management Program				
	Fund	Fund Name						
	06509	DEQ Indirects						
			Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:								
Fee and Charges								
Fee Revenue A								
			3,997,135	4,116,721	4,622,768	4,699,500	5,750,000	5,750,000
Other Operating Revenue								
			7,932	5,953	2,639	500	500	500
Total Operating Revenues								
			4,005,067	4,122,674	4,625,407	4,700,000	5,750,500	5,750,500
Expenses:								
Personal Services								
			3,909,050	4,071,300	4,253,083	4,383,603	4,989,893	4,810,183
Other Operating Expenses								
			2,715,216	2,831,161	2,964,897	3,014,756	3,390,289	3,392,571
Total Operating Expenses								
			6,624,266	6,902,461	7,217,980	7,398,359	8,380,182	8,202,754
Operating Income (Loss)								
			(2,619,199)	(2,779,787)	(2,592,573)	(2,698,359)	(2,629,682)	(2,452,254)
Nonoperating Revenues:								
Other Revenue B								
			2,668,860	2,389,519	2,461,335	2,986,018	2,667,800	2,667,800
Nonoperating Expenses:								
Total Nonoperating Revenues (Expenses)								
			2,668,860	2,389,519	2,461,335	2,986,018	2,667,800	2,667,800
Income (Loss) Before Contributions and Transfers								
			49,661	(390,268)	(131,238)	287,659	38,118	215,546
Transfers In								
			-	-	33,883	-	-	-
Transfers Out								
			-	(3,724)	-	-	-	-
Change in Net Position								
			49,661	(393,992)	(97,355)	287,659	38,118	215,546
Beginning Net Position - July 1								
			852,518	902,179	507,076	409,721	697,380	735,498
Prior Period Adjustments								
			-	(1,111)	-	-	-	-
Change in Net Position								
			49,661	(393,992)	(97,355)	287,659	38,118	215,546
Ending Net Position - June 30								
			902,179	507,076	409,721	697,380	735,498	951,044
Net Position (Fund Balance) Analysis								

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	83.50	83.50	79.54	79.53	83.50	79.53	(3.97)	(4.75)%
Personal Services	6,144,569	6,504,816	6,856,781	6,852,521	12,649,385	13,709,302	1,059,917	8.38 %
Operating Expenses	4,572,721	6,799,478	5,680,513	5,681,276	11,372,199	11,361,789	(10,410)	(0.09)%
Transfers	45,665	0	45,665	45,665	45,665	91,330	45,665	100.00 %
Total Costs	\$10,762,955	\$13,304,294	\$12,582,959	\$12,579,462	\$24,067,249	\$25,162,421	\$1,095,172	4.55 %
General Fund	2,667,804	2,735,585	2,781,349	2,781,111	5,403,389	5,562,460	159,071	2.94 %
State/Other Special Rev. Funds	2,815,838	3,264,414	3,367,459	3,367,431	6,080,252	6,734,890	654,638	10.77 %
Federal Spec. Rev. Funds	5,279,313	7,304,295	6,434,151	6,430,920	12,583,608	12,865,071	281,463	2.24 %
Total Funds	\$10,762,955	\$13,304,294	\$12,582,959	\$12,579,462	\$24,067,249	\$25,162,421	\$1,095,172	4.55 %

Program Description

The Planning, Prevention, and Assistance Division 1) finances construction and improvement of community drinking water and wastewater systems and provides engineering review and technical assistance to community water infrastructure planners; 2) finances energy saving retrofits of public buildings and renewable energy systems for homeowners and small businesses; 3) provides technical assistance and education to builders, homeowners, and businesses on energy efficiency and renewable energy, indoor air quality, radon, recycling, and solid waste reduction; 4) assists small businesses in reducing emissions and complying with environmental regulations; 5) monitors water quality conditions, assesses potential pollution problems, and aids industry to achieve cost effective compliance with water quality laws and regulations; 6) assists communities in planning for energy, watershed, air shed, and solid and hazardous waste management; 7) develops water quality restoration plans (Total Maximum Daily Loads or TMDLs); 8) proposes rules, drafts policy, and develops water quality standards. The division consists of three bureaus: Technical and Financial Assistance, Water Quality Planning, and Energy and Pollution Prevention, along with a Financial Management and Budgeting Unit.

Program Highlights

Planning, Prevention, & Assistance Division Major Budget Highlights
<ul style="list-style-type: none"> • While there is an overall biennium increase, expenditures would decrease from FY 2015 due primarily to a reduction in anticipated federal funds compared to the FY 2015 appropriation • Biennial increases in expenditures are primarily due to global personal services adjustments

Program Discussion -

Comparison of 2015 Legislative Appropriation to 2015 Executive Implementation

The only budgetary shift from the legislative appropriation was an adjustment within the program resulting in no change in authority between the original appropriation and the executive implementation.

Comparison of FY 2014 Actual Expenditures to 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$2,541,339 below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Lower operating costs due to unfinished projects
- Lower personal services costs due to higher than expected vacancies.

Funding

The following table shows proposed program funding by source from all sources of authority.

53010 - Department Of Environmental Quality 20-Planning, Prevention, & Assistance Division

Department of Environmental Quality, 20-Planning, Prevention, & Assistance Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,562,460	0	0	5,562,460	22.11 %	
02070 Hazardous Waste-CERCLA	178,455	0	0	178,455	2.65 %	
02157 Solid Waste Management Fee	282,222	0	0	282,222	4.19 %	
02201 Air Quality-Operating Fees	263,060	0	0	263,060	3.91 %	
02206 Agriculture Monitoring	17,834	0	0	17,834	0.26 %	
02223 Wastewater SRF Special Admin	2,289,190	0	0	2,289,190	33.99 %	
02278 MPDES Permit Program	615,796	0	0	615,796	9.14 %	
02291 Alternative Energy Loan ARRA	161,377	0	0	161,377	2.40 %	
02370 Energy Conserv Repayment Acct	351,370	0	0	351,370	5.22 %	
02388 Misc. State Special Revenue	0	0	0	0	0.00 %	
02491 Drinking Water Spec Admin Cost	1,151,806	0	0	1,151,806	17.10 %	
02555 Alternative Energy Rev Loan	331,796	0	0	331,796	4.93 %	
02955 STATE ENERGY CONSERVATION ARRA	818,176	0	0	818,176	12.15 %	
02973 Univ System Benefits Program	273,808	0	0	273,808	4.07 %	
State Special Total	\$6,734,890	\$0	\$0	\$6,734,890	26.77 %	
03003 Wetland Dev-Prof Capacity	26,484	0	0	26,484	0.21 %	
03007 DOE Special Projects	0	0	0	0	0.00 %	
03013 DERA Stimulus	351,194	0	0	351,194	2.73 %	
03033 Wetland Develop-ILF	0	0	0	0	0.00 %	
03070 106 Monitoring Initiative	259,838	0	0	259,838	2.02 %	
03091 106 Monitor Suppl Initiative	0	0	0	0	0.00 %	
03152 DW SRF FY15 Grant	0	0	0	0	0.00 %	
03199 Stripper Wells	(2)	0	0	(2)	0.00 %	
03212 Stripper-SECP	0	0	0	0	0.00 %	
03217 Wetland Watershed Grant	0	0	0	0	0.00 %	
03218 Diamond Shamrock-Admin.	0	0	0	0	0.00 %	
03229 Wetland Voluntary Restoration	79,278	0	0	79,278	0.62 %	
03262 EPA PPG	4,357,424	0	0	4,357,424	33.87 %	
03318 FY 13 Water Quality 604B Grant	200,000	0	0	200,000	1.55 %	
03385 106 Suppl Mont Init II	0	0	0	0	0.00 %	
03430 DW SRF FY14 Grant	847,967	0	0	847,967	6.59 %	
03433 EPA PPG FY10-11	0	0	0	0	0.00 %	
03436 NPS 09 Staffing & Support	1,211,243	0	0	1,211,243	9.42 %	
03437 DOE-State Energy Program	0	0	0	0	0.00 %	
03440 FY11 NPS Project Grant	76,548	0	0	76,548	0.60 %	
03450 FY09 NPS PROJECT GRANT	5,592	0	0	5,592	0.04 %	
03459 DOE Competitive Special Proj	661,102	0	0	661,102	5.14 %	
03465 DOE Washington State Univ	80,000	0	0	80,000	0.62 %	
03481 NPS14 Project Grant	0	0	0	0	0.00 %	
03482 NPS15 Project Grant	2,006,628	0	0	2,006,628	15.60 %	
03490 FY12 Wetland Development Grant	424,944	0	0	424,944	3.30 %	
03595 DW SRF FY13	638,594	0	0	638,594	4.96 %	
03676 Bureau of Land Management	0	0	0	0	0.00 %	
03691 Non Pt Source Staffing/Support	1,213,668	0	0	1,213,668	9.43 %	
03695 SRF St Tribal Rel Agrmt Grant	149,972	0	0	149,972	1.17 %	
03704 DOE - MT Wind Powering	27,760	0	0	27,760	0.22 %	
03716 NPS10 Project Grant	23,232	0	0	23,232	0.18 %	
03723 Clean Diesel DS-97867001	223,605	0	0	223,605	1.74 %	
03814 EPA Water Quality 205J	0	0	0	0	0.00 %	
03817 Wetland 401 Certification Grnt	0	0	0	0	0.00 %	
Federal Special Total	\$12,865,071	\$0	\$0	\$12,865,071	51.13 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$25,162,421	\$0	\$0	\$25,162,421		

The division is funded with general fund and a variety of state special and federal revenue sources. The division's primary state special revenue funds are the fees collected for air quality permits and the interest from the investments made in community drinking water projects. The largest portion of federal funds is provided through the Environmental Protection Agency (EPA) programs, including the performance partnership grant and funds for non-point source water projects under

53010 - Department Of Environmental Quality 20-Planning, Prevention, & Assistance Division

the federal Clean Water Act. General fund is utilized for the Total Maximum Daily Loads (TMDL) program and for matching of federal grants.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,735,585	2,735,585	5,471,170	98.36 %	13,304,294	13,304,294	26,608,588	105.75 %
PL Adjustments	45,764	45,526	91,290	1.64 %	(721,335)	(724,832)	(1,446,167)	(5.75)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$2,781,349	\$2,781,111	\$5,562,460		\$12,582,959	\$12,579,462	\$25,162,421	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(35,799)	320,722	67,042	351,965	0.00	(36,069)	321,205	62,569	347,705
DP 99 - LEG. Present Law	0.00	81,563	(217,677)	(937,186)	(1,073,300)	0.00	81,595	(218,188)	(935,944)	(1,072,537)
Grand Total All Present Law Adjustments	0.00	\$45,764	\$103,045	(\$870,144)	(\$721,335)	0.00	\$45,526	\$103,017	(\$873,375)	(\$724,832)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

The executive proposes to increase overall personal services in both FY 2016 and FY 2017 when compared to the FY 2015 legislative appropriation. As shown in the table, the implementation of the 2015 pay increase and fully funding FTE drive this increase.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	79.54	\$7,263	\$14,660	\$16,734	\$38,656
Executive Implementation of 2015 Pay Increase		21,431	49,312	49,362	120,105
Fully Fund 2015 Legislatively Authorized FTE		20,388	30,623	83,112	134,123
Other		(84,881)	226,127	(82,166)	59,080
Personal Services Present Law Adjustments	79.54	(\$35,799)	\$320,722	\$67,042	\$351,965
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	79.53	\$7,261	\$14,658	\$16,732	\$38,652
Executive Implementation of 2015 Pay Increase		21,515	49,441	49,148	120,105
Fully Fund 2015 Legislatively Authorized FTE		20,388	30,623	83,112	134,123
Other		(85,234)	226,482	(86,424)	54,825
Personal Services Present Law Adjustments	79.53	(\$36,069)	\$321,205	\$62,569	\$347,705

DP 99 - LEG. Present Law -

As shown in the present law adjustment table, overall the executive is proposing decreases in costs and funding when compared with the 2015 legislative appropriation. The executive is asking to add funds because expenditures were lower in the base year than appropriated.

Language and Statutory Authority -

The executive has requested the following language be included in HB 2:

"The program is authorized to decrease federal special revenue and increase state special revenue in the drinking water and/or water pollution control revolving loan programs by a like amount within the administration account, when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes."

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	14.73	14.73	14.13	14.13	14.73	14.13	(0.60)	(4.07)%
Personal Services	951,454	1,102,045	1,075,625	1,076,614	2,053,499	2,152,239	98,740	4.81 %
Operating Expenses	362,345	324,285	360,923	361,109	686,630	722,032	35,402	5.16 %
Equipment & Intangible Assets	15,139	0	15,139	15,139	15,139	30,278	15,139	100.00 %
Total Costs	\$1,328,938	\$1,426,330	\$1,451,687	\$1,452,862	\$2,755,268	\$2,904,549	\$149,281	5.42 %
General Fund	521,448	551,847	569,603	570,063	1,073,295	1,139,666	66,371	6.18 %
State/Other Special Rev. Funds	454,943	488,587	496,980	497,383	943,530	994,363	50,833	5.39 %
Federal Spec. Rev. Funds	352,547	385,896	385,104	385,416	738,443	770,520	32,077	4.34 %
Total Funds	\$1,328,938	\$1,426,330	\$1,451,687	\$1,452,862	\$2,755,268	\$2,904,549	\$149,281	5.42 %

Program Description

The Enforcement Division is responsible for formal enforcement of the public health and environmental protection laws and rules administered by the department. Division staff works with department attorneys and regulatory programs to draft administrative orders, calculate penalties, negotiate settlements, and monitor compliance with orders issued by the department. The division also manages a complaint clearinghouse that responds to and tracks citizen complaints and reports of spills or releases of materials.

Program Highlights

Enforcement Division Major Budget Highlights
<ul style="list-style-type: none"> Proposed increases are primarily due to personal services, which would increase due to annualization of HB 13 increases and various other global adjustments

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

No adjustments were made to the FY 2015 appropriation.

Comparison of FY 2014 actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$97,392 below the FY 2015 legislative appropriation. The primary reason for the difference is lower personal services costs.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Environmental Quality, 30-Enforcement Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,139,666	0	0	1,139,666	39.24 %	
02070 Hazardous Waste-CERCLA	52,480	0	0	52,480	5.28 %	
02075 UST Leak Prevention Program	69,627	0	0	69,627	7.00 %	
02157 Solid Waste Management Fee	74,268	0	0	74,268	7.47 %	
02201 Air Quality-Operating Fees	228,375	0	0	228,375	22.97 %	
02202 Asbestos Control	37,135	0	0	37,135	3.73 %	
02204 Public Drinking Water	278,506	0	0	278,506	28.01 %	
02278 MPDES Permit Program	106,761	0	0	106,761	10.74 %	
02418 Subdivision Plat Review	28,779	0	0	28,779	2.89 %	
02576 Natural Resources Operations SSR Fu	13,482	0	0	13,482	1.36 %	
02845 Junk Vehicle Disposal	104,950	0	0	104,950	10.55 %	
State Special Total	\$994,363	\$0	\$0	\$994,363	34.23 %	
03067 DSL Federal Reclamation Grant	9,746	0	0	9,746	1.26 %	
03262 EPA PPG	751,019	0	0	751,019	97.47 %	
03433 EPA PPG FY10-11	0	0	0	0	0.00 %	
03816 DOI OSM A&E GRANT	9,755	0	0	9,755	1.27 %	
Federal Special Total	\$770,520	\$0	\$0	\$770,520	26.53 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,904,549	\$0	\$0	\$2,904,549		

The division is funded with general fund and a variety of state special and federal revenue sources. The division’s primary state special revenue funds are the fees collected for air, asbestos control, and discharge permits, as well as subdivision review fees. The largest percentage of federal funds is provided through the Environmental Protection Agency (EPA) programs, predominantly the performance partnership grant.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	551,847	551,847	1,103,694	96.84 %	1,426,330	1,426,330	2,852,660	98.21 %
PL Adjustments	17,756	18,216	35,972	3.16 %	25,357	26,532	51,889	1.79 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$569,603	\$570,063	\$1,139,666		\$1,451,687	\$1,452,862	\$2,904,549	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(18,500)	(8,745)	825	(26,420)	0.00	(17,460)	(8,431)	460	(25,431)
DP 99 - LEG. Present Law	0.00	36,256	17,138	(1,617)	51,777	0.00	35,676	17,227	(940)	51,963
Grand Total All Present Law Adjustments	0.00	\$17,756	\$8,393	(\$792)	\$25,357	0.00	\$18,216	\$8,796	(\$480)	\$26,532

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

The executive proposes to decrease overall personal services in both FY 2016 and FY 2017 when compared to the FY 2015 legislative appropriation. This overall reduction is due to turnover inside of the division, with commensurate impacts to salaries and longevity.

Personal Services Present Law Adjustments					
	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	14.13	\$2,695	\$2,351	\$1,822	\$6,867
Executive Implementation of 2015 Pay Increase		7,273	6,344	4,916	18,532
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(28,468)	(17,439)	(5,912)	(51,819)
Personal Services Present Law Adjustments	14.13	(\$18,500)	(\$8,745)	\$825	(\$26,420)
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	14.13	\$2,695	\$2,351	\$1,822	\$6,867
Executive Implementation of 2015 Pay Increase		7,273	6,343	4,915	18,532
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(27,428)	(17,125)	(6,277)	(50,830)
Personal Services Present Law Adjustments	14.13	(\$17,460)	(\$8,431)	\$460	(\$25,431)

DP 99 - LEG. Present Law -

As shown in the present law adjustment table, overall the executive is proposing increases in costs and funding when compared with the 2015 legislative appropriation. Both increased operating expenses and equipment make up the increase.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	64.00	64.00	61.00	61.00	64.00	61.00	(3.00)	(4.69)%
Personal Services	4,123,725	4,662,668	4,760,329	4,764,957	8,786,393	9,525,286	738,893	8.41 %
Operating Expenses	6,696,693	6,825,662	11,043,739	11,044,127	13,522,355	22,087,866	8,565,511	63.34 %
Equipment & Intangible Assets	8,245	0	8,245	8,245	8,245	16,490	8,245	100.00 %
Benefits & Claims	0	425,000	0	0	425,000	0	(425,000)	(100.00)%
Transfers	7,354	9,364	57,354	57,354	16,718	114,708	97,990	586.13 %
Total Costs	\$10,836,017	\$11,922,694	\$15,869,667	\$15,874,683	\$22,758,711	\$31,744,350	\$8,985,639	39.48 %
State/Other Special Rev. Funds	5,246,390	6,260,514	5,939,481	5,939,464	11,506,904	11,878,945	372,041	3.23 %
Federal Spec. Rev. Funds	5,589,627	5,662,180	9,930,186	9,935,219	11,251,807	19,865,405	8,613,598	76.55 %
Total Funds	\$10,836,017	\$11,922,694	\$15,869,667	\$15,874,683	\$22,758,711	\$31,744,350	\$8,985,639	39.48 %

Program Description

The Remediation Division protects human health and the environment by restoring contaminated sites to a level that prevents unacceptable exposure to hazardous substances that have been released to soil, sediment, surface water or groundwater. The division also ensures compliance with state and federal regulations. It oversees and conducts or supports remedial investigation and efficient, cost-effective cleanup activities at state and federal Superfund sites; supervises voluntary cleanup activities; reclaims abandoned mine lands; implements corrective actions at sites with leaking petroleum storage tanks; and oversees groundwater remediation at sites where improper placement of wastes has caused groundwater contamination. This division is divided into one section and two bureaus. The Abandoned Mine Lands Section is responsible for administering historic (pre-1977) abandoned mine reclamation projects. The Hazardous Waste Cleanup Bureau oversees or conducts the investigation and cleanup of sites contaminated by chemical spills, hazardous substances, and petroleum released by industrial and commercial operations. The bureau works with the Petroleum Tank Release Compensation Board for eligibility and reimbursement determinations. The Federal Superfund and Construction Bureau is responsible for administering and overseeing the state provisions of the federal Comprehensive Environmental Response and Liability Act (CERCLA or federal Superfund program) for cleanup activities at National Priority List (NPL) sites and implements the remedial actions for state-lead sites.

Program Highlights

Remediation Division Major Budget Highlights
<ul style="list-style-type: none"> • Requested increases are primarily to fully fund personal services and for a general operating fund adjustment to increase funding to the prior appropriated level • The executive requests a new proposal to add \$4 million federal special revenue for remediation on abandoned mine lands

Program Discussion -

Comparisons of FY 2015 Legislative Base to FY 2015 Executive Implementation

No adjustments were made to the FY 2015 appropriation.

Comparisons of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$1,086,677 below the FY 2015 legislative appropriation. Primary reasons for the difference is lower personal services costs.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Environmental Quality, 40-Remediation Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02058 Petroleum Storage Tank Cleanup	3,008,000	0	0	3,008,000	25.32 %
02070 Hazardous Waste-CERCLA	240,898	0	0	240,898	2.03 %
02162 Environmental Quality Protecti	7,727,579	0	0	7,727,579	65.05 %
02206 Agriculture Monitoring	40,000	0	0	40,000	0.34 %
02314 DNRC Grants - REMediation	420,000	0	0	420,000	3.54 %
02438 Pegasus - Beal Mountain	0	0	0	0	0.00 %
02451 LUST Cost Recovery - 10% Match	0	0	0	0	0.00 %
02472 Orphan Share Fund	30,000	0	0	30,000	0.25 %
02520 FY06 CERCLA BOND PROCEEDS	12,468	0	0	12,468	0.10 %
02565 LUST Cost Recovery	400,000	0	0	400,000	3.37 %
02940 Pegasus - Basin	0	0	0	0	0.00 %
State Special Total	\$11,878,945	\$0	\$0	\$11,878,945	37.42 %
03036 DEQ Federal AML Grant	2,626,072	0	0	2,626,072	13.22 %
03158 BLM INTERAGENCY AGREEMENT	0	0	0	0	0.00 %
03221 EPA LUST Trust FY2010	90,000	0	0	90,000	0.45 %
03228 L.U.S.T./Trust	1,350,000	0	0	1,350,000	6.80 %
03256 EPA Superfund Core FY2010	0	0	0	0	0.00 %
03257 Superfund Multi-Site	400,000	0	0	400,000	2.01 %
03259 SUPERFUND MULTI SITE	416,315	0	0	416,315	2.10 %
03260 Carpenter Snow Creek Superfund	2,011,058	0	0	2,011,058	10.12 %
03261 LUST Supplemental Grant	0	0	0	0	0.00 %
03262 EPA PPG	399,738	0	0	399,738	2.01 %
03295 Tank Closure Grant	0	0	0	0	0.00 %
03351 MGMT ASSIST - BUTTE MINE FLOOD	500,000	0	0	500,000	2.52 %
03353 MANAGEMENT ASSIST - SPEC ACCT	800,246	0	0	800,246	4.03 %
03360 MANAGEMENT ASSISTANCE - BULK	499,556	0	0	499,556	2.51 %
03361 DOI Surface Mining AML	120,202	0	0	120,202	0.61 %
03433 EPA PPG FY10-11	0	0	0	0	0.00 %
03438 Brownsfield State Response	0	0	0	0	0.00 %
03447 DEQ-Federal AML03 Grant	0	0	0	0	0.00 %
03463 MINE LEASE/RECLAMATION	10,000	0	0	10,000	0.05 %
03468 Core Cooperative Grant-FY05	400,000	0	0	400,000	2.01 %
03663 AML Special Projects	0	0	0	0	0.00 %
03667 Pollution Prevention Grant	8,000,000	0	0	8,000,000	40.27 %
03721 Libby Asbestos/Troy	851,556	0	0	851,556	4.29 %
03973 Brownfields Grants	1,390,662	0	0	1,390,662	7.00 %
Federal Special Total	\$19,865,405	\$0	\$0	\$19,865,405	62.58 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$31,744,350	\$0	\$0	\$31,744,350	

The Remediation Division is funded with a mix of state special and federal revenue sources. State special revenue comes from the \$.0075 gas tax for petroleum tank cleanup, registration fees for underground storage tanks, and interest proceeds from the Resource Indemnity Trust (RIT) deposited to the environmental quality protection, orphan share, and hazardous waste funds. Federal special revenue is derived from the federal Environmental Protection Agency (EPA) for Superfund

oversight and various other activities, and the federal Office of Surface Mining for the Abandoned Mine Lands (AML) program.

For a further discussion of the RIT funds, see the Summary section of this agency’s narrative.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	11,497,694	11,497,694	22,995,388	0.00 %
PL Adjustments	0	0	0	0.00 %	371,973	376,989	748,962	0.00 %
New Proposals	0	0	0	0.00 %	4,000,000	4,000,000	8,000,000	0.00 %
Total Budget	\$0	\$0	\$0		\$15,869,667	\$15,874,683	\$31,744,350	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	387,951	(290,290)	97,661	0.00	0	388,166	(285,877)	102,289
DP 99 - LEG. Present Law	0.00	0	(283,984)	558,296	274,312	0.00	0	(284,216)	558,916	274,700
Grand Total All Present Law Adjustments	0.00	\$0	\$103,967	\$268,006	\$371,973	0.00	\$0	\$103,950	\$273,039	\$376,989

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	61.00	\$0	\$18,877	\$10,769	\$29,646
Executive Implementation of 2015 Pay Increase		-	51,546	30,462	82,008
Fully Fund 2015 Legislatively Authorized FTE		-	52,804	49,941	102,745
Other		-	264,723	(381,461)	(116,738)
Personal Services Present Law Adjustments	61.00	\$0	\$387,951	(\$290,290)	\$97,661
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	61.00	\$0	\$18,877	\$10,769	\$29,646
Executive Implementation of 2015 Pay Increase		-	50,945	31,063	82,008
Fully Fund 2015 Legislatively Authorized FTE		-	52,804	49,941	102,745
Other		-	265,540	(377,650)	(112,110)
Personal Services Present Law Adjustments	61.00	\$0	\$388,166	(\$285,877)	\$102,289

The executive proposes to increase overall personal services in both FY 2016 and FY 2017 when compared to the FY 2015 legislative appropriation, primarily due to global adjustments and fully funding all vacant positions.

DP 99 - LEG. Present Law -

As shown in the present law adjustment table, overall the executive is proposing increases in costs and funding when compared with the 2015 legislative appropriation. The decreases in state special revenue are offset by increases in federal special revenue. 80% of the increase is in operating expenses including training, information technology, travel, supplies, and relocation.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4004002 - Operating Adjustment for Abandoned Mine Lands	0.00	0	0	4,000,000	4,000,000	0.00	0	0	4,000,000	4,000,000
Total	0.00	\$0	\$0	\$4,000,000	\$4,000,000	0.00	\$0	\$0	\$4,000,000	\$4,000,000

DP 4004002 - Operating Adjustment for Abandoned Mine Lands -

The executive requests additional federal special revenue authority for the Abandoned Mine Lands program at the level supported by the federal government.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	207.14	207.14	197.64	197.64	207.14	197.64	(9.50)	(4.59)%
Personal Services	13,838,254	15,148,914	15,785,489	15,789,712	28,987,168	31,575,201	2,588,033	8.93 %
Operating Expenses	8,946,147	12,941,745	12,171,778	12,174,240	21,887,892	24,346,018	2,458,126	11.23 %
Equipment & Intangible Assets	124,965	101,740	156,071	156,071	226,705	312,142	85,437	37.69 %
Grants	1,094,008	1,635,863	1,654,293	1,654,293	2,729,871	3,308,586	578,715	21.20 %
Transfers	23,294	26,036	27,663	27,663	49,330	55,326	5,996	12.15 %
Total Costs	\$24,026,668	\$29,854,298	\$29,795,294	\$29,801,979	\$53,880,966	\$59,597,273	\$5,716,307	10.61 %
General Fund	1,829,563	1,897,482	2,351,145	2,351,458	3,727,045	4,702,603	975,558	26.18 %
State/Other Special Rev. Funds	15,653,156	20,765,486	20,301,751	20,306,899	36,418,642	40,608,650	4,190,008	11.51 %
Federal Spec. Rev. Funds	6,543,949	7,191,330	7,142,398	7,143,622	13,735,279	14,286,020	550,741	4.01 %
Total Funds	\$24,026,668	\$29,854,298	\$29,795,294	\$29,801,979	\$53,880,966	\$59,597,273	\$5,716,307	10.61 %

Program Description

The Permitting and Compliance Division administers all DEQ permitting and compliance activities based on 17 state regulatory and 5 related federal authorities. The division: 1) reviews and assesses environmental permit applications (coordinating with other state, local, and federal agencies) to determine control measures needed to ensure compliance with the law and to prevent land, water, and air conditions detrimental to public health welfare, safety, and the environment; 2) prepares supporting environmental documents under the Montana Environmental Policy Act and provides training and technical assistance when needed; 3) inspects to determine compliance with permit conditions, laws, and rules; and 4) when compliance problems are discovered, provides assistance to resolve the facility's compliance issues, and when necessary recommends formal enforcement actions to the Enforcement Division. Activities are organized in the Air Resources Management Bureau (air); Industrial Energy and Minerals Bureau (coal, uranium, opencut); Environmental Management Bureau (hard rock, facility siting); Public Water and Subdivision Bureau (public water supply, subdivision and operator certification); Water Protection Bureau (water discharge); and Waste and Underground Tank Management Bureau (solid waste, junk vehicles, septage pumpers, hazardous waste, asbestos, underground storage tanks, and meth standards).

Program Highlights

Permitting and Compliance Division Major Budget Highlights
<ul style="list-style-type: none"> • Requested increases are due primarily to: • Full funding of personal services and annualization of HB 13 increases • General operations adjustments related to metal mine reclamation and Major Facility Siting Act projects • Other general operations adjustments to increase appropriations to the prior appropriated level • A new proposal for water treatment at Zortman/Landusky
Major LFD Issues
<ul style="list-style-type: none"> • Funding for Zortman/Landusky water treatment was shifted from state special to general fund

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The executive implemented a \$250,000 reduction of authority in accordance with contingency language regarding the orphan share included in HB 2, though this change is not reflected in the budget comparison table.

FY 2015 Appropriation Transactions - Department of Environmental Quality					
Program	Legislative Appropriation	Legislative Approps OTO	House Adjustment	Operating Plan	Total Executive Implementation
Personal Services	\$15,074,597	\$117,514		(\$3,002)	\$15,189,109
Operating Expenses	12,651,550	250,000	(250,000)	3,002	12,654,552
Equipment & Intangible Assets	101,740				101,740
Grants	1,635,863				1,635,863
Transfers	23,034				23,034
Program Total	\$29,486,784	\$367,514	(\$250,000)	-	\$29,604,298

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$5,460,116 below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Lower personal services costs
- Lower expenditures than appropriated in the base year for cost reimbursement projects related to the Major Facility Siting Act and hard rock reclamation
- Lower grants than anticipated

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Environmental Quality, 50-Permitting & Compliance Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,702,603	0	0	4,702,603	7.89 %
02036 Opencut Fees	664,023	0	0	664,023	1.64 %
02054 UST-Installer Lic & Permit Acc	51,104	0	0	51,104	0.13 %
02070 Hazardous Waste-CERCLA	514,198	0	0	514,198	1.27 %
02075 UST Leak Prevention Program	620,736	0	0	620,736	1.53 %
02096 Reclamation - Bond Forfeitures	100,000	0	0	100,000	0.25 %
02157 Solid Waste Management Fee	1,357,054	0	0	1,357,054	3.34 %
02201 Air Quality-Operating Fees	8,653,804	0	0	8,653,804	21.31 %
02202 Asbestos Control	559,122	0	0	559,122	1.38 %
02204 Public Drinking Water	2,360,241	0	0	2,360,241	5.81 %
02278 MPDES Permit Program	6,359,329	0	0	6,359,329	15.66 %
02308 DNRC Grants Permit Cmpl Div	0	0	0	0	0.00 %
02417 Orphan Share Transfers	0	0	0	0	0.00 %
02418 Subdivision Plat Review	1,536,384	0	0	1,536,384	3.78 %
02420 Bd of Cert For W&WW OP	295,608	0	0	295,608	0.73 %
02421 Hazardous Waste Fees	516,824	0	0	516,824	1.27 %
02428 Major Facility Siting	1,858,736	0	0	1,858,736	4.58 %
02472 Orphan Share Fund	0	0	0	0	0.00 %
02521 Pegasus Bankruptcy/Operations	1,474,642	0	0	1,474,642	3.63 %
02576 Natural Resources Operations SSR Fu	4,417,555	0	0	4,417,555	10.88 %
02579 Coal & Uranium Mine Account	554,402	0	0	554,402	1.37 %
02845 Junk Vehicle Disposal	4,136,758	0	0	4,136,758	10.19 %
02954 Septage Fees	148,516	0	0	148,516	0.37 %
02988 Hard Rock Mining Reclamation	4,429,614	0	0	4,429,614	10.91 %
State Special Total	\$40,608,650	\$0	\$0	\$40,608,650	68.14 %
03028 UST Energy Policy Act Prov	947,696	0	0	947,696	6.63 %
03067 DSL Federal Reclamation Grant	1,648,269	0	0	1,648,269	11.54 %
03107 National Park Service - Yellowstone	41,827	0	0	41,827	0.29 %
03152 DW SRF FY15 Grant	402,138	0	0	402,138	2.81 %
03243 BLM-ARMB 9/30/16	61,918	0	0	61,918	0.43 %
03262 EPA PPG	5,904,268	0	0	5,904,268	41.33 %
03309 UST Leak Prevention Grant	0	0	0	0	0.00 %
03325 PM 2.5 TO 3/31/09	1,010,285	0	0	1,010,285	7.07 %
03326 BLM For Zortman & Landusky	750,928	0	0	750,928	5.26 %
03430 DW SRF FY14 Grant	0	0	0	0	0.00 %
03433 EPA PPG FY10-11	0	0	0	0	0.00 %
03435 PM 2.5 Fiscal Year 2004	0	0	0	0	0.00 %
03436 NPS 09 Staffing & Support	0	0	0	0	0.00 %
03438 Brownsfield State Response	0	0	0	0	0.00 %
03569 DW SRF FY16 Grant	1,175,727	0	0	1,175,727	8.23 %
03574 DW SRF FY17 Grant	658,057	0	0	658,057	4.61 %
03595 DW SRF FY13	0	0	0	0	0.00 %
03691 Non Pt Source Staffing/Support	0	0	0	0	0.00 %
03798 Homeland Water System Security	0	0	0	0	0.00 %
03816 DOI OSM A&E GRANT	1,648,865	0	0	1,648,865	11.54 %
03973 Brownfields Grants	36,042	0	0	36,042	0.25 %
Federal Special Total	\$14,286,020	\$0	\$0	\$14,286,020	23.97 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$59,597,273	\$0	\$0	\$59,597,273	

The division is funded with general fund and a variety of state and federal special revenue sources. The general fund supports operating expenses.

State special revenue consists of forfeited hard rock reclamation bonds, and fees collected for various activities such as air permits, junk vehicle fines, public water supply connections, and subdivision reviews. These funds are used to administer related permits and compliance operations in the division. The division also receives Resource Indemnity Trust (RIT)

interest via the hazardous waste and natural resources operations funds. For a further discussion of the RIT funds, see the Summary section of this agency’s narrative.

Federal special revenue sources include the Environmental Protection Agency (EPA) and the Bureau of Land Management (BLM). Federal funds are directed toward specific sites or for primacy costs of the permitting programs.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,897,482	1,897,482	3,794,964	80.70 %	29,486,784	29,486,784	58,973,568	98.95 %
PL Adjustments	203,663	203,976	407,639	8.67 %	53,287	59,972	113,259	0.19 %
New Proposals	250,000	250,000	500,000	10.63 %	255,223	255,223	510,446	0.86 %
Total Budget	\$2,351,145	\$2,351,458	\$4,702,603		\$29,795,294	\$29,801,979	\$59,597,273	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(704,330)	3,987,366	(2,572,144)	710,892	0.00	(718,420)	4,038,873	(2,605,338)	715,115
DP 99 - LEG. Present Law	0.00	907,993	(4,088,810)	2,523,212	(657,605)	0.00	922,396	(4,135,169)	2,557,630	(655,143)
Grand Total All Present Law Adjustments	0.00	\$203,663	(\$101,444)	(\$48,932)	\$53,287	0.00	\$203,976	(\$96,296)	(\$47,708)	\$59,972

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

The executive proposes to increase overall personal services in both FY 2016 and FY 2017 when compared to the FY 2015 legislative appropriation, primarily due to various global personal services adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	197.64	\$8,340	\$60,700	\$27,013	\$96,053
Executive Implementation of 2015 Pay Increase		26,070	180,964	75,438	282,472
Fully Fund 2015 Legislatively Authorized FTE		13,324	197,693	109,007	320,024
Other		(752,063)	3,548,009	(2,783,602)	12,343
Personal Services Present Law Adjustments	197.64	(\$704,330)	\$3,987,366	(\$2,572,144)	\$710,892

FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	197.64	\$8,340	\$60,700	\$27,013	\$96,053
Executive Implementation of 2015 Pay Increase		26,054	180,886	75,532	282,472
Fully Fund 2015 Legislatively Authorized FTE		13,324	197,693	109,007	320,024
Other		(766,138)	3,599,593	(2,816,890)	16,566
Personal Services Present Law Adjustments	197.64	(\$718,420)	\$4,038,873	(\$2,605,338)	\$715,115

DP 99 - LEG. Present Law -

As shown in the present law adjustment table, overall the executive is proposing decreases in costs and funding when compared with the 2015 legislative appropriation.

The LGPL includes a two present law adjustments requested by the department. The first would be a restricted, biennial appropriation to support the Metal Mine reclamation Act and Major Facility Siting Act programs. This request would continue a similar appropriation made during the 2013 legislature. The second is a request to replace an owned vehicle with a leased vehicle. Neither has general fund impact.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5005003 - Zortman/Landusky Additional (RST/OTO)	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 5005005 - Lease Vehicle for Missoula Office	0.00	0	5,223	0	5,223	0.00	0	5,223	0	5,223
Total	0.00	\$250,000	\$5,223	\$0	\$255,223	0.00	\$250,000	\$5,223	\$0	\$255,223

DP 5005003 - Zortman/Landusky Additional (RST/OTO) -

The executive requests one-time-only, restricted funding for water treatment projects at the Zortman and Landusky mine sites. Annual site operating costs are approximately \$2.5 million, over triple the amount of the water treatment bond that is available annually. As a part of this proposal, the executive has requested the following language be including in HB 2: "If federal funds are received to help meet the annual shortfall in operating and maintenance costs at the Zortman-Landusky mine sites, this general fund spending authority will be reduced by the same amount."

**LFD
COMMENT**Shifting from State Special Revenue to General Fund

The 2013 legislature approved a similar request to support the Zortman/Landusky site with the orphan share fund. This request would shift the funding from that fund to the general fund. The orphan share fund still has a fund balance that could fund this appropriation.

DP 5005005 - Lease Vehicle for Missoula Office -

The executive requests funding to lease a vehicle from the state motor pool to replace a vehicle leased from a private car rental company.

Language

The executive requests the following language be included in HB 2:

"If federal funds are received to help meet the annual shortfall in operating and maintenance costs at the Zortman-Landusky mine sites, this general fund spending authority will be reduced by the same amount"

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	6.10	6.10	5.60	5.60	6.10	5.60	(0.50)	(8.20)%
Personal Services	378,778	389,621	390,456	390,137	768,399	780,593	12,194	1.59 %
Operating Expenses	250,894	258,118	250,887	250,888	509,012	501,775	(7,237)	(1.42)%
Total Costs	\$629,672	\$647,739	\$641,343	\$641,025	\$1,277,411	\$1,282,368	\$4,957	0.39 %
State/Other Special Rev. Funds	629,672	647,739	641,343	641,025	1,277,411	1,282,368	4,957	0.39 %
Total Funds	\$629,672	\$647,739	\$641,343	\$641,025	\$1,277,411	\$1,282,368	\$4,957	0.39 %

Program Description

The Petroleum Tank Release Compensation Board is responsible for administering the petroleum tank release cleanup fund. This includes reimbursement to petroleum storage tank owners and operators for corrective action costs and compensation paid to third parties for bodily injury and property damage resulting from a release of petroleum from a petroleum storage tank. The board is responsible for responding to and working with private individuals, corporations, other state agencies, the Governor’s Office, the legislature, federal agencies, and other interested parties with activities relative to petroleum storage tanks. It is attached to the DEQ for administrative purposes.

Program Highlights

<p>Petro Tank Release Compensation Board Major Budget Highlights</p>
<ul style="list-style-type: none"> • The executive generally requests funding at the 2015 biennium funding

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

No changes were made to the FY 2015 appropriation.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures are \$18,067 below the FY 2015 legislative appropriation, primarily due to lower personal services costs.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Environmental Quality, 90-Petro Tank Release Compensation Board Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02058 Petroleum Storage Tank Cleanup	1,282,368	0	8,451,280	9,733,648	100.00 %	
State Special Total	\$1,282,368	\$0	\$8,451,280	\$9,733,648	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,282,368	\$0	\$8,451,280	\$9,733,648		

The program is funded entirely through a portion of the \$0.0075 fee on gasoline, diesel, heating oil, and aviation fuel distributed in Montana.

LFD COMMENT	<p><u>Petroleum Storage Tank Cleanup Fund Reduction</u></p> <p>The only funding source for the division – the Petroleum Storage Tank Cleanup state special revenue fund - is projected to have negative fund balance by fiscal year end 2015. While the administrative portion of the division is appropriated through HB 2, reimbursement payments from the Petroleum Tank Release Compensation Board to owners and operators impacted by a release are statutorily appropriated under 75-11-313, MCA. In order to ensure fiscal soundness, the board has reduced the amount of statutory appropriation it anticipates spending by \$2 million dollars in both FY 2016 and FY 2017. This will leave the fund with a projected balance of \$2,071,036 at the end of the 2017 biennium.</p>
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Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	647,739	647,739	1,295,478	0.00 %
PL Adjustments	0	0	0	0.00 %	(6,396)	(6,714)	(13,110)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$641,343	\$641,025	\$1,282,368	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	835	0	835	0.00	0	516	0	516
DP 99 - LEG. Present Law	0.00	0	(7,231)	0	(7,231)	0.00	0	(7,230)	0	(7,230)
Grand Total All Present Law Adjustments	0.00	\$0	(\$6,396)	\$0	(\$6,396)	0.00	\$0	(\$6,714)	\$0	(\$6,714)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	5.60	\$0	\$2,722	\$0	\$2,722
Executive Implementation of 2015 Pay Increase		-	6,745	-	6,745
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		-	(8,631)	-	(8,631)
Personal Services Present Law Adjustments	5.60	\$0	\$835	\$0	\$835
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	5.60	\$0	\$2,722	\$0	\$2,722
Executive Implementation of 2015 Pay Increase		-	6,745	-	6,745
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		-	(8,950)	-	(8,950)
Personal Services Present Law Adjustments	5.60	\$0	\$516	\$0	\$516

The executive proposes to increase overall personal services in both FY 2016 and FY 2017 when compared to the FY 2015 legislative appropriation. As shown in the table, the increase is composed of the implementation of the 2015 pay increase and the state share of the health insurance.

DP 99 - LEG. Present Law -

This adjustment reflects all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs.

Language and Statutory Authority -

The executive has requested the following language be included in HB 2:

53010 - Department Of Environmental Quality 90-Petro Tank Release Compensation Board

"The department is appropriated up to \$1,000,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2015 biennium for the purpose of paying contract expenses related to the recovery of funds.

The Legislative Fiscal Division Presents an Agency Profile of:

The Department of Livestock

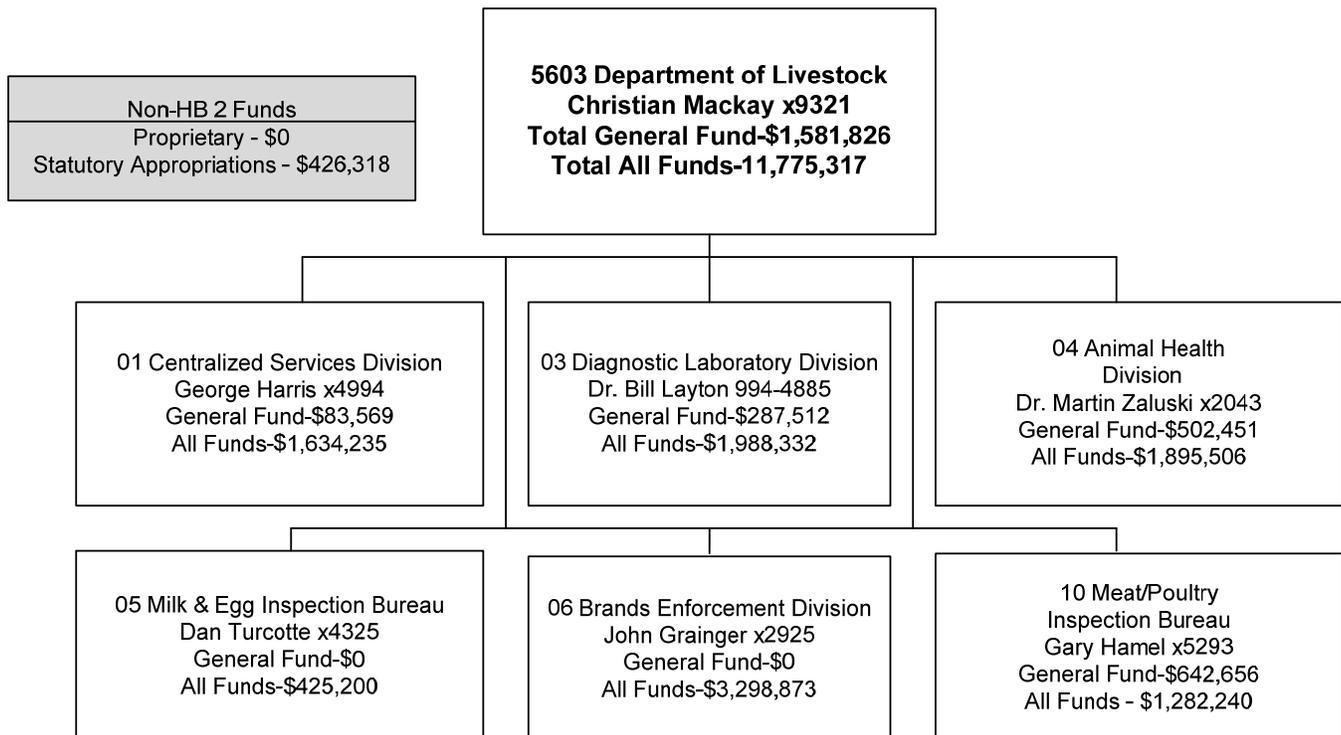
Contact: Sam Schaefer
Rm. 110Q, State Capitol Building
Phone: (406) 444-1787, e-mail: samschaefer@mt.gov

Updated August 2014

Agency Description

Definition of Terms

The Department of Livestock is responsible for controlling and eradicating animal diseases; preventing the transmission of animal diseases to humans; protecting the livestock industry from theft and predatory animals; meat, milk, and egg inspection; and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer, the Livestock Crimestoppers' Commission, the Milk Control Board, and the Livestock Loss Reduction and Mitigation Board. The department is organized into six divisions: Centralized Services, Diagnostic Laboratory, Animal Health, Milk and Egg, Brands Enforcement, and Meat and Poultry Inspection. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

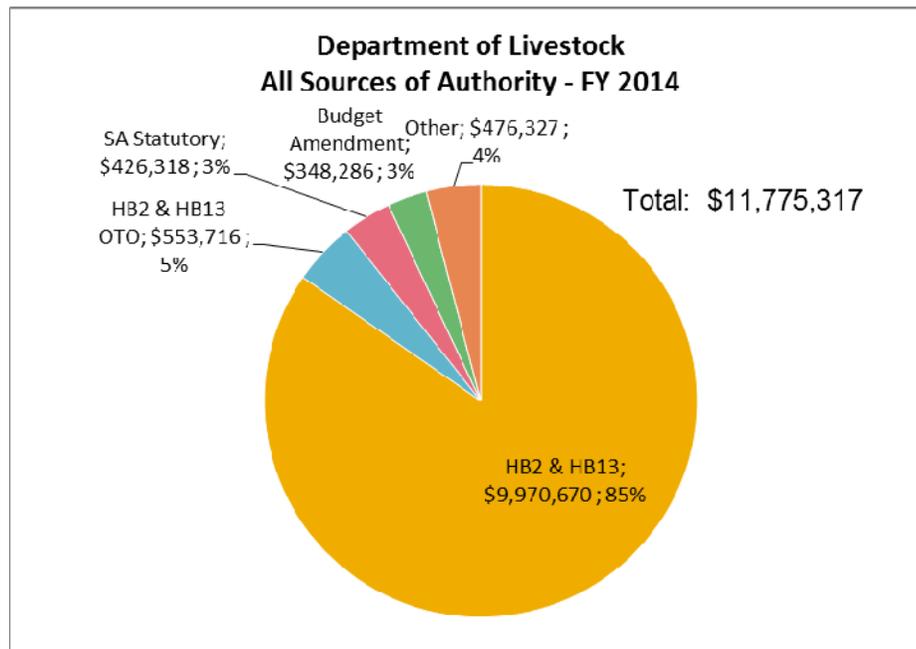


How Services are Provided

The Department of Livestock consists of six divisions with the following functions:

- **Centralized Services Division** provides budget, accounting, and other administrative functions to support department operations and administratively attached boards, and leadership through the Board of Livestock. The Predator Control Program provides protection from certain types of predators that threaten domestic livestock and may endanger human safety. 20.78 FTE are assigned to both functions.
- **Diagnostic Laboratory Division** provides veterinary lab testing and services to producers, veterinarians, animal owners, and other department divisions, as well as some public health related testing for other government entities (e.g. rabies, West Nile virus). 21.76 FTE are assigned to this function.
- **Animal Health Division** safeguards health and food production capacity of Montana’s animals and poultry through prevention, diagnosis, control, and eradication of animal disease. This function has an assigned staff of 16.01 FTE.
- **Milk and Egg Division** ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption, through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies. 6.50 FTE are assigned to this function.
- **Brands Enforcement Division** provides professional law enforcement and investigative work to track livestock ownership, and record and inspect livestock brands. This work is managed by 57.21 FTE.
- **Meat and Poultry Inspection Division** implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service. 20.50 FTE are assigned to this function.

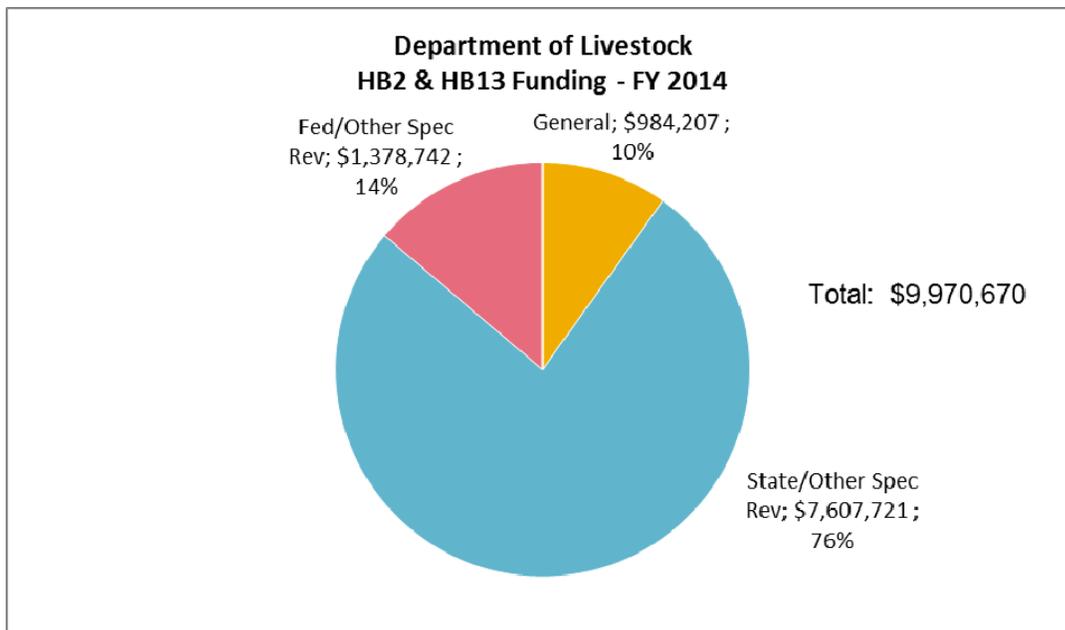
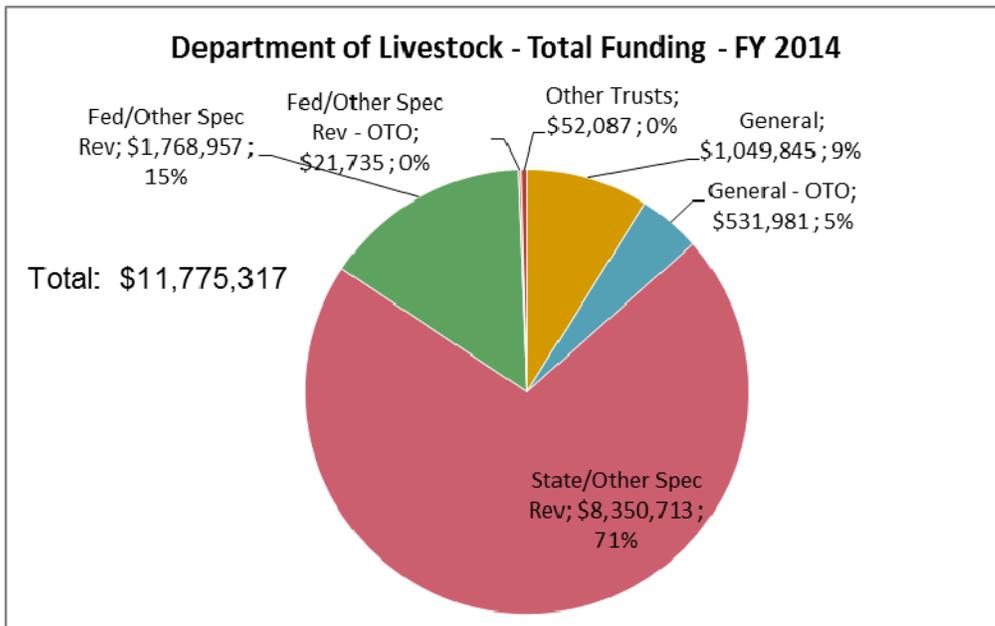
Sources of Spending Authority



The above chart shows the sources of authority for the Department of Livestock. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

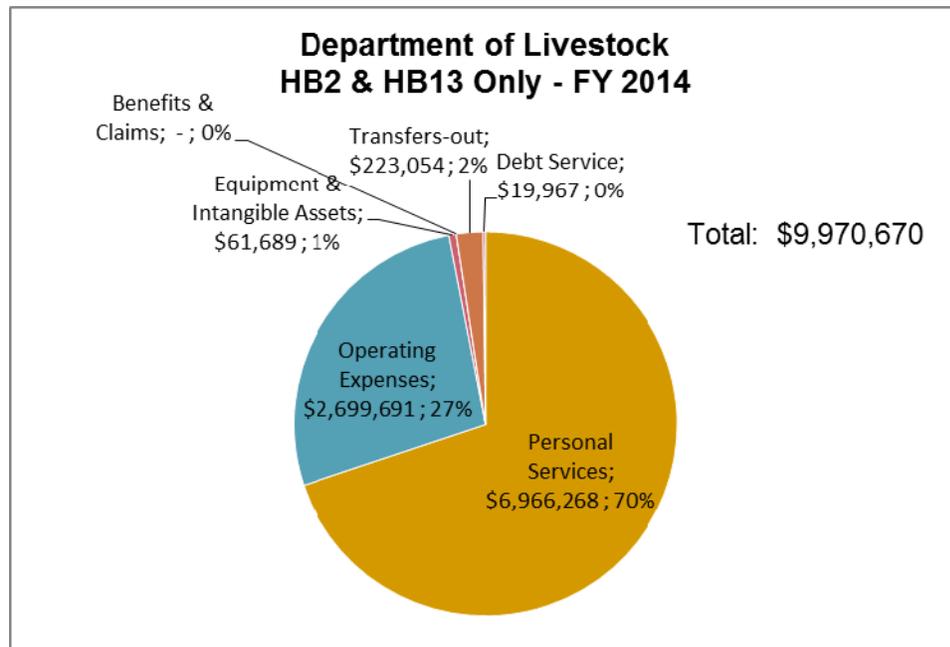
HB 2 Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



Expenditures

This chart explains how the HB 2 authority is spent. This chart matches the agency chart found in the 2017 Budget Analysis.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or Department of Livestock activity, the legislature must address one or more of the following basic elements that drive costs.

- Inspection regulations—although most livestock inspections (meat, poultry, milk, eggs, etc.) are defined by federal regulation (USDA and FDA), the State of Montana could develop inspection regulations and requirements. The number of facilities (slaughterhouses and meat processing plants) and the number of animals to be inspected are the multipliers for the regulations themselves. Although these numbers are beyond some level of control (a function of the livestock economy and animal raising conditions), regulation can also address the percent of animals that are to be inspected and the frequency of inspecting processing facilities.
- Brands enforcement and animal health—the commerce and movement (interstate, intrastate and international) of livestock is regulated and controlled by brands (for economic and animal health reasons), with state FTE charged with monitoring that commerce. Expenditure levels can be changed based upon changing policies related to ensuring livestock transactions occur in accordance with regulations as well as in accordance with animal disease control methods. Also, new or emerging animal health issues may require new surveillance and inspection regulations (e.g. Brucellosis, BSE [mad cow disease] and avian flu).
- Predator control—these activities are driven by the definition of which animals are predators and what means are used to kill/control these animals (e.g. a hunting season, helicopter patrols, etc.).
- Bison management—although this program is funded by federal special revenue, the costs of the program are related to the state decision that bison from Yellowstone National Park pose a brucellosis threat to the state cattle industry.

- General fund expenditures—in the Department of Livestock, general fund is used to support meat/poultry inspections, brucellosis testing supplies, and some public health testing in the diagnostic laboratory.
- The USDA funded inspection program requires a 50/50 general fund match, so this general fund expenditure is a factor of federal regulation and not readily subject to state influence.
- Public health testing in the diagnostic veterinary laboratory is primarily rabies and west Nile virus, so this general fund expenditure is a function of state policy on control and eradication of these diseases.

The legislature can evaluate the amount that fees are set at statutorily for the per capita fee, inspection fees, milk and egg grading, and lab fees to increase state special funds revenue, and that funding could then replace general fund.

Major Cost Drivers

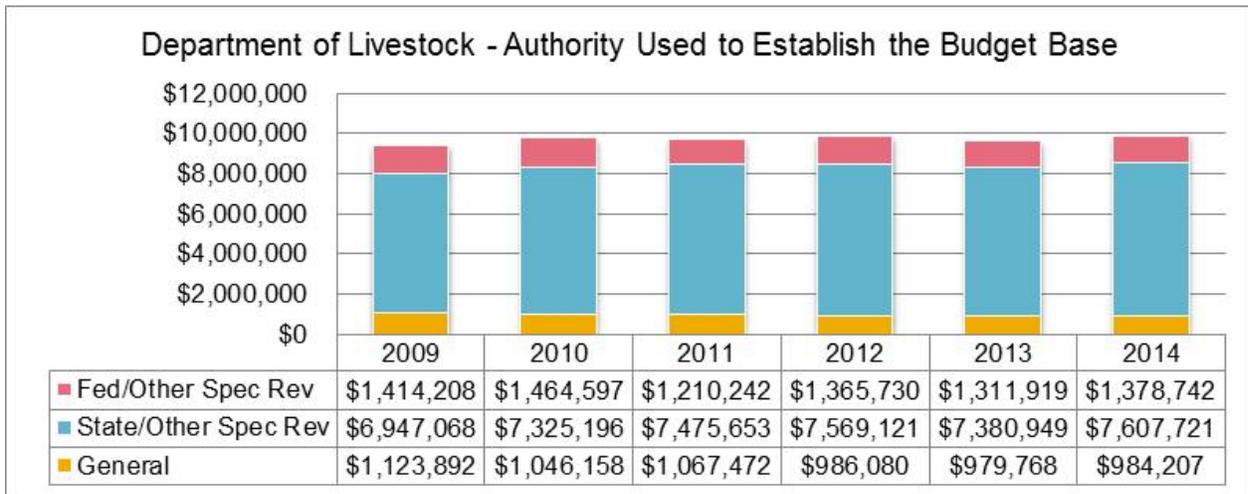
<i>Element</i>	<i>2013</i>	<i>2014</i>	<i>Significance of Data</i>
Number of cattle in MT	1,804,755	1,801,533	Per capita fees are primary revenue
Number of brands re-recorded (2011)	46,685	46,685	Primary workload and revenue for major division
Number of cattle inspected at market	650,894 (CY2012)	692,518 (CY2013)	Workload for brand inspectors
Number of cattle inspected by MDOL outside of markets	240,810 (CY2012)	255,964 (CY2013)	Workload for brand inspectors
Number of licensed milk producers	69	67	Dictates level of inspections needed
Number of dairy inspections	490	520	Workload for milk/egg inspection functions
Number of lab test performed	261,262	232,768	Workload and demand for diagnostic laboratory
Egg Inspections	162	164	Workload for milk/egg inspection functions *Outside of Great Falls Inspection Plant
Number of bison incidents	1,895	2,004	Hazing workload for bison management functions
Quantity of milk sold	288,644,784 lbs	286,550,985 lbs	Workload for milk control functions

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

State FTE - state employees perform many of the functions of the Department of Livestock. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 33 percent of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

Funding/Expenditure History, Authority Used to Establish the Budget Base



The table shows the historical changes in the department's base budget authority. As shown, funding has been fairly stable over the period, with state special revenue assuming a greater share of overall funding.

The agency has also been appropriated several OTO appropriation from the general fund for horse racing and brucellosis monitoring over the last four years that do not appear in the chart.

Major Legislative Changes in the Last Ten Years

Brucellosis

- The 2011 Legislature approved one-time-only authority to continue brucellosis surveillance in Montana. The Designated Surveillance Area (DSA) plan covering parts of Beaverhead, Madison, Gallatin, and Park counties requires continued testing and risk mitigation activities. The source of funding requested is 50% general fund and 50% per capita fee.
- The 2011 Legislature approved a reduction of \$278,770 as a result of a request from the agency to reduce the costs associated with the Brucellosis Designated Surveillance Area (DSA).
- The 2011 Legislature approved funding for the Brucellosis Action Plan (BAP). The BAP was funded in two parts. Immediate, short term costs of \$2.4 million general fund were approved in HB 3 for the 2009 calendar year. The ongoing testing and surveillance activities were funded in HB 2, including \$0.5 million general fund and \$678,400 in livestock per capita fees for the 2011 biennium. The legislature approved the general fund portion as one-time-only in order to re-evaluate the need for general fund for the 2013 biennium.

Predator Control

- The 2011 Legislature passed HB 622, which transferred and statutorily appropriated money for use in predator control and for reimbursement of livestock owners for predatory loss. \$200,000 general fund is provided for livestock predation reimbursement in each fiscal year as a statutory appropriation, while \$350,000 is provided each fiscal year for predator control from the livestock per capita state special fund and is statutorily appropriated. Both transfers establish accounts that are allowed to carry over any unused balance into following fiscal years. Both statutory appropriations sunset June 30, 2017.

Horseracing

- The 2011 Legislature passed SB 16, which placed authority with the Board of Horse Racing to enter into contracts to provide simulcast racing through a simulcast paramutuel network and provides a statutory appropriation for the Board of Horse Racing to utilize funds raised through these contracts.

The 2007 Legislature made several changes:

- Included \$350,000 state general fund for a biennial, one-time-only appropriation in the 2009 biennium for the Board of Horse Racing. The infusion of state funds into the Board of Horse Racing will be used to pay a portion of the regulatory costs, primarily salaries for race track officials, which have been paid in the past by those tracks putting on the event
- Authorized the Board of Livestock to conduct and supervise advance deposit wagering for horseracing by internet or phone (HB 390). Spending authority for the revenue generated from HB 390 is included in HB 2
- Created revenue for the Board of Horse Racing state special revenue account through pari-mutuel wagering on fantasy sports leagues (HB 616). Administrative costs are included in HB 2. HB 616 limits administrative costs to no more than 10 percent of the amount collected. The remaining portion is statutorily appropriated to the Board of Horse Racing for distribution to live race purses and for other purposes the Board considers appropriate for the good of the existing horseracing industry

For further information, you may wish to contact the agency at:

Department of Livestock

301 North Roberts

P.O. Box 202001

Helena, MT 59620-2001

Phone: (406) 444-9431

webpage: <http://liv.mt.gov/default.mcp>

Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	138.47	138.47	139.12	139.12	138.47	139.12	0.65	0.47 %
Personal Services	6,966,271	7,635,552	8,424,105	8,422,558	14,601,823	16,846,663	2,244,840	15.37 %
Operating Expenses	2,699,712	3,248,357	3,549,800	3,481,761	5,948,069	7,031,561	1,083,492	18.22 %
Equipment & Intangible Assets	61,689	7,149	61,689	61,689	68,838	123,378	54,540	79.23 %
Grants	0	0	0	0	0	0	0	0.00 %
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	223,054	75,997	223,054	223,054	299,051	446,108	147,057	49.17 %
Debt Service	19,967	24,842	19,967	19,967	44,809	39,934	(4,875)	(10.88)%
Total Costs	\$9,970,693	\$10,991,897	\$12,278,615	\$12,209,029	\$20,962,590	\$24,487,644	\$3,525,054	16.82 %
General Fund	984,208	1,559,633	2,536,002	2,536,504	2,543,841	5,072,506	2,528,665	99.40 %
State/Other Special Rev. Funds	7,607,738	7,961,560	7,976,807	7,906,775	15,569,298	15,883,582	314,284	2.02 %
Federal Spec. Rev. Funds	1,378,747	1,470,704	1,765,806	1,765,750	2,849,451	3,531,556	682,105	23.94 %
Total Funds	\$9,970,693	\$10,991,897	\$12,278,615	\$12,209,029	\$20,962,590	\$24,487,644	\$3,525,054	16.82 %

Mission Statement

The mission of the Department of Livestock is to control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock industry from theft and predatory animals.

Agency Highlights

Department of Livestock Major Budget Highlights
<p>The proposed budget increases 16.82% over the prior biennium due to:</p> <ul style="list-style-type: none"> • Statewide present law adjustments and new proposals • General fund that increases 99.40% from the prior biennium • Major initiatives in the budget are: <ul style="list-style-type: none"> • continuation of DSA vet compliance specialist, and DSA Brucellosis testing funded with \$1.2 million general fund • Meat inspection indirect costs \$180,000 general fund
Legislative Action Issues
<ul style="list-style-type: none"> • The Department's ability to manage resources effectively are questionable. <ul style="list-style-type: none"> ◦ The legislature may wish to request additional information from the department to assure financial and managerial improvements occur. ◦ The legislature may wish to zero base the budget to fully examine the use of state resources.

**LFD
ISSUE**

Can additional per capita revenue be obtained without raising the fees?

In the 2013 session SB 162 eliminated the Department of Revenue (DOR) from the hail insurance and gave all the duties to the Department of Agriculture.

The legislature might want to consider doing this for the collection of per capita fees by having the Department of Livestock rather than the Department of Revenue take over the duties of collecting the fees. Justifications for this might be:

- The Board of Livestock sets the per capita fee annually
- It's the Department of Livestock major funding source
- Often the per capita fund is not structurally balanced

The Department of Livestock might increase per capita revenue by initiating compliance measures such as:

1. Comparing laboratory test data to the number of reported livestock
2. Comparing inspections of cattle moving between counties to the number of reported livestock
3. Compare brand inspection data to the number of reported livestock
4. Compare number of cattle entering Montana to the number of reported livestock
 - The Department of livestock wouldn't have to pay the 2% fee which is not sent to the Department of Revenue (approximately \$82,000 per year)
 - Under 15-24-905, owners who bring livestock into the state are required to send a certified letter to the Department of Revenue verifying the number of livestock, the brand, age of the livestock and the time and place where the livestock entered the state and the county in which they were moved. The Department of Livestock is required monthly to furnish most of these same records to the Department of Revenue. It seems inefficient for the two agencies to have duplicate record keeping requirements.
 - If the Department of Livestock took over from DOR, the Department of Livestock could eliminate the reference to the business equipment tax on the per capita form and use the form to show services the fee is providing for the producers. This might increase better reporting and greater revenue.
 - Another option could be to seek out alternative methods of revenue collection
 - Currently, livestock owners are responsible for self-reporting the number of livestock to the DOR who bills and collects the fee revenue for the Department of Livestock
 - At a Board of Livestock meeting, the DOR demonstrated an electronic data base program that would benefit the Department of Livestock. Selling points were the DOR would fund and build the system for no cost and turn it over to the department where it would be managed internally by the Department of Livestock allowing a greater opportunity to conduct compliance. The electronic system would eliminate paper, time, and would conduct recording and billing at the same time.

Agency Discussion**Fiscal Management Issues**

The Legislative Audit Division completed a financial audit of the Department of Livestock in May of 2014. This audit raised issues that were in violation of constitutional or state law, including:

- Dispersing funds without charging an appropriation
- Errors in calculating the 2012 per capita fees
- Expending deferred brand revenues for current year operations

Though the Department concurred with the findings, there is no guaranteed corrections have been made until such time the Audit Division returns for a follow up review.

The issue with Per Capita fees raises concerns as it directly relates to the department's ability to appropriately fund programs within the department. Over time, the fund has been used to cover where other state special revenue funds were inconsistent, leading to excess pressures on the fund. Both the Legislative Finance Committee and the

Economic Affairs Interim Committee (EIAC) reviewed the issues during the interim. The EIAC reviewed structural and fiscal changes for the Department. That report is can be found at http://leg.mt.gov/content/Committees/Interim/2013-2014/Economic-Affairs/Meefings/July-2014/combined_livestock-options-A&B.pdf. This document would be a good starting point for the Legislature to discuss the ongoing issues with the department.

Finally, given the concern over the issues with the Department's fiscal management from members of the Legislature and the industry, the subcommittee may wish to consider zero base budgeting. This would start the budget at zero and establish a process for the department to provide information to the subcommittee to establish a balanced and sustainable budget for FY 2016 and FY 2017 without regard to historical patterns.

Agency Personal Services

5% Reduction Plan

The agency's pay rules called for raising everyone in the department and starting new employees at 90% of the 2006 market survey. The Department of Livestock is a fee based agency. According to the most current (June 2012) DOA agency pay comparison, the average hourly base wage of Livestock employees is 0.78 compared to 2012 Market Midpoints. The Department of Livestock's pay philosophy will be to raise current employees and start new employees to an appropriate level based on a percentage of the latest market survey. However, this is all contingent on funding.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the agency-wide differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Livestock						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Total	Executive Implementation
01 CENTRALIZED SERVICES DIV	\$1,698,538					\$1,698,538
Personal Services	1,133,404					1,133,404
Operating Expenses	481,988					481,988
Equipment & Intangible Assets	7,149					7,149
Benefits & Claims	-					-
Transfers	75,997					75,997
03 DIAGNOSTIC LABORATORY	2,024,515		-	-		2,024,515
Personal Services	1,268,447					1,268,447
Operating Expenses	731,226		-	-		731,226
Debt Service	24,842					24,842
04 ANIMAL HEALTH DIVISION	1,495,356	506,413			-	2,001,769
Personal Services	887,466	133,245		(162,131)		858,580
Operating Expenses	607,890	373,168		(77,869)		903,189
Transfers				240,000		240,000
05 MILK & EGG PROGRAM	457,801				-	457,801
Personal Services	391,994					391,994
Operating Expenses	65,807					65,807
06 BRANDS ENFORCEMENT DIVISION	3,455,487					3,455,487
Personal Services	2,947,117					2,947,117
Operating Expenses	508,370					508,370
10 MEAT/POULTRY INSPECTION	1,306,193	47,594				1,353,787
Personal Services	997,885	38,125				1,036,010
Operating Expenses	308,308	9,469				317,777
Agency Total	\$10,437,890	\$554,007		-	-	\$10,991,897

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Livestock Funding by Source of Authority 2017 Biennium Budget - Department of Livestock						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	5,072,506	0	0	5,072,506	20.02 %	
State Special Total	15,883,582	0	852,636	16,736,218	66.05 %	
Federal Special Total	3,531,556	0	0	3,531,556	13.94 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$24,487,644	\$0	\$852,636	\$25,340,280		
Percent - Total All Sources	96.64 %	0.00 %	3.36 %			

The Department of livestock is funded with general fund, state special revenue, and federal special revenue. General fund provides support for some administrative functions, the diagnostic lab, and meat and poultry inspections. Increases in

general fund spending are mainly attributable to present law adjustments; costs associated with the brucellosis designated surveillance area (DSA), and funding for a DSA veterinarian and compliance specialist. A further discussion is included in the Animal Health Division.

Federal special revenue comes from the bison operations cooperative agreement, the Greater Yellowstone Interagency Brucellosis Committee grant for contracted research, and from the U.S. Department of Agriculture in match funds for meat and poultry inspection.

State special revenue in the Department of Livestock is derived primarily from taxes and fees assessed to livestock owners on a per capita basis and accounts for 66% of the total budget. Three state special revenue funds comprise over 90% of state special revenue in the department. While two of the funds are used for specific activities, they are both supplemented by the primary funding state special revenue source, the per capita fee fund. Therefore, the fates of each of the accounts are intertwined and must be looked at in total. The following table shows the functions of the department and the related funding sources.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,029,423	1,029,423	2,058,846	40.59 %	10,437,890	10,437,890	20,875,780	85.25 %
PL Adjustments	112,257	113,171	225,428	4.44 %	1,014,014	988,271	2,002,285	8.18 %
New Proposals	1,394,322	1,393,910	2,788,232	54.97 %	826,711	782,868	1,609,579	6.57 %
Total Budget	\$2,536,002	\$2,536,504	\$5,072,506		\$12,278,615	\$12,209,029	\$24,487,644	

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	18.50	18.50	18.00	18.00	18.50	18.00	(0.50)	(2.70)%
Personal Services	1,052,400	1,133,404	1,259,520	1,259,104	2,185,804	2,518,624	332,820	15.23 %
Operating Expenses	489,352	481,988	609,811	569,484	971,340	1,179,295	207,955	21.41 %
Equipment & Intangible Assets	0	7,149	0	0	7,149	0	(7,149)	(100.00)%
Grants	0	0	0	0	0	0	0	0.00 %
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	87,481	75,997	87,481	87,481	163,478	174,962	11,484	7.02 %
Total Costs	\$1,629,233	\$1,698,538	\$1,956,812	\$1,916,069	\$3,327,771	\$3,872,881	\$545,110	16.38 %
General Fund	78,570	84,078	95,194	94,993	162,648	190,187	27,539	16.93 %
State/Other Special Rev. Funds	1,550,663	1,614,460	1,861,618	1,821,076	3,165,123	3,682,694	517,571	16.35 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$1,629,233	\$1,698,538	\$1,956,812	\$1,916,069	\$3,327,771	\$3,872,881	\$545,110	16.38 %

Program Description

The Centralized Services Division is responsible for budgeting, accounting, payroll, personnel, legal services, purchasing, administrative, information technology, public information, risk management, and general services for the department. The Milk Control Bureau staff and the Livestock Loss Board (LLB) staff are supervised in the Central Services Division. The Board of Milk Control and the Livestock Loss Board are administratively attached to the Department. The Predator Control Program is administered by the Board of Livestock and the executive officer. The Livestock Crimestoppers Commission and the Beef Research and Marketing Committee are also administratively attached.

Program Highlights

Centralized Services Program Major Budget Highlights
<p>The executive proposes to increase the budget from the previous biennium due to:</p> <ul style="list-style-type: none"> • Statewide present law adjustments • Staff training and operational increases in the milk control • New proposal for PC replacement

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

There were no major differences in this program between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$1,629,233 were \$69,305 below the FY 2015 legislative appropriation of 1,698,538.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Livestock, 01-Centralized Services Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	190,187	0	0	190,187	4.02 %	
02029 Board Of Horse Racing	0	0	0	0	0.00 %	
02063 BOHR SIMULCAST	0	0	0	0	0.00 %	
02117 Predatory Animal SSR	0	0	700,000	700,000	15.43 %	
02124 LLBM Restricted	0	0	152,636	152,636	3.37 %	
02426 Lvstk Per Capita	3,133,313	0	0	3,133,313	69.09 %	
02817 Milk Control Bureau	549,381	0	0	549,381	12.11 %	
State Special Total	\$3,682,694	\$0	\$852,636	\$4,535,330	95.98 %	
03345 LLRMB Federal Special	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$3,872,881	\$0	\$852,636	\$4,725,517		

Approximately 96% of the funding comes from state special revenue funds, the majority coming from the livestock per capita fund. The livestock per capita fund funds nearly 67% of the entire program. The remaining funding comes from the general fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	84,078	84,078	168,156	88.42 %	1,698,538	1,698,538	3,397,076	87.71 %
PL Adjustments	11,116	10,915	22,031	11.58 %	227,074	186,331	413,405	10.67 %
New Proposals	0	0	0	0.00 %	31,200	31,200	62,400	1.61 %
Total Budget	\$95,194	\$94,993	\$190,187		\$1,956,812	\$1,916,069	\$3,872,881	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	12,654	113,462	0	126,116	0.00	11,309	114,391	0	125,700
DP 99 - LEG. Present Law	0.00	(1,538)	102,496	0	100,958	0.00	(394)	61,025	0	60,631
Grand Total All Present Law Adjustments	0.00	\$11,116	\$215,958	\$0	\$227,074	0.00	\$10,915	\$175,416	\$0	\$186,331

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	18.00	\$486	\$8,262	\$0	\$8,748
Executive Implementation of 2015 Pay Increase		1,350	19,917	-	21,267
Fully Fund 2015 Legislatively Authorized FTE		1,230	18,980	-	20,210
Other		9,588	66,303	-	75,891
Personal Services Present Law Adjustments	18.00	\$12,654	\$113,462	\$0	\$126,116
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	18.00	\$486	\$8,262	\$0	\$8,748
Executive Implementation of 2015 Pay Increase		1,350	19,917	-	21,267
Fully Fund 2015 Legislatively Authorized FTE		1,230	18,980	-	20,210
Other		8,243	67,232	-	75,475
Personal Services Present Law Adjustments	18.00	\$11,309	\$114,391	\$0	\$125,700

The executive proposes to increase support to personal services by 11.1% in FY 2016 and 11.1% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$1,133,404. Approximately 40% of this increase comes from the three main line items. The remaining adjustments come from pay increases due primarily to position reclassification, longevity, and exempt employee raises.

DP 99 - LEG. Present Law -

LGPL adjustments are primarily due to decreases in operating and wolf remediation expenses.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100103 - Departmental PC Replacements	0.00	0	31,200	0	31,200	0.00	0	31,200	0	31,200
Total	0.00	\$0	\$31,200	\$0	\$31,200	0.00	\$0	\$31,200	\$0	\$31,200

DP 100103 - Departmental PC Replacements -

The budget includes \$31,200 per year of state special revenue to replace personal computers each year of the 2017 biennium. The department is on a five-year replacement schedule for desktop computers to be implemented with these funds.

LFD ISSUE The 2013 Legislature provided \$16,610 per year for this purpose. The current Legislative budget for this activity is approximately \$28,600. The Legislature may wish to consider this prior to appropriating additional funds.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	21.76	21.76	21.26	21.26	21.76	21.26	(0.50)	(2.30)%
Personal Services	1,239,897	1,268,447	1,328,072	1,327,131	2,508,344	2,655,203	146,859	5.85 %
Operating Expenses	728,475	731,226	842,491	855,783	1,459,701	1,698,274	238,573	16.34 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Debt Service	19,967	24,842	19,967	19,967	44,809	39,934	(4,875)	(10.88)%
Total Costs	\$1,988,339	\$2,024,515	\$2,190,530	\$2,202,881	\$4,012,854	\$4,393,411	\$380,557	9.48 %
General Fund	287,512	294,731	1,018,411	1,018,423	582,243	2,036,834	1,454,591	249.83 %
State/Other Special Rev. Funds	1,700,827	1,729,784	1,112,540	1,125,025	3,430,611	2,237,565	(1,193,046)	(34.78)%
Federal Spec. Rev. Funds	0	0	59,579	59,433	0	119,012	119,012	0.00 %
Total Funds	\$1,988,339	\$2,024,515	\$2,190,530	\$2,202,881	\$4,012,854	\$4,393,411	\$380,557	9.48 %

Program Description

The Diagnostic Laboratory provides laboratory diagnostic support for livestock producers and the Animal Health and Milk and Egg programs. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners, veterinarians, the Department of Fish, Wildlife and Parks, and other agencies in protecting the health of animals, wildlife, and the public.

Program Highlights

Diagnostic Laboratory Program Major Budget Highlights
<p>The program proposes to increase the budget above the previous biennium due to:</p> <ul style="list-style-type: none"> • Statewide present law adjustments • Lab equipment, supplies, and lab recharges • New proposal for staff training • A major shift of nearly \$1.5 million in general fund for lab funding instead of per capita fees • New proposal for lab system maintenance • Present law request for Administrative 0.5 FTE assistant

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

There were no major differences in this program between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$1,988,339 were \$36,176 below the FY 2015 Legislative appropriation of \$2,024,515.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Livestock, 03-Diagnostic Laboratory Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	2,036,834	0	0	2,036,834	46.36 %	
02426 Lvstk Per Capita	214	0	0	214	0.01 %	
02427 Animal Health	1,952,060	0	0	1,952,060	87.24 %	
02701 Milk and Egg Inspection	285,291	0	0	285,291	12.75 %	
State Special Total	\$2,237,565	\$0	\$0	\$2,237,565	50.93 %	
03673 Small Federal Grants	119,012	0	0	119,012	100.00 %	
03707 Homeland Security	0	0	0	0	0.00 %	
Federal Special Total	\$119,012	\$0	\$0	\$119,012	2.71 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,393,411	\$0	\$0	\$4,393,411		

The general fund funds approximately 46% of the Diagnostic Laboratory program while state special revenue funds 51%. The animal health fund is the primary source of funding for state special revenue funds. Federal grants make up the remaining 3% of funding for this program.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	294,731	294,731	589,462	28.94 %	2,024,515	2,024,515	4,049,030	92.16 %
PL Adjustments	(20,361)	(20,349)	(40,710)	(2.00)%	136,015	148,366	284,381	6.47 %
New Proposals	744,041	744,041	1,488,082	73.06 %	30,000	30,000	60,000	1.37 %
Total Budget	\$1,018,411	\$1,018,423	\$2,036,834		\$2,190,530	\$2,202,881	\$4,393,411	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	(8,534)	43,186	24,973	59,625	0.00	(7,595)	44,098	22,181	58,684
DP 99 - LEG. Present Law	0.00	(11,827)	53,611	34,606	76,390	0.00	(12,754)	65,184	37,252	89,682
Grand Total All Present Law Adjustments	0.00	(\$20,361)	\$96,797	\$59,579	\$136,015	0.00	(\$20,349)	\$109,282	\$59,433	\$148,366

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	19.76	\$1,179	\$8,424	\$0	\$9,603
Executive Implementation of 2015 Pay Increase		2,520	17,872	-	20,392
Fully Fund 2015 Legislatively Authorized FTE		9,266	22,374	-	31,640
Other	1.50	(21,499)	(5,484)	24,973	(2,010)
Personal Services Present Law Adjustments	21.26	(\$8,534)	\$43,186	\$24,973	\$59,625
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	19.76	\$1,179	\$8,424	\$0	\$9,603
Executive Implementation of 2015 Pay Increase		2,520	17,872	-	20,392
Fully Fund 2015 Legislatively Authorized FTE		9,266	22,374	-	31,640
Other	1.50	(20,560)	(4,572)	22,181	(2,951)
Personal Services Present Law Adjustments	21.26	(\$7,595)	\$44,098	\$22,181	\$58,684

The executive proposes to increase support to personal services by 4.7% in FY 2016 and 4.6% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$1,268,447. The increase in adjustments are due to employee health insurance, the HB 13 pay raises, and funding legislatively authorized FTE.

DP 99 - LEG. Present Law -

The LGPL adjustments are primarily due to an OTO for lab equipment, lab recharges assessed by Montana State University for facility services, and a request for additional medical lab supplies.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 300305 - Lab Staff Training	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 300306 - Diagnostic Laboratory Funding	0.00	744,041	(744,041)	0	0	0.00	744,041	(744,041)	0	0
DP 300309 - Lab Information System Maintenance	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
Total	0.00	\$744,041	(\$714,041)	\$0	\$30,000	0.00	\$744,041	(\$714,041)	\$0	\$30,000

DP 300309 - Lab Information System Maintenance -

The budget includes \$20,000 per year in state special revenue for yearly maintenance on the Laboratory Information Management System (LIMS). This is essential maintenance to keep the system operational and is critical to all laboratory data processing.

DP 300305 - Lab Staff Training -

This request is for \$10,000 per year of state special revenue to fund staff training and continuing education in order for laboratory staff to meet the requirements of the American Association of Veterinary Laboratory Diagnosticians (AAVLD).

DP 300306 - Diagnostic Laboratory Funding -

This request is a budget neutral shift of \$744,052 from state special revenue to general fund. In recent years, the laboratory has been increasingly funded by per capita fees. In FY 2014, per capita fee expenditures were \$941,516 in the lab. Laboratory fees have been adjusted upward in an effort to address the funding issues, though the projected revenue increase will not be enough to cover existing expenses. The lab serves as the state's only and primary animal testing facility ensuring continued access to domestic and international markets, human and animal health, and producer efficiency.

LFD COMMENT	The diagnostic laboratory does provide some services for public health benefits. The Legislature may evaluate the need for this switch based on who benefits from the lab being operational in Montana. Three quarters of the lab's activities are from the cattle industry. This funding switch brings the lab's general fund funding up to 88% from 17%. This entire fund switch may not be needed if additional actions are taken to raises per capita fees or reduce appropriations.
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Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	13.50	13.50	14.50	14.50	13.50	14.50	1.00	7.41 %
Personal Services	679,680	858,580	1,077,664	1,075,482	1,538,260	2,153,146	614,886	39.97 %
Operating Expenses	645,119	1,143,189	1,097,242	1,098,143	1,788,308	2,195,385	407,077	22.76 %
Equipment & Intangible Assets	61,689	0	61,689	61,689	61,689	123,378	61,689	100.00 %
Transfers	6,573	0	6,573	6,573	6,573	13,146	6,573	100.00 %
Total Costs	\$1,393,061	\$2,001,769	\$2,243,168	\$2,241,887	\$3,394,830	\$4,485,055	\$1,090,225	32.11 %
General Fund	0	506,413	596,662	596,283	506,413	1,192,945	686,532	135.57 %
State/Other Special Rev. Funds	647,788	729,971	697,376	697,460	1,377,759	1,394,836	17,077	1.24 %
Federal Spec. Rev. Funds	745,273	765,385	949,130	948,144	1,510,658	1,897,274	386,616	25.59 %
Total Funds	\$1,393,061	\$2,001,769	\$2,243,168	\$2,241,887	\$3,394,830	\$4,485,055	\$1,090,225	32.11 %

Program Description

The Animal Health Division provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and alternative livestock animals. The program cooperates with the Departments of Public Health and Human Services, Fish Wildlife and Parks, and the US Department of Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets, and certain animal product processing facilities, such as rendering plants. The Rabies Control Unit protects public and animal health from rabies by monitoring new rabies infections and enforcing quarantines.

Program Highlights

Animal Health Division Major Budget Highlights
<p>The Division proposes an increase from the prior biennium due to:</p> <ul style="list-style-type: none"> • Personal services increases for annualization of the 2015 biennium pay plan • An additional 2.0 FTE for veterinary and compliance specialists for the Designated Surveillance Area (DSA) - \$0.3 million general fund • Requested funding for brucellosis testing at DSA - \$0.9 million general fund • The division utilized only 72% of FY 2014 appropriations
Legislative Action Issues
<ul style="list-style-type: none"> • If the two DSA items are approved, the added general fund will be in the base budget • Significant authority for these requests may already be in the FY 2015 Legislative base.

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Livestock					
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Total Executive Implementation
04 ANIMAL HEALTH DIVISION	1,495,356	506,413		-	2,001,769
Personal Services	887,466	133,245		(162,131)	858,580
Operating Expenses	607,890	373,168		(77,869)	903,189
Transfers				240,000	240,000

The difference between the legislative appropriation for FY 2015 and the executive implementation is primarily due to a transfer of funds from Department of Livestock to Department of Fish, Wildlife, and Parks as part of a memorandum of understanding (MOU). The remaining difference was due to one-time-only appropriations for brucellosis inspection.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$1,393,061 were \$102,295 below the FY 2015 legislative appropriation of \$1,495,356, primarily due to carry-forward authority.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Livestock, 04-Animal Health Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,192,945	0	0	1,192,945	26.60 %	
02426 Lvstk Per Capita	1,344,836	0	0	1,344,836	96.42 %	
02427 Animal Health	50,000	0	0	50,000	3.58 %	
State Special Total	\$1,394,836	\$0	\$0	\$1,394,836	31.10 %	
03427 Bison Trap Funds	1,897,274	0	0	1,897,274	100.00 %	
03710 West Nile Virus	0	0	0	0	0.00 %	
Federal Special Total	\$1,897,274	\$0	\$0	\$1,897,274	42.30 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,485,055	\$0	\$0	\$4,485,055		

The program is primarily funded with federal funds supporting bison operations and the Greater Yellowstone Interagency Brucellosis Committee (GYIBC) research and cooperative efforts. The program is also supported with a state special revenue fund via a per capita livestock fee to support disease control, import/export activities, and alternative livestock activities. General fund is proposed to support brucellosis activities for the 2017 biennium.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	1,495,356	1,495,356	2,990,712	66.68 %
PL Adjustments	0	0	0	0.00 %	151,150	150,248	301,398	6.72 %
New Proposals	596,662	596,283	1,192,945	100.00 %	596,662	596,283	1,192,945	26.60 %
Total Budget	\$596,662	\$596,283	\$1,192,945		\$2,243,168	\$2,241,887	\$4,485,055	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	301,669	(260,564)	41,105	0.00	0	293,164	(253,862)	39,302
DP 99 - LEG. Present Law	0.00	0	(334,264)	444,309	110,045	0.00	0	(325,675)	436,621	110,946
Grand Total All Present Law Adjustments	0.00	\$0	(\$32,595)	\$183,745	\$151,150	0.00	\$0	(\$32,511)	\$182,759	\$150,248

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	12.50	\$0	\$3,966	\$2,109	\$6,075
Executive Implementation of 2015 Pay Increase		-	9,668	5,710	15,378
Fully Fund 2015 Legislatively Authorized FTE		-	12,750	5,894	18,644
Other		-	275,285	(274,277)	1,008
Personal Services Present Law Adjustments	12.50	\$0	\$301,669	(\$260,564)	\$41,105
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	12.50	\$0	\$3,966	\$2,109	\$6,075
Executive Implementation of 2015 Pay Increase		-	9,668	5,710	15,378
Fully Fund 2015 Legislatively Authorized FTE		-	12,750	5,894	18,644
Other		-	266,780	(267,575)	(795)
Personal Services Present Law Adjustments	12.50	\$0	\$293,164	(\$253,862)	\$39,302

The executive proposes to increase support to personal services by 21.4% in FY 2016 and 21.2% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$887,466. The adjustments are due to the three main line items and pay raises due to longevity.

DP 99 - LEG. Present Law -

LGPL adjustments are primarily due to laboratory testing as well as costs associated with vehicles and trucks.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 400401 - DSA Vet and Compliance Specialist	2.00	149,093	0	0	149,093	2.00	148,714	0	0	148,714
DP 400402 - DSA Brucellosis Testing	0.00	447,569	0	0	447,569	0.00	447,569	0	0	447,569
Total	2.00	\$596,662	\$0	\$0	\$596,662	2.00	\$596,283	\$0	\$0	\$596,283

DP 400401 - DSA Vet and Compliance Specialist -

This request is for \$149,093 in FY 2016 and \$148,714 in FY 2017 of general fund for 1.00 FTE brucellosis veterinarian and 1.00 FTE brucellosis compliance specialist for the Designated Surveillance Area (DSA). These positions have been one-time-only (OTO) for the past four years. It is clear that the DSA will continue into the future and is vital to maintain the marketability of Montana cattle. This request makes these positions permanent.

LFD COMMENT These positions have been funded as one-time-only (OTO) in the past two legislative sessions. If these two DPs are approved, the general fund will be in the base budget.

DP 400402 - DSA Brucellosis Testing -

The budget includes \$447,569 per year in general fund for Designated Surveillance Area (DSA) brucellosis testing. Previously, the legislature approved general fund for brucellosis surveillance in Montana to maintain brucellosis free status in Montana. The cost per test is estimated at \$7.94 for an estimated 56,369 cattle tested. The DSA has expanded in 2011, 2012, and 2014 because of new information about the distribution of brucellosis positive elk. It includes parts of Park, Gallatin, Madison, and Beaverhead counties for an area of 7,106 sq. miles. The DSA and associated testing allows the majority of Montana cattle to ship interstate without additional brucellosis testing requirements.

LFD COMMENT As of this writing an investigation of a new brucellosis discovery was underway. The committee may want an update on the issues.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	6.50	6.50	7.50	7.50	6.50	7.50	1.00	15.38 %
Personal Services	360,783	391,994	489,936	489,604	752,777	979,540	226,763	30.12 %
Operating Expenses	64,420	65,807	123,832	75,034	130,227	198,866	68,639	52.71 %
Total Costs	\$425,203	\$457,801	\$613,768	\$564,638	\$883,004	\$1,178,406	\$295,402	33.45 %
State/Other Special Rev. Funds	403,862	429,311	592,427	543,297	833,173	1,135,724	302,551	36.31 %
Federal Spec. Rev. Funds	21,341	28,490	21,341	21,341	49,831	42,682	(7,149)	(14.35)%
Total Funds	\$425,203	\$457,801	\$613,768	\$564,638	\$883,004	\$1,178,406	\$295,402	33.45 %

Program Description

The Milk and Egg Inspection program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws is accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

Program Highlights

Milk and Egg Program Major Budget Highlights
<p>The program budget increases over the previous biennium due to:</p> <ul style="list-style-type: none"> • Personal services present law adjustments • New proposal for IT software • Present law proposal of 1.00 FTE

Program Discussion -

Comparison of FY 2015 Legislative Appropriation to FY 2015 Executive Implementation

FY 2015 Appropriation Transactions - Department of Livestock					
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Total Executive Implementation
05 MILK & EGG PROGRAM	457,801		-		457,801
Personal Services	391,994		-		391,994
Operating Expenses	65,807		-		65,807

There are no differences between FY 2015 Legislative Appropriation and FY 2015 as implemented by the executive.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures of \$425,203 were \$32,598 below the FY 2015 legislative appropriation of \$457,801 due to vacancy savings.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Livestock, 05-Milk & Egg Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02262 Egg Shielded Grading Program	375,975	0	0	375,975	33.10 %	
02427 Animal Health	0	0	0	0	0.00 %	
02701 Milk and Egg Inspection	759,749	0	0	759,749	66.90 %	
State Special Total	\$1,135,724	\$0	\$0	\$1,135,724	96.38 %	
03032 Animal Health Sp. Rev	42,682	0	0	42,682	100.00 %	
Federal Special Total	\$42,682	\$0	\$0	\$42,682	3.62 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,178,406	\$0	\$0	\$1,178,406		

State special revenue from milk industry fees is the primary funding source for this division. Federal special revenues are provided by the U.S. Department of Agriculture to conduct shell egg surveillance.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	457,801	457,801	915,602	0.00 %
PL Adjustments	0	0	0	0.00 %	100,967	101,837	202,804	0.00 %
New Proposals	0	0	0	0.00 %	55,000	5,000	60,000	0.00 %
Total Budget	\$0	\$0	\$0		\$613,768	\$564,638	\$1,178,406	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	104,877	(6,935)	97,942	0.00	0	104,462	(6,852)	97,610
DP 99 - LEG. Present Law	0.00	0	3,239	(214)	3,025	0.00	0	4,524	(297)	4,227
Grand Total All Present Law Adjustments	0.00	\$0	\$108,116	(\$7,149)	\$100,967	0.00	\$0	\$108,986	(\$7,149)	\$101,837

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	6.50	\$0	\$3,159	\$0	\$3,159
Executive Implementation of 2015 Pay Increase		-	7,045	-	7,045
Fully Fund 2015 Legislatively Authorized FTE		-	7,358	-	7,358
Other	1.00	-	87,315	(6,935)	80,380
Personal Services Present Law Adjustments	7.50	\$0	\$104,877	(\$6,935)	\$97,942
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	6.50	\$0	\$3,159	\$0	\$3,159
Executive Implementation of 2015 Pay Increase		-	7,045	-	7,045
Fully Fund 2015 Legislatively Authorized FTE		-	7,358	-	7,358
Other	1.00	-	86,900	(6,852)	80,048
Personal Services Present Law Adjustments	7.50	\$0	\$104,462	(\$6,852)	\$97,610

The executive proposes to decrease personal services adjustments by 25% in FY 2016 and 25% in FY 2017 when compared to the FY 2015 legislative budget primarily due to request of 1.00 FTE for Egg Grading.

DP 99 - LEG. Present Law -

The adjustments in LGPL primarily consist of fixed costs, inflation, and deflation.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 500510 - Milk and Egg Software	0.00	0	55,000	0	55,000	0.00	0	5,000	0	5,000
Total	0.00	\$0	\$55,000	\$0	\$55,000	0.00	\$0	\$5,000	\$0	\$5,000

DP 500510 - Milk and Egg Software -

The executive requests a software program to manage the milk licensing function for Montana dairy producers and plants. The system would also track all submissions and results from the milk testing lab. Data tracked would be used to determine any non-compliance with federal and state dairy sanitation requirements.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	57.71	57.71	55.36	55.36	57.71	55.36	(2.35)	(4.07)%
Personal Services	2,690,277	2,947,117	3,086,736	3,088,647	5,637,394	6,175,383	537,989	9.54 %
Operating Expenses	479,603	508,370	491,392	496,552	987,973	987,944	(29)	0.00 %
Transfers	129,000	0	129,000	129,000	129,000	258,000	129,000	100.00 %
Total Costs	\$3,298,880	\$3,455,487	\$3,707,128	\$3,714,199	\$6,754,367	\$7,421,327	\$666,960	9.87 %
General Fund	0	3,170	0	0	3,170	0	(3,170)	(100.00)%
State/Other Special Rev. Funds	3,298,880	3,452,317	3,707,128	3,714,199	6,751,197	7,421,327	670,130	9.93 %
Total Funds	\$3,298,880	\$3,455,487	\$3,707,128	\$3,714,199	\$6,754,367	\$7,421,327	\$666,960	9.87 %

Program Description

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and livestock inspections.

Program Highlights

Brands Enforcement Division Major Budget Highlights
<p>The proposed budget increases over the prior biennium due to:</p> <ul style="list-style-type: none"> • Statewide present law adjustments • Replacing five agency-owned vehicles each year • Overtime for brand inspectors

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

There were no major differences in this program between the FY 2015 appropriations as shown in the main table in the agency summary to the FY 2015 legislative appropriations used for purposes of the budget base.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Actual FY 2014 expenditures of \$3,298,880 were \$156,607 below the FY 2015 legislative appropriation of \$3,455,487.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Livestock, 06-Brands Enforcement Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0.00 %	
02425 Inspection and Control	3,896,404	0	0	3,896,404	52.50 %	
02426 Lvstk Per Capita	3,524,923	0	0	3,524,923	47.50 %	
State Special Total	\$7,421,327	\$0	\$0	\$7,421,327	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$7,421,327	\$0	\$0	\$7,421,327		

Funding for this program is entirely due to two state special revenue funds, namely the inspection and control fund and the livestock per capita fund. Inspection and control funds are generated from brand recordings, and market and local inspections.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,170	3,170	6,340	0.00 %	3,455,487	3,455,487	6,910,974	0.00 %
PL Adjustments	(3,170)	(3,170)	(6,340)	0.00 %	245,042	245,513	490,555	0.00 %
New Proposals	0	0	0	0.00 %	6,599	13,199	19,798	0.00 %
Total Budget	\$0	\$0	\$0		\$3,707,128	\$3,714,199	\$7,421,327	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(1,806)	141,425	0	139,619	0.00	(1,827)	143,357	0	141,530
DP 99 - LEG. Present Law	0.00	(1,364)	106,787	0	105,423	0.00	(1,343)	105,326	0	103,983
Grand Total All Present Law Adjustments	0.00	(\$3,170)	\$248,212	\$0	\$245,042	0.00	(\$3,170)	\$248,683	\$0	\$245,513

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out

by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	55.36	\$0	\$26,905	\$0	\$26,905
Executive Implementation of 2015 Pay Increase		-	48,073	-	48,073
Fully Fund 2015 Legislatively Authorized FTE		-	54,946	-	54,946
Other		(1,806)	11,501	-	9,695
Personal Services Present Law Adjustments	55.36	(\$1,806)	\$141,425	\$0	\$139,619

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FY 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	55.36	\$0	\$26,905	\$0	\$26,905
Executive Implementation of 2015 Pay Increase		-	48,073	-	48,073
Fully Fund 2015 Legislatively Authorized FTE		-	54,946	-	54,946
Other		(1,827)	13,433	-	11,606
Personal Services Present Law Adjustments	55.36	(\$1,827)	\$143,357	\$0	\$141,530

The executive proposes to increase support to personal services by 4.7% in FY 2016 and 4.8% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$2,947,117. The personal services adjustments are primarily due to the three main line items and overtime for the division during the fall market.

DP 99 - LEG. Present Law -

LGPL adjustments are primarily due to accounting entity transfers and vehicle repair and maintenance.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600609 - Replacement Vehicles Brands Division	0.00	0	6,599	0	6,599	0.00	0	13,199	0	13,199
Total	0.00	\$0	\$6,599	\$0	\$6,599	0.00	\$0	\$13,199	\$0	\$13,199

DP 600609 - Replacement Vehicles Brands Division -

This budget request is for \$6,599 in FY 2016 and \$13,199 in FY 2017 to replace five agency owned vehicles each year with five leased vehicles from the state motor pool.

**LFD
COMMENT**

The 2013 Legislature and prior legislatures approved funding to replace vehicles with leased vehicles from the DOT motor pool. The Legislature may request the department to verify this replacement request based on the FY 2015 legislative budget rather than the FY 2014 base.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	20.50	20.50	22.50	22.50	20.50	22.50	2.00	9.76 %
Personal Services	943,234	1,036,010	1,182,177	1,182,590	1,979,244	2,364,767	385,523	19.48 %
Operating Expenses	292,743	317,777	385,032	386,765	610,520	771,797	161,277	26.42 %
Total Costs	\$1,235,977	\$1,353,787	\$1,567,209	\$1,569,355	\$2,589,764	\$3,136,564	\$546,800	21.11 %
General Fund	618,126	671,241	825,735	826,805	1,289,367	1,652,540	363,173	28.17 %
State/Other Special Rev. Funds	5,718	5,717	5,718	5,718	11,435	11,436	1	0.01 %
Federal Spec. Rev. Funds	612,133	676,829	735,756	736,832	1,288,962	1,472,588	183,626	14.25 %
Total Funds	\$1,235,977	\$1,353,787	\$1,567,209	\$1,569,355	\$2,589,764	\$3,136,564	\$546,800	21.11 %

Program Description

The Meat and Poultry Inspection program was established in 1987 by the Montana Meat and Poultry Inspection Act. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

Program Highlights

Meat and Poultry Inspection Major Budget Highlights
<p>The program intends to increase the budget above the prior biennium due to:</p> <ul style="list-style-type: none"> • Statewide present law adjustments • Three new proposals <ul style="list-style-type: none"> ◦ One FTE to help manage new plants ◦ One leased vehicle ◦ One FTE compliance specialist • Inspection training- 50% general fund 50% federal funds • Meat inspection indirect costs \$180,000 general fund

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Livestock						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Total	Executive Implementation
10 MEAT/POULTRY INSPECTION	1,306,193	47,594				1,353,787
Personal Services	997,885	38,125				1,036,010
Operating Expenses	308,308	9,469				317,777

The difference between the legislatively appropriated base and the executive implementation is due one-time-only appropriations for meat inspection and meat inspection supplies.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$1,235,977 were \$70,216 below the FY 2015 legislative appropriation of \$1,306,193.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Livestock, 10-Meat & Poultry Inspection Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,652,540	0	0	1,652,540	52.69 %	
02427 Animal Health	11,436	0	0	11,436	100.00 %	
State Special Total	\$11,436	\$0	\$0	\$11,436	0.36 %	
03209 Meat/Poultry Inspection Sp Rev	1,472,588	0	0	1,472,588	100.00 %	
Federal Special Total	\$1,472,588	\$0	\$0	\$1,472,588	46.95 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$3,136,564	\$0	\$0	\$3,136,564		

This program is primarily funded with general and federal special revenue funds. The general fund makes up 52.7% of the funding while the meat/poultry inspection federal revenue fund makes up 46.9%. The small remaining funding comes from the animal health state special revenue fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	647,444	647,444	1,294,888	78.36 %	1,306,193	1,306,193	2,612,386	83.29 %
PL Adjustments	124,672	125,775	250,447	15.16 %	153,766	155,976	309,742	9.88 %
New Proposals	53,619	53,586	107,205	6.49 %	107,250	107,186	214,436	6.84 %
Total Budget	\$825,735	\$826,805	\$1,652,540		\$1,567,209	\$1,569,355	\$3,136,564	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	70,568	1	16,468	87,037	0.00	70,700	1	16,976	87,677
DP 99 - LEG. Present Law	0.00	54,104	0	12,625	66,729	0.00	55,075	0	13,224	68,299
Grand Total All Present Law Adjustments	0.00	\$124,672	\$1	\$29,093	\$153,766	0.00	\$125,775	\$1	\$30,200	\$155,976

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	20.50	\$4,982	\$0	\$4,982	\$9,963
Executive Implementation of 2015 Pay Increase		8,614	-	8,614	17,228
Fully Fund 2015 Legislatively Authorized FTE		7,645	-	10,736	18,381
Other		49,328	1	(7,863)	41,465
Personal Services Present Law Adjustments	20.50	\$70,568	\$1	\$16,468	\$87,037
CP 98 PSPL Item	FY 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	20.50	\$4,982	\$0	\$4,982	\$9,963
Executive Implementation of 2015 Pay Increase		8,614	-	8,614	17,228
Fully Fund 2015 Legislatively Authorized FTE		7,645	-	10,736	18,381
Other		49,460	1	(7,355)	42,105
Personal Services Present Law Adjustments	20.50	\$70,700	\$1	\$16,976	\$87,677

The executive proposes to increase support to personal services by 18.5% in FY 2016 and 18.5% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$997,885. Health insurance, the HB 13 pay raises and funding authorized FTE account for approximately 52% of the adjustments. Pay raises due to longevity are primarily responsible for the remaining personal services adjustments.

DP 99 - LEG. Present Law -

LGPL adjustments are primarily due to the state restoring the funding requirement associated with the Federal Meat Inspection Act which requires that the state contribute funds equal to the amount of federal funds allocated to the program.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1001003 - Meat Inspection - New Plants	1.00	22,931	0	22,931	45,862	1.00	22,903	0	22,905	45,808
DP 1001004 - Meat Inspection Leased Vehicle	0.00	4,449	0	4,448	8,897	0.00	4,506	0	4,505	9,011
DP 1001010 - Meat and Poultry Compliance	1.00	26,239	0	26,252	52,491	1.00	26,177	0	26,190	52,367
Total	2.00	\$53,619	\$0	\$53,631	\$107,250	2.00	\$53,586	\$0	\$53,600	\$107,186

DP 1001010 - Meat and Poultry Compliance -

Currently the Meat and Poultry Inspection program has only a part-time compliance officer. Because of additional plants, a large state to cover, and increased workload, a full time compliance specialist is essential to meet the demands of the Food Safety Inspection Service (FSIS) federal cooperative agreement with Montana. The FSIS cooperative agreement funding is required as a 50% federal and 50% general fund match. This budget request is for \$52,491 in FY 2016 and \$52,367 in general fund and federal special revenue for 1.00 FTE compliance specialist.

LFD ISSUE	The 2013 Legislature funded one FTE with general fund and federal funds for a meat inspector for new plants.
------------------	--

DP 1001003 - Meat Inspection - New Plants -

The budget request includes \$45,862 in FY 2016 and \$45,808 in FY 2017 of general fund and federal special revenue to fund an additional meat inspector for new plants requesting required services to operate. This proposal would add 1.00 FTE meat inspector in the 2017 biennium funded with 50% general fund and 50% federal funds in accordance with the Food and Safety Inspection Service (FSIS) cooperative agreement.

LFD ISSUE	<p>The 2013 Legislature funded one FTE with general fund and federal funds. At that time there were six new plants that requested to begin operations.</p> <ul style="list-style-type: none"> • The legislature may want to ask how many of those plants have begun operation and how the previous appropriation assisted with compliance activities.
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DP 1001004 - Meat Inspection Leased Vehicle -

The budget includes \$8,897 in FY 2016 and \$9,011 in FY 2017 in general fund and federal special revenue for an additional leased vehicle for meat inspection work at plants and other facilities. This is a large utility vehicle leased from the state motor pool. It is funded 50% general fund and 50% federal funds in accordance with the FSIS cooperative agreement requirements.

**LFD
COMMENT**

The 2013 Legislature and prior legislatures approved funding to replace vehicles with leased vehicles from the DOT motor pool. The legislature may request the department to verify this replacement request based on the FY 2015 legislative budget rather than the FY 2014 base.

The Legislative Fiscal Division Presents an Agency Profile of:

Department of Natural Resources and Conservation

Contact: Sam Schaefer
Rm. 110Q, State Capitol Building
Phone: (406) 444-1787, e-mail: samschaefer@mt.gov

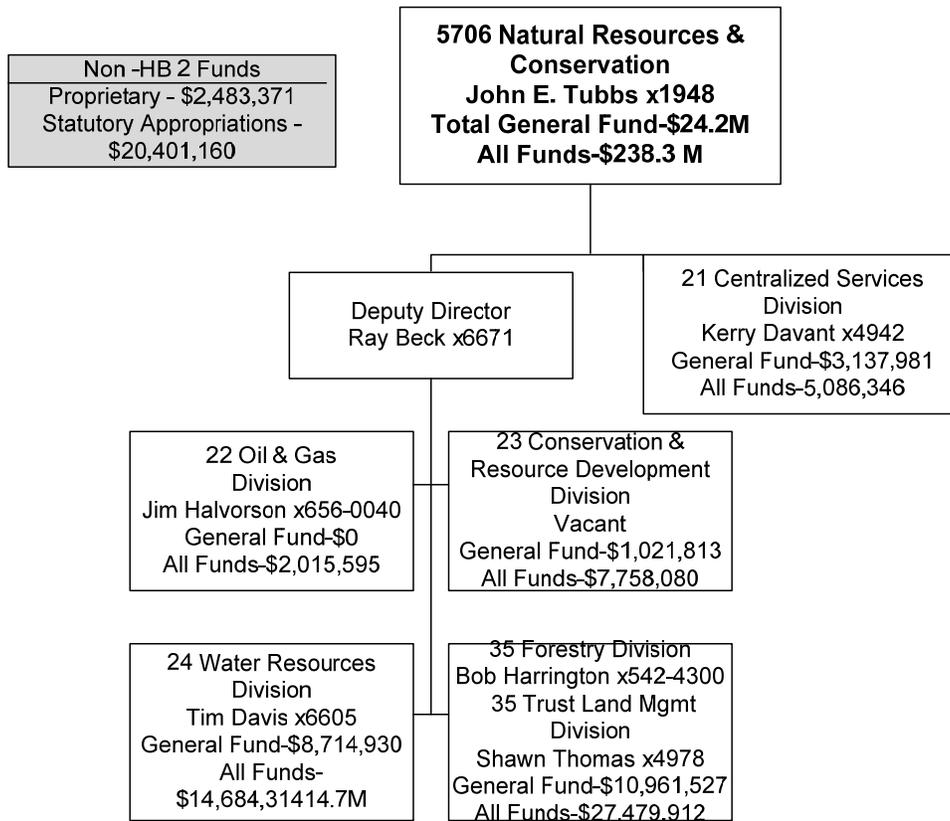
Updated August 2014

Agency Description

Definition of Terms

The department is responsible for managing state trust land, protecting Montana’s natural resources from wildfire; promoting stewardship of state water, soil, forest, and rangeland resources; providing assistance to the conservation districts; providing natural resource conservation education; and providing support to the Reserved Water Rights Compact Commission (The commission is *expected* to sunset on June 30, 2015) and the Board of Oil and Gas Conservation.

The department also administers the State Board of Land Commissioners, composed of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State. This board exercises general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.



How Services are Provided

The department consists of six divisions with the following functions:

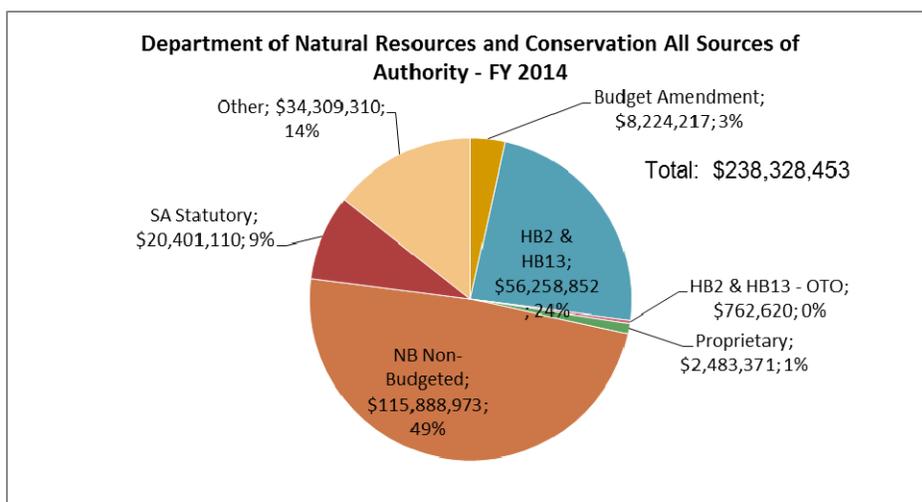
- **The Centralized Services Division** provides managerial and administrative support services to the entire department with 59.0 FTE.
- **The Oil and Gas Conservation Division** administers activities through the quasi-judicial Board of Oil and Gas Conservation and the technical and administrative staff of the division. Their activities include issuing orders and deficiency reports, classifying wells, issuing drilling permits, and administering bonds to ensure proper plugging and surface reclamation. The division also handles the plugging of orphaned, abandoned, or problem wells and is empowered to levy civil and criminal fines. There are seven board members supported by 21.0 FTE.
- **The Conservation and Resource Development Division** provides administrative, financial, and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The division is supported by 26.65 FTE.
- **The Water Resources Division** is responsible for programs associated with the uses, development, and protection of Montana's water, including the adjudication of water rights. The division also develops and recommends in-state, interstate, and international water policy to the director, Governor, and legislature. The division has a staff of 140.05 FTE.

The Forestry /Trust Lands Administration Division (296.08 FTE)

- **The Forestry Division** is responsible for planning and implementing forestry programs statewide
- **The Trust Land Management Division** provides for the administration and management of trust lands granted to the State of Montana by The Enabling Act of 1889 and the Morrill Acts.

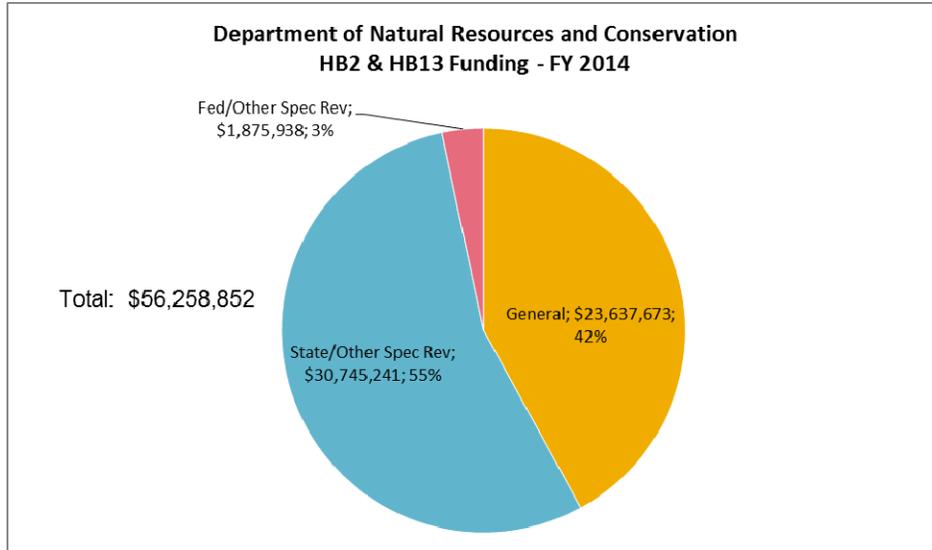
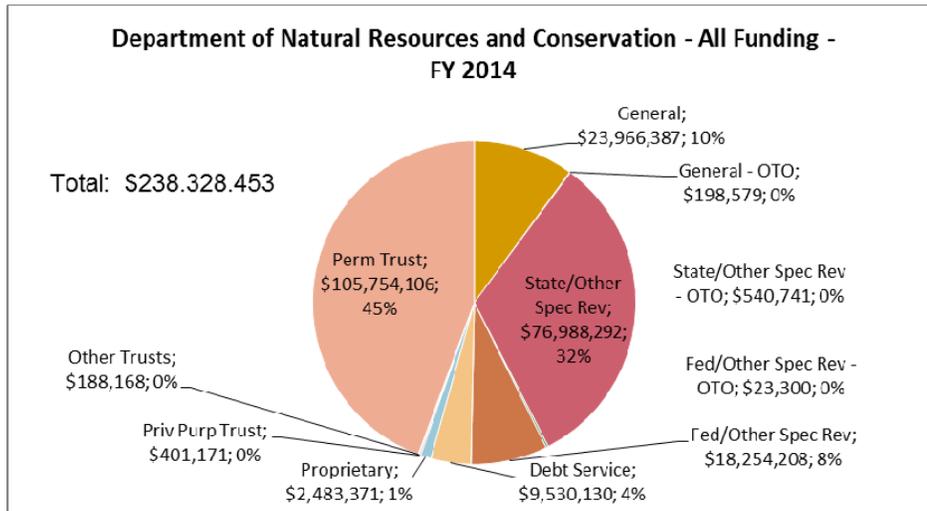
Sources of Spending Authority

The chart shows the sources of authority for the Department of Natural Resources and Conservation. The primary authority on the chart is accounts for transfers used for trust lands. The primary source of funds for ongoing agency operations comes from HB 2. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



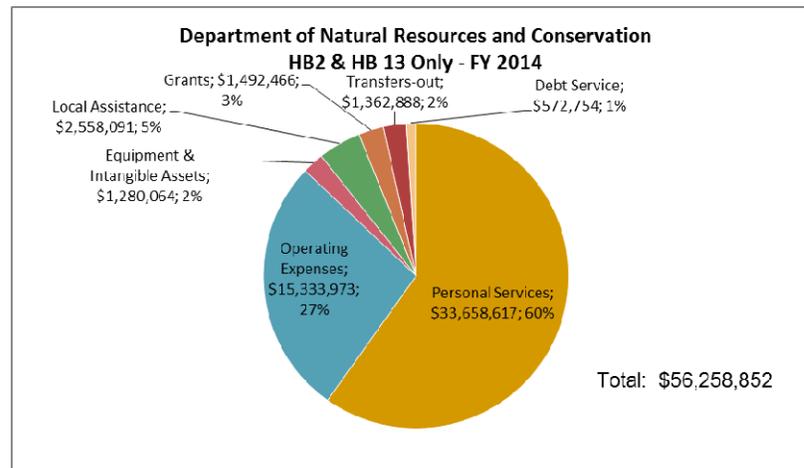
Funding

The following charts show the agency's HB2 funding authority by fund type and all sources of its total funding authority.



Expenditures

The next chart explains how the HB2 authority is spent. This chart matches the agency chart found in the 2015 Budget Analysis.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

Land Management

The management of trust lands and direct protection of forestlands are major functions of the department. Department expenditures and activities can be affected through:

- Guiding the management of trust lands to increase revenue to beneficiaries
- Ensuring appropriate allocation of trust land management costs across all trusts
- Establishing appropriate fees related to timber harvest on state lands
- Providing appropriations for wildfire costs, prior to fire season
- Setting fire protection assessments on owners of land classified as forestland

Water Resources

Maximizing water resources for the benefit of the state is a guiding principle for the department. The ability to effect change in this area can be done by:

- Directing fees to a specific fund or activity
- Establishing priorities for state-owned dam rehabilitation
- Influencing rates for the leasing of water
- Establishing policies regarding water sustainability

Loan and Grant Programs

The department handles 16 loan and grant programs to provide assistance to private and public entities for resource development or conservation activities. This can be influenced by:

- Setting the amount that can be loaned out to entities
- Determining loan fees and interest rates
- Directing principal payments, fees, and interest dollars to a specific fund or activity
- Determining the types of grants and loans to be released
- Providing access to federal dollars to supplement the loan and grant programs

Permitting and Licensing Activities

The department handles a number of permitting and licensing activities related to the protection and management of natural resources. This activity can be influenced by:

- Determining which activities require a permit
- Establishing permitting and licensing fees
- Directing the revenue from fees to a particular fund or project
- Establishing intervals for licensing and permitting activities
- Establishing realistic timeframes associated with permitting functions

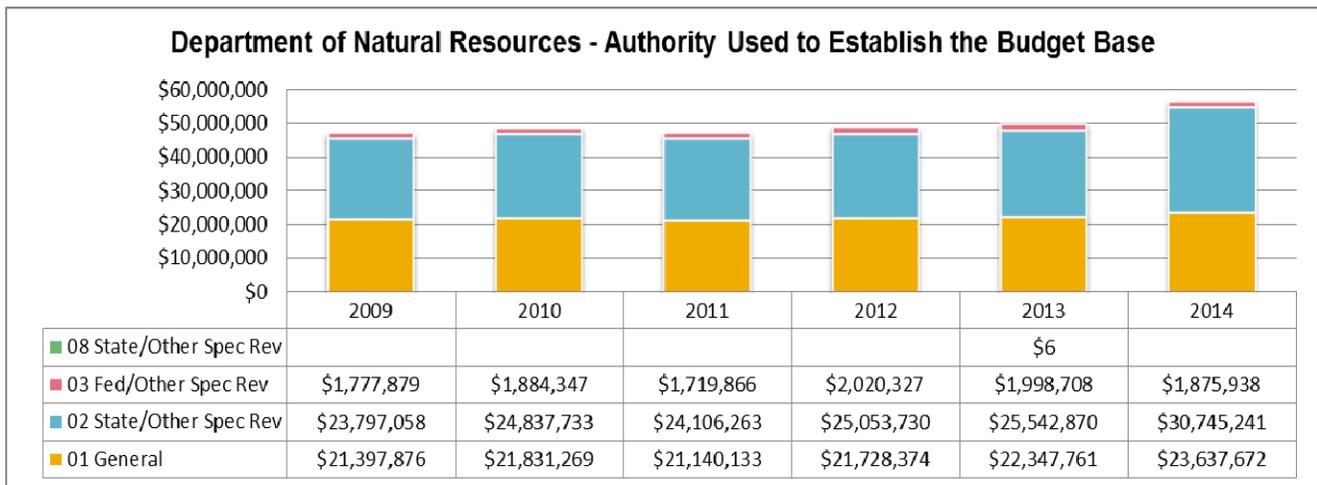
Major Cost Drivers

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time. State FTE - state employees perform many of the functions of the Department of Natural Resources and Conservation. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 64% of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

<i>Element</i>	<i>2013</i>	<i>2014</i>	<i>Significance of Data</i>
Oil and gas drilling permits	722	635	Workload, increase in drilling activities, CY
Dollar value of Resource Development Grant applications	\$0. Grants come in every two years	(RRG & RDG only, does not include Regional Water)	Workload, pressure on grant program.
Number of water rights claims toward 2015 goal and post decree work hours	44,000 claims (2012) 6,410 post decree hours	All 57,000 claims completed in 2014 5,564 post decree hours	Completed all remaining water rights claims by 2014
Acres of direct fire protection	5.2 million	5.2 million	Possible changes in direct protection responsibilities
Total revenue generated from trust land	\$115.5 million	\$114.4 million	Revenue transferred to the applicable trust
Value of loan portfolio, all programs	\$667 million Grows 30 million a year	697 million Grows 30 million a year	Workload, revenue, growth in loan programs
Number of drinking water loans closed or increased	40	40	Workload, growth in loan programs

Funding/Expenditure History, Authority Used to Establish the Budget Base



The table shows the historical changes in the department's base budget authority. The base for the department has stayed relatively stable, with no major increases in the last four years.

Major Legislative Changes in the Last Ten Years

Water Compacts

- HB 49 in the 2011 session authorized the sale of bonds to fund the Blackfeet water compact. The department was allowed to issue and sell \$16.0 million in general obligation bonds to pay the state's costs for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian reservation
- HB 645 in the 2009 session provided \$35.0 million in funding for development of wastewater and drinking water infrastructure, state and private forestry activities, and funds for the Blackfeet and Fort Belknap water compacts

Streambeds

- SB 35 in the 2011 session clarified state laws related to the beds of navigable rivers and defines a "navigable river." It provides rulemaking authority to the Board of Land Commissioners to provide for leases, license, or easements to use the beds of navigable rivers and requires authorizations from the Board of Land Commissioners to use the beds of navigable rivers

Fire Suppression

- HB 3 in the 2007 special session provided for the creation of a fire suppression account, transferred \$40 million general fund to the account, and statutorily appropriates the funds in the account for fire suppression activities beginning in FY 2009
- The 2007 Legislature approved \$1.0 million general fund to purchase the title to DNRC helicopters from the US Forest Service pending congressional approval

Trust Land Revenues

- HB 19 in the 2007 session prohibited diversions of Morrill Act Land revenues for administrative costs and provides a statutory appropriation of \$40,000 general fund each year to administer the trust

Water Adjudication

- HB 473 in the 2007 session provided for a \$25.0 million transfer from the general fund to the state special revenue fund for water adjudication activities. This legislation eliminated the water adjudication fee passed by the 2005 Legislature.
- HB 354 in the 2013 session provided for transfers of: (1) the unobligated balance in the governor's general fund appropriation for emergencies to the fire suppression account (2) unexpended general fund appropriated in excess of 0.5% of total general fund appropriated for that year and (3) corporation license tax deposited into the general fund based on meeting certain collection amounts. The legislation limited the fund balance in the account to a maximum of \$100 million and provided for the account to be statutorily appropriated.

For further information, you may wish to contact the agency at:

Department of Natural Resources and Conservation

Helena, MT 59620-2001

Phone: (406) 444- 2074

webpage: <http://www.dnrc.mt.gov>

Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	542.78	542.78	526.36	526.36	542.78	526.36	(16.42)	(3.03)%
Personal Services	33,658,682	36,106,465	38,591,856	38,584,025	69,765,147	77,175,881	7,410,734	10.62 %
Operating Expenses	15,333,960	14,498,283	18,245,427	18,219,669	29,832,243	36,465,096	6,632,853	22.23 %
Equipment & Intangible Assets	1,280,066	1,197,514	1,370,466	1,353,066	2,477,580	2,723,532	245,952	9.93 %
Capital Outlay	0	11,128	0	0	11,128	0	(11,128)	(100.00)%
Local Assistance	2,558,090	5,000,000	3,058,090	3,058,090	7,558,090	6,116,180	(1,441,910)	(19.08)%
Grants	1,492,466	1,553,481	6,666,568	6,640,262	3,045,947	13,306,830	10,260,883	336.87 %
Benefits & Claims	0	200,000	200,000	200,000	200,000	400,000	200,000	100.00 %
Transfers	1,362,888	1,325,194	1,486,014	1,483,743	2,688,082	2,969,757	281,675	10.48 %
Debt Service	572,753	631,370	770,212	763,641	1,204,123	1,533,853	329,730	27.38 %
Total Costs	\$56,258,905	\$60,523,435	\$70,388,633	\$70,302,496	\$116,782,340	\$140,691,129	\$23,908,789	20.47 %
General Fund	23,637,803	24,992,866	33,362,899	33,441,779	48,630,669	66,804,678	18,174,009	37.37 %
State/Other Special Rev. Funds	30,745,155	33,507,241	34,759,139	34,595,474	64,252,396	69,354,613	5,102,217	7.94 %
Federal Spec. Rev. Funds	1,875,947	2,023,328	2,266,595	2,265,243	3,899,275	4,531,838	632,563	16.22 %
Total Funds	\$56,258,905	\$60,523,435	\$70,388,633	\$70,302,496	\$116,782,340	\$140,691,129	\$23,908,789	20.47 %

Mission Statement

To ensure Montana's land and water resources provide benefits for present and future generations.

For additional information information, please refer to the agency profile.

<http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Department of Natural Resources and Conservation
Major Budget Highlights
<ul style="list-style-type: none"> • The Reserved Water Rights Compact Commission is expected to end its work and sunset by June 30, 2015. However, this will not happen unless legislation to terminate the Commission is passed by the legislature • The agency plans to move the Helena's headquarter by May/June 2016 • Among the major spending proposals are: <ul style="list-style-type: none"> ◦ Sage grouse conservation fund \$10 million general fund ◦ Loan appropriation \$1 million ◦ Funding shift from the natural resources operations account to general fund ◦ State water project dam analysis ◦ \$160,000 general fund for Morrill trust projects ◦ A new initiative for "Forests in Focus" ◦ Replacement of fire communication equipment

LFD COMMENT	The executive plans to request \$8.0 million general fund during the HB 2 subcommittee for the Confederated Salish and Kootenai Tribes (CMKT) Water Compact.
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Agency Discussion

Fire Suppression Account

The 2014 fire season was abnormal in that state costs were \$9.4 million, the fourth lowest cost since 2008. Full FY 2015 will be higher than the \$2.7 million shown in the table. The fire suppression account currently has a fund balance of \$42.5 million. The projected fund balance for 2015 is nearly \$43 million and includes \$500,000 for spring fire costs. Historically the seven year average for state costs with high and low years removed is \$19.7 million. The five year average is \$11.3 million. The chart shows revenue transfers in FY 2014 of \$52 million from HB 3, Governor's unspent emergency general fund appropriation, general fund reversions in excess of 0.5%, and corporation license taxes. In FY 2015 \$3.7 million of general fund reversions were transferred to the account.

Fire Suppression Account		
	FY2014	FY2015
Beginning Balance	\$123,803	\$42,502,104
<u>Revenues</u>		
Charges for services	\$21,077	0
BOI investments	\$63,130	0
GF transfers	\$51,691,404	\$3,653,421
Total Revenues	\$51,775,611	\$3,653,421
<u>Expenditures</u>		
Fire Suppression	\$9,388,662	\$2,727,625
Reimbursement Adjust.	\$8,648	\$0
Spring Fires	\$0	\$500,000
Total Expenditures	\$9,397,310	\$3,227,625
Ending Fund Balance	\$42,502,104	\$42,927,900

Agency Personal Services

The department experienced an average vacancy savings rate of 5.06%, excluding the Forestry Division. Vacancy savings were concentrated in the Centralized Services Division and the Oil and Gas Conservation Division.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The total reduction for this agency would be \$2,496,066 general fund and \$56,003 state special revenue funds over the biennium.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the agency-wide differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
21 CENTRALIZED SVCS	\$5,538,024			Net zero	\$81,504	\$5,619,528
22 OIL & GAS CONS	1,977,481	\$434,477		Net zero	(12,918)	2,399,040
23 CONS/RES DEV DIV	10,096,661	446,000	Net zero		113,687	10,656,348
24 WATER RES DIV	13,159,937	129,700			(113,687)	13,175,950
35 FOREST/TRUST LANDS	28,328,200	412,955		Net zero	(68,587)	28,672,568
Agency Total	\$59,100,303	\$1,423,132	-	-	-	\$60,523,435

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Natural Resources & Conservation Funding by Source of Authority 2017 Biennium Budget - Natural Resources & Conservation						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	66,804,678	0	0	66,804,678	45.65 %	
State Special Total	69,354,613	0	210,532	69,565,145	47.54 %	
Federal Special Total	4,531,838	0	0	4,531,838	3.10 %	
Proprietary Total	0	5,426,535	0	5,426,535	3.71 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$140,691,129	\$5,426,535	\$210,532	\$146,328,196		
Percent - Total All Sources	96.15 %	3.71 %	0.14 %			

The department is primarily funded with the general fund and state special revenue funds, making up 47.5% and 49.3% of the funding respectively. Federal revenue funds make up the remainder of funding for this department.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	24,793,313	24,793,313	49,586,626	74.23 %	59,100,303	59,100,303	118,200,606	84.01 %
PL Adjustments	2,725,219	2,827,589	5,552,808	8.31 %	5,945,803	6,007,475	11,953,278	8.50 %
New Proposals	5,844,367	5,820,877	11,665,244	17.46 %	5,342,527	5,194,718	10,537,245	7.49 %
Total Budget	\$33,362,899	\$33,441,779	\$66,804,678		\$70,388,633	\$70,302,496	\$140,691,129	

Language and Statutory Authority -

The following language is recommended for HB 2:

"During the 2017 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 2017 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 2017 biennium, up to \$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."

"The department is appropriated up to \$600,000 for the 2017 biennium from the natural resources operations account established in 15-38-301 for the purchase of prior liens on property held as loan security as provided in 85-1-615."

"The department is appropriated up to \$1,000,000 for the 2017 biennium from the coal bed methane protection account established in 76-15-904 for potential landowner or water right holder claims for emergency loss of water related to coal bed methane development."

"The department is authorized to decrease federal special revenue in the 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 2017 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."

LFD COMMENT	<p>Language Appropriations are Higher than Previous Biennium</p> <p>The executive is requesting \$4.2 million in language appropriations in the 2017 biennium. In the 2015 biennium, \$2.7 million was provided by the legislature. Language appropriations may be useful in situations where unknown events or emergencies may occur and need immediate funding, but do not appear in the total appropriations figures in HB 2, and can be difficult to track for purposes of balancing the budget.</p> <p>The legislature may want to review the language appropriations and determine which ones truly need a language appropriation and which should be in HB 2</p>
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Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	59.00	59.00	57.00	57.00	59.00	57.00	(2.00)	(3.39)%
Personal Services	3,547,129	4,137,348	4,635,415	4,635,557	7,684,477	9,270,972	1,586,495	20.65 %
Operating Expenses	1,476,665	1,451,139	1,760,321	1,726,395	2,927,804	3,486,716	558,912	19.09 %
Equipment & Intangible Assets	62,554	31,042	62,554	62,554	93,596	125,108	31,512	33.67 %
Total Costs	\$5,086,348	\$5,619,529	\$6,458,290	\$6,424,506	\$10,705,877	\$12,882,796	\$2,176,919	20.33 %
General Fund	3,137,985	3,538,746	4,111,179	4,089,326	6,676,731	8,200,505	1,523,774	22.82 %
State/Other Special Rev. Funds	1,678,733	1,802,762	2,111,879	2,101,550	3,481,495	4,213,429	731,934	21.02 %
Federal Spec. Rev. Funds	269,630	278,021	235,232	233,630	547,651	468,862	(78,789)	(14.39)%
Total Funds	\$5,086,348	\$5,619,529	\$6,458,290	\$6,424,506	\$10,705,877	\$12,882,796	\$2,176,919	20.33 %

Program Description

Centralized Services Division is comprised of the Director's Office, Legal Services Office, Financial Services Office, Office of Information Technology, and the Human Resources Office. 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 Centralized Services Division provide legal, personnel, financial, budgetary, procurement and contracting, information technology, and communications services to the director and the divisions within the agency.

Program Highlights

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The division proposes to increase this program's budget from the previous biennium due primarily to: <ul style="list-style-type: none"> ◦ Global personal services adjustments for annualization of the 2015 biennium pay plan and full funding of all positions ◦ A relocation of the DNRC Helena headquarters in 2016

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
21 CENTRALIZED SVCS	\$5,538,024				- \$81,504	\$5,619,528
Personal Services	4,072,638				64,710	4,137,348
Operating Expenses	1,465,386			(31,042)	16,794	1,451,138
Equipment & Assets				31,042		31,042

The difference between the legislatively appropriated base and the executive implementation was due to a transfer of 1.0 FTE position from the Trust Land Management Division (TLMD) to the Centralized Services Division (CSD) as well as a transfer of funds from the Board of Oil and Gas Commission (OGC) to CSD to upgrade software and servers.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$5,086,348 are \$451,676 below the FY 2015 legislative appropriation of \$5,538,024, primarily because expenditures for personal services were lower due to experienced vacancy savings in FY 2014 and additional pay plan costs in FY 2015.

Funding

The following table shows proposed program funding by source from all sources of authority.

Natural Resources & Conservation, 21-Centralized Services Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	8,200,505	0	0	8,200,505	63.65 %	
02039 Forestry-Fire Protection Taxes	465,462	0	0	465,462	11.05 %	
02052 Rangeland Improvement Loans	42,454	0	0	42,454	1.01 %	
02073 Forestry - Slash Disposal	14,373	0	0	14,373	0.34 %	
02145 Broadwater O & M	48,233	0	0	48,233	1.14 %	
02223 Wastewater SRF Special Admin	100,000	0	0	100,000	2.37 %	
02340 Coal Sev. Tax Shared SSR	18,562	0	0	18,562	0.44 %	
02430 Water Right Appropriation	184,673	0	0	184,673	4.38 %	
02431 Water Adjudication	701,752	0	0	701,752	16.66 %	
02432 Oil & Gas ERA	261,567	0	0	261,567	6.21 %	
02491 Drinking Water Spec Admin Cost	100,000	0	0	100,000	2.37 %	
02576 Natural Resources Operations SSR Fu	91,588	0	0	91,588	2.17 %	
02825 Water Well Contractors	15,126	0	0	15,126	0.36 %	
02938 TLMD - Administration	2,169,639	0	0	2,169,639	51.49 %	
State Special Total	\$4,213,429	\$0	\$0	\$4,213,429	32.71 %	
03255 CSD Federal Indirect	468,862	0	0	468,862	100.00 %	
Federal Special Total	\$468,862	\$0	\$0	\$468,862	3.64 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$12,882,796	\$0	\$0	\$12,882,796		

Centralized Services is funded from revenue sources used throughout the department on a shared basis, with 64% general fund, 33% state special revenue, and 3% federal revenue. The state special revenue funds are allocated to cover the costs of services provided to other programs in the department. The federal revenue is a portion of the federal funds provided for overhead costs.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,534,869	3,534,869	7,069,738	86.21 %	5,538,024	5,538,024	11,076,048	85.98 %
PL Adjustments	576,310	554,457	1,130,767	13.79 %	920,266	886,482	1,806,748	14.02 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$4,111,179	\$4,089,326	\$8,200,505		\$6,458,290	\$6,424,506	\$12,882,796	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	440,094	141,731	(19,048)	562,777	0.00	460,990	127,620	(25,691)	562,919
DP 99 - LEG. Present Law	0.00	136,216	245,014	(23,741)	357,489	0.00	93,467	248,796	(18,700)	323,563
Grand Total All Present Law Adjustments	0.00	\$576,310	\$386,745	(\$42,789)	\$920,266	0.00	\$554,457	\$376,416	(\$44,391)	\$886,482

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	57.00	\$17,540	\$9,144	\$1,018	\$27,702
Executive Implementation of 2015 Pay Increase		50,747	26,456	2,946	80,148
Fully Fund 2015 Legislatively Authorized FTE		45,932	23,277	10,501	79,710
Other		325,875	82,854	(33,513)	375,217
Personal Services Present Law Adjustments	57.00	\$440,094	\$141,731	(\$19,048)	\$562,777
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	57.00	\$17,540	\$9,144	\$1,018	\$27,702
Executive Implementation of 2015 Pay Increase		50,743	26,460	2,946	80,148
Fully Fund 2015 Legislatively Authorized FTE		45,932	23,277	10,501	79,710
Other		346,775	68,739	(40,156)	375,359
Personal Services Present Law Adjustments	57.00	\$460,990	\$127,620	(\$25,691)	\$562,919

The executive proposes to increase support to personal services by 13.8% in FY 2016 and 13.8% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$4,072,638. Approximately one-third of the personal service adjustments are due to the three main line items. The remaining increases are primarily due to longevity, position reclassification, market adjustments, and moving the DNRC Helena headquarters.

DP 99 - LEG. Present Law -

The LGPL adjustments above are primarily due to increases in fixed costs and moving the DNRC Helena headquarters in May/June of 2016.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	21.00	21.00	20.00	20.00	21.00	20.00	(1.00)	(4.76)%
Personal Services	1,255,489	1,579,900	1,569,518	1,567,154	2,835,389	3,136,672	301,283	10.63 %
Operating Expenses	469,490	732,411	531,181	547,913	1,201,901	1,079,094	(122,807)	(10.22)%
Equipment & Intangible Assets	53,550	86,729	56,550	56,550	140,279	113,100	(27,179)	(19.37)%
Total Costs	\$1,778,529	\$2,399,040	\$2,157,249	\$2,171,617	\$4,177,569	\$4,328,866	\$151,297	3.62 %
State/Other Special Rev. Funds	1,671,446	2,291,951	2,050,166	2,064,534	3,963,397	4,114,700	151,303	3.82 %
Federal Spec. Rev. Funds	107,083	107,089	107,083	107,083	214,172	214,166	(6)	0.00 %
Total Funds	\$1,778,529	\$2,399,040	\$2,157,249	\$2,171,617	\$4,177,569	\$4,328,866	\$151,297	3.62 %

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

- 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

Oil and Gas Conservation Division Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposes to increase the budget from the previous biennium due almost entirely to: <ul style="list-style-type: none"> ◦ Annualization of the 2015 biennium pay plan and full funding of all positions ◦ Underground Injection Control (UIC) program adjustments.

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps OTO	House Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
22 OIL & GAS CONS	\$1,977,481	\$434,477		-	(\$12,918)	\$2,399,040
Personal Services	1,413,222	166,678		(16,918)		1,562,982
Operating Expenses	511,530	233,799		16,918	(12,918)	749,329

The difference between the executive request and the legislative appropriation is primarily due to an enhanced oil recovery study OTO appropriation as well as a compliance and field inspection OTO.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$1,778,529 are \$198,952 below the FY 2015 legislative appropriation of \$1,977,481, due primarily to experienced vacancy savings in FY 2014 and additional FY 2015 pay plan appropriations.

Funding

The following table shows proposed program funding by source from all sources of authority.

Natural Resources & Conservation, 22-Oil & Gas Conservation Div. Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund		0	0	0	0.00 %	
02010 Oil & Gas Damage Mitigation		0	200,000	200,000	4.64 %	
02432 Oil & Gas ERA	4,114,700	0	0	4,114,700	95.36 %	
State Special Total	\$4,114,700	\$0	\$200,000	\$4,314,700	95.27 %	
03356 Oil & Gas Federal	214,166	0	0	214,166	100.00 %	
Federal Special Total	\$214,166	\$0	\$0	\$214,166	4.73 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,328,866	\$0	\$200,000	\$4,528,866		

The division is funded through taxes levied on oil and gas wells and the class II operating fee. By statute (15-36-331, MCA), a percentage of oil production taxes and natural gas taxes are deposited to the account for the board's use. The Board of Oil and Gas Conservation is authorized by statute (82-11-131, MCA) to set privilege and license taxes up to 3/10 of 1% of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-331, MCA. The privilege and license tax is currently set at 30% of the maximum allowed by statute. Section 82-11-137, MCA provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$200.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	1,977,481	1,977,481	3,954,962	0.00 %	
PL Adjustments	0	0	0	0.00 %	179,768	194,136	373,904	0.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$0	\$0		\$2,157,249	\$2,171,617	\$4,328,866		

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	140,287	2,046	142,333	0.00	0	138,230	1,739	139,969
DP 99 - LEG. Present Law	0.00	0	39,487	(2,052)	37,435	0.00	0	55,912	(1,745)	54,167
Grand Total All Present Law Adjustments	0.00	\$0	\$179,774	(\$6)	\$179,768	0.00	\$0	\$194,142	(\$6)	\$194,136

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	20.00	\$0	\$9,720	\$0	\$9,720
Executive Implementation of 2015 Pay Increase		-	26,983	-	26,983
Fully Fund 2015 Legislatively Authorized FTE		-	26,301	4,381	30,682
Other		-	77,283	(2,335)	74,948
Personal Services Present Law Adjustments	20.00	\$0	\$140,287	\$2,046	\$142,333
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	20.00	\$0	\$9,720	\$0	\$9,720
Executive Implementation of 2015 Pay Increase		-	26,983	-	26,983
Fully Fund 2015 Legislatively Authorized FTE		-	26,301	4,381	30,682
Other		-	75,226	(2,642)	72,584
Personal Services Present Law Adjustments	20.00	\$0	\$138,230	\$1,739	\$139,969

The executive proposes to increase support to personal services by 11.1% in FY 2016 and 10.9% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$1,413,222. Approximately half of the personal service adjustments are due to the three main line items. The remaining adjustments are primarily due to the present law request for regulatory and UIC program adjustments as well as increases in exempt and strategic employee pay.

LFD COMMENT The Underground Injection Control (UIC) program is administered by the board through an agreement with the U.S. Environmental Protection Agency (EPA). The goal of the UIC program is to protect underground sources of drinking water from contamination due to improper disposal of liquid oil field wastes.

LFD COMMENT The 63rd Legislature appropriated \$120,000 state special revenue as a one-time restricted appropriation to fund a procedural manual and inspection system as suggested by a legislative audit. Montana Tech did a scoping study of the project in FY 2012 and was to perform the work through the 2015 biennium. Department staff state that the project has been completed as of September 2014 and deliverables have been received.

In the 62rd Legislature \$1,500,000 was appropriated as a one-time restricted biennial appropriation to fund educational and research activities of the board.

DP 99 - LEG. Present Law -

The LGPL adjustments are due to an increase in fixed costs and a present law request for Oil and Gas and UIC adjustments. These adjustments would be due to office rent increases in Helena and Shelby as well as moving expenses.

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	26.65	26.65	26.17	26.17	26.65	26.17	(0.48)	(1.80)%
Personal Services	1,902,347	1,978,033	2,137,635	2,140,794	3,880,380	4,278,429	398,049	10.26 %
Operating Expenses	1,774,026	2,088,752	2,354,990	2,317,428	3,862,778	4,672,418	809,640	20.96 %
Equipment & Intangible Assets	43,743	25,547	43,743	43,743	69,290	87,486	18,196	26.26 %
Local Assistance	2,558,090	5,000,000	3,058,090	3,058,090	7,558,090	6,116,180	(1,441,910)	(19.08)%
Grants	1,298,001	1,364,016	6,472,103	6,445,797	2,662,017	12,917,900	10,255,883	385.27 %
Benefits & Claims	0	200,000	200,000	200,000	200,000	400,000	200,000	100.00 %
Total Costs	\$7,576,207	\$10,656,348	\$14,266,561	\$14,205,852	\$18,232,555	\$28,472,413	\$10,239,858	56.16 %
General Fund	1,018,319	1,052,113	7,009,929	6,981,110	2,070,432	13,991,039	11,920,607	575.75 %
State/Other Special Rev. Funds	6,290,180	9,312,875	6,968,924	6,937,034	15,603,055	13,905,958	(1,697,097)	(10.88)%
Federal Spec. Rev. Funds	267,708	291,360	287,708	287,708	559,068	575,416	16,348	2.92 %
Total Funds	\$7,576,207	\$10,656,348	\$14,266,561	\$14,205,852	\$18,232,555	\$28,472,413	\$10,239,858	56.16 %

Program Description

The Conservation and Resource Development Division (CARDD) provides technical, administrative, financial and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The programs include the state revolving fund, which at the end of FY 2014 included \$530 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$42 million, and private loans for \$22 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs.

Program Highlights

Conservation and Resource Development Division Major Budget Highlights
<p>The Division proposes to increase this program's budget due to:</p> <ul style="list-style-type: none"> • A major initiative to establish a Sage Grouse Conservation Fund with general fund • Various global present law adjustments, including annualization of the 2015 biennium pay plan and full funding of positions • A proposed switch of funding from the natural resources operations account to the general fund • A proposal for range land and other loans • One new proposal for \$480,000 to provide technical support to communities

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
23 CONS/RES DEV DIV	10,096,661	446,000	-	-	113,687	10,656,348
Personal Services	1,792,156	88,553	-	-	97,324	1,978,033
Operating Expenses	1,917,220	155,169	-	-	16,363	2,088,752
Equipment & Assets	23,269	2,278	-	-	-	25,547
Local Assistance	5,000,000	-	-	-	-	5,000,000
Grants	1,364,016	-	-	-	-	1,364,016
Benefits & Claims	-	200,000	-	-	-	200,000

The difference between the FY 2015 legislative appropriation and the total executive implementation is primarily due to restricted one-time-only appropriations for regional water administration, drinking water loan assistance, and operating adjustments. The remaining difference was a program transfer that moved funding and FTE for the Flathead Basin Commission from the Water Resources Division to the Conservation and Resource Development Division.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$7,576,207 are \$2,520,454 below the FY 2015 Legislative appropriation of \$10,096,661.

Funding

The following table shows proposed program funding by source from all sources of authority.

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

Natural Resources & Conservation, 23-Conservation & Resource Development Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	13,991,039	0	0	13,991,039	49.14 %	
02015 TSEP Regional Water System	1,912,764	0	0	1,912,764	13.76 %	
02052 Rangeland Improvement Loans	162,228	0	0	162,228	1.17 %	
02107 Environmental Contingency RIT	0	0	0	0	0.00 %	
02298 GO Bond Proceeds 2010H	0	0	0	0	0.00 %	
02316 GO94B/Ban 93D Admin	52,465	0	0	52,465	0.38 %	
02340 Coal Sev. Tax Shared SSR	4,438,315	0	0	4,438,315	31.92 %	
02433 Grazing District Fees	48,688	0	0	48,688	0.35 %	
02490 Drinking Water Investment	400,000	0	0	400,000	2.88 %	
02491 Drinking Water Spec Admin Cost	0	0	0	0	0.00 %	
02576 Natural Resources Operations SSR Fu	575,318	0	0	575,318	4.14 %	
02621 CST 09A BAN Proceeds Exempt	0	0	0	0	0.00 %	
02622 CST 09B BAN Proceeds Taxable	0	0	0	0	0.00 %	
02685 CST 12A BAN PROCEEDS-EXEMPT	0	0	0	0	0.00 %	
02686 CST 12B BAN PROCEEDS-TAXABLE	0	0	0	0	0.00 %	
02694 Coal Bed Methane Protection	350,000	0	0	350,000	2.52 %	
02910 CST 14A BAN Proceeds (Exmp)	0	0	0	0	0.00 %	
02950 GO 2013E WW SRF Proceeds	0	0	0	0	0.00 %	
02967 GO 2013E Bond Proceeds Taxable	0	0	0	0	0.00 %	
02971 SRF GO BOND 2000F TAX NPS/RCB	5,966,180	0	0	5,966,180	42.90 %	
State Special Total	\$13,905,958	\$0	\$0	\$13,905,958	48.84 %	
03149 WPC SRF FY06 GRANT	0	0	0	0	0.00 %	
03152 DW SRF FY15 Grant	0	0	0	0	0.00 %	
03245 WPC SRF 11 Grant	131,154	0	0	131,154	22.79 %	
03409 WPC SRF FY10 GRANT	0	0	0	0	0.00 %	
03430 DW SRF FY14 Grant	0	0	0	0	0.00 %	
03457 WPC SRF 05/08 Grant	131,154	0	0	131,154	22.79 %	
03569 DW SRF FY16 Grant	156,554	0	0	156,554	27.21 %	
03574 DW SRF FY17 Grant	156,554	0	0	156,554	27.21 %	
Federal Special Total	\$575,416	\$0	\$0	\$575,416	2.02 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$28,472,413	\$0	\$0	\$28,472,413		

The general fund and state special revenue funds each fund approximately 49% of CARRD, with federal special revenue funding the remaining 2%.

Coal Tax Shared Account

Section 15-35,108, MCA provides for 5.46% of coal severance tax collections to be deposited to a state special revenue fund to be used for the following:

- Basic library services for residents of all counties
- Conservation districts
- Montana Growth through Agriculture

Any unreserved fund balance at the end of each fiscal year must be deposited to the general fund.

The figure below summarizes the condition of the fund. The figure assumes:

- The Governor's proposed HB 2 budget for the 2017 biennium
- The Legislative Fiscal Division (LFD) revenue estimates for the 2017 biennium
- Any annual ending fund balance is transferred to the general fund in accordance with MCA 15-35-108(3) beginning in FY 2015
- No additional costs from a pay plan bill in the 2015 Legislative Session

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

Department of Natural Resources and Conservation				
Coal Tax Shared State Special Revenue				
Balance, Expenditures & Revenues	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Balance	\$1,444,325	(\$61,501)	(\$215,386)	(\$106,932)
<u>Expenditures</u>				
Montana State Library	562,584	562,801	473,030	465,833
Natural Resources & Conservation	3,666,854	2,239,107	2,245,131	2,211,746
Agriculture	425,512	440,706	402,994	396,637
Total Expenditures	4,654,950	3,242,614	3,121,155	3,074,216
LFD Revenues	3,149,124	3,088,729	3,229,609	3,330,218
Ending Fund Balance	(\$61,501)	(\$215,386)	(\$106,932)	\$149,070
				General Fund

Proposed Expenditures

The executive is requesting \$6.2 million in spending authority from this fund in the FY 2017 biennium, allocated as shown on the above table, a decrease of \$1.7 million, or 21.6% from the 2015 biennium.

Projected Revenue

The LFD revenue projection totals \$6.5 million for the biennium, a 5% increase from the 2015 biennium.

As noted above, the table uses the LFD revenue estimates to evaluate the condition of the fund. Using this estimate and the executive proposed expenditures, the fund would have a negative balance at the end of FY 2015. Therefore, the executive will need to reduce expenditures in that year to eliminate the projected negative ending fund balance. Because the executive proposes expenditures in the 2017 biennium that are within projected revenues, the fund would be balanced. LFD staff will provide an update to the legislature on any action taken by the executive concerning FY 2015 expenditures.

Coal Tax Shared Account History					
2340					
Agencies	FY 2014 Appropriation	FY 2013 Appropriation	FY 2012 Appropriation	FY 2011 Appropriation	Average
Library Commission	562,804	509,800	512,273	630,041	553,730
DNRC	2,223,806	2,207,424	2,357,698	1,686,398	2,118,832
Agriculture	444,170	393,926	387,676	820,516	511,572
Total	3,230,780	3,111,150	3,257,647	3,136,955	3,184,133
<u>Percent of Total</u>					
Library Commission	17.4%	16.4%	15.7%	20.1%	
DNRC	68.8%	71.0%	72.4%	53.8%	
Agriculture	13.7%	12.7%	11.9%	26.2%	

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Statute does not allocate the funds to any of the above entities, but gives the legislature authority to appropriate the funds. The legislature may wish to coordinate action on this budget with the other subcommittees responsible for appropriation of the account.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,035,808	1,035,808	2,071,616	14.81 %	10,096,661	10,096,661	20,193,322	70.92 %
PL Adjustments	314,744	286,015	600,759	4.29 %	(675,227)	(701,527)	(1,376,754)	(4.84)%
New Proposals	5,659,377	5,659,287	11,318,664	80.90 %	4,845,127	4,810,718	9,655,845	33.91 %
Total Budget	\$7,009,929	\$6,981,110	\$13,991,039		\$14,266,561	\$14,205,852	\$28,472,413	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	16,359	209,480	792	226,631	0.00	15,039	214,041	800	229,880
DP 99 - LEG. Present Law	0.00	298,385	(1,219,099)	18,856	(901,858)	0.00	270,976	(1,221,231)	18,848	(931,407)
Grand Total All Present Law Adjustments	0.00	\$314,744	(\$1,009,619)	\$19,648	(\$675,227)	0.00	\$286,015	(\$1,007,190)	\$19,648	(\$701,527)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

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Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	25.67	\$8,465	\$4,011	\$0	\$12,476
Executive Implementation of 2015 Pay Increase		24,161	12,238	-	36,399
Fully Fund 2015 Legislatively Authorized FTE		6,375	23,582	6,906	36,863
Other		(22,642)	169,649	(6,114)	140,893
Personal Services Present Law Adjustments	25.67	\$16,359	\$209,480	\$792	\$226,631
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	25.67	\$8,465	\$4,011	\$0	\$12,476
Executive Implementation of 2015 Pay Increase		24,235	12,164	-	36,399
Fully Fund 2015 Legislatively Authorized FTE		6,375	23,582	6,906	36,863
Other		(24,036)	174,284	(6,106)	144,142
Personal Services Present Law Adjustments	25.67	\$15,039	\$214,041	\$800	\$229,880

The executive proposes to increase support to personal services by 19.3% in FY 2016 and 19.5% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$1,792,156. Approximately 35% of the personal services increases are due to the three main line items. The remainder is primarily a result of present law proposals for operating adjustments and additional funding to the administrative grant program.

LFD ISSUE

The End of TSEPRW Funding

Statute 17-5-703, MCA, provides for the distributions of the coal severance tax to the named trusts. All reference to the TSEPRW trust will disappear as of July 1, 2016 (mid-way in the 2017 biennium). Furthermore, the state special fund used for the purpose of appropriation as provided in 90-6-715, MCA (provided as temporary) will likewise disappear. When the trust disappears from statute, there will no longer be any mention of the TSEPRW program in statute, which could be inferred as the end of the program altogether. Yet, if the program continues, and without statutory changes, another source of program funding will be required to support program costs and water authority administration costs, not to mention regional water construction.

TSEPRW started when the Ft. Peck/Dry Prairie and Rocky Boy/North Central regional water authorities were formed. Since then, the state funding for the construction projects has been met and some federal project funding has been received. However, two additional regional water authorities have been formed, the Dry Red and the Musselshell Judith Gap, which has extended the projects for which this funding could be used. Neither of these systems has received federal recognition as regional water systems, although both have sought authorization. Without federal authorization, it is unlikely that federal funds will be directed to the projects. Consequently, even if the TSEPRW trust continued to exist, system construction would be delayed until federal funding materializes.

The statute is not specific about the handling of the TSEPRW funds as they disappear from the law, however legislative legal staff has provided an informal interpretation that the balance of the TSEPRW trust will revert to the permanent trust, increasing the flow of investment earnings to the general fund, and that.

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17-1-503, MCA would guide the actions related to the fund. The statute states, "The balance remaining in each special revenue account terminated pursuant to legislative review must be deposited in the general fund." Without legislative action to change the law, it is likely that any uncommitted or encumbered balance would likely be transferred to the general fund.

The legislature has options for addressing this issue before the funding for the TSEPRW program is eliminated. Ultimately, the legislature must decide if the program as currently managed should continue. If not, then the termination of the trust and the TSEPRW statute will eliminate the current funding. If, however, the legislature wants to continue the program the following options may help to frame a discussion:

- Insert the TSEPRW trust back into 17-5-703
- Eliminate the temporary status of 90-6-715

DP 99 - LEG. Present Law -

LGPL adjustments would decrease due to local assistance from other state sources.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2302305 - CARDD Montana Rural Water - OTO	0.00	0	240,000	0	240,000	0.00	0	240,000	0	240,000
DP 2302309 - CARDD Fund Switch from Natural Resource Operations Account	0.00	629,082	(629,082)	0	0	0.00	629,082	(629,082)	0	0
DP 2302310 - CARDD Coal Severance Tax Shared Reduction	0.00	0	(425,168)	0	(425,168)	0.00	0	(459,487)	0	(459,487)
DP 2302311 - CARRD Invasive Species Staff	0.50	30,295	0	0	30,295	0.50	30,205	0	0	30,205
DP 2302312 - Sage Grouse Conservation Fund (OTO/BIEN/RST)	0.00	5,000,000	0	0	5,000,000	0.00	5,000,000	0	0	5,000,000
Total	0.50	\$5,659,377	(\$814,250)	\$0	\$4,845,127	0.50	\$5,659,287	(\$848,569)	\$0	\$4,810,718

DP 2302310 - CARDD Coal Severance Tax Shared Reduction -

The budget includes a reduction each year to bring utilization of the coal severance tax shared account in line with revenue projections.

DP 2302312 - Sage Grouse Conservation Fund (OTO/BIEN/RST) -

This budget request is for \$5,000,000 of general fund each year to fund voluntary and incentive-based non-regulatory conservation measures on private land to conserve sage grouse habitat, including the promotion and support of mitigation and conservation plans and measures.

According to the executive, a project developer whose project is located in or near sage grouse habitat may contribute to the fund for the purpose of protecting sage grouse habitat or defraying the costs of maintaining sage grouse habitat as part of an approved mitigation plan.

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DP 2302305 - CARDD Montana Rural Water - OTO -

Montana Rural Water (MRW) assists communities with water and wastewater systems by providing technical support. This request is for \$240,000 per year as a one-time-only appropriation to pay for training and operating expenses of the MRW staff. Salaries, communication, travel, and other expenses would be paid by contract. The staff provides training statewide.

DP 2302311 - CARRD Invasive Species Staff -

The executive recommends general fund for 0.50 FTE to staff the Montana Invasive Species Advisory Council. The council provides a non-partisan forum for understanding invasive species issues and determining ways to identify, prevent, eliminate, reduce, and mitigate the impacts of both terrestrial and aquatic invasive species in Montana.

DP 2302309 - CARDD Fund Switch from Natural Resource Operations Account -

This budget request represents a funding shift of \$629,082 from state special revenue to general fund in the Conservation and Resource Development Division.

LFD ISSUE	<u>Natural Resource Operations Account Funding</u> <p>This division has historically used the natural resources operations account to fund a significant part of its operations. This account is funded from several sources, including a portion of the metal mines and oil and gas taxes, and interest income from the resource indemnity trust, and is used by numerous other functions in several agencies of state government. This account is currently not sustainable for all of the functions for which it provides funding.</p> <p>The legislature may wish to consider all of the current uses of the account in determining how to bring those uses into balance with ongoing revenues, including reducing operations to align with the funding sources. As such, the Natural Resources and Transportation Subcommittee may wish to coordinate its consideration and action on both this agency and the Department of Environmental Quality with the subcommittees acting on the other functions that utilize the account.</p> <p>For a further discussion of the RIT related accounts used to fund this and other functions of state government, see the Summary section of the Department of Environmental Quality.</p>
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Language and Statutory Authority -

The Governor proposes the following language for inclusion in HB 2.

The executive requests three language appropriations:

“The department is appropriated up to \$600,000 for the 2017 biennium from the natural resources operations account established in 15-38-301 for the purchase of prior liens on property held as loan security as provided in 85-1-615.

The department is appropriated up to \$1,000,000 for the 2017 biennium from the coal bed methane protection account established in 76-15-904 for potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

The department is authorized to decrease federal special revenue in the 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

57060 - Natural Resources & Conservation 23-Conservation & Resource Development Division

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.”

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	140.05	140.05	135.30	135.30	140.05	135.30	(4.75)	(3.39)%
Personal Services	9,431,146	9,774,740	10,251,338	10,252,582	19,205,886	20,503,920	1,298,034	6.76 %
Operating Expenses	4,481,589	2,747,998	5,332,925	5,206,075	7,229,587	10,539,000	3,309,413	45.78 %
Equipment & Intangible Assets	73,499	33,020	150,899	133,499	106,519	284,398	177,879	166.99 %
Transfers	21,591	7,500	21,591	21,591	29,091	43,182	14,091	48.44 %
Debt Service	547,816	612,692	745,275	738,704	1,160,508	1,483,979	323,471	27.87 %
Total Costs	\$14,555,641	\$13,175,950	\$16,502,028	\$16,352,451	\$27,731,591	\$32,854,479	\$5,122,888	18.47 %
General Fund	8,686,233	9,018,771	9,951,416	9,946,700	17,705,004	19,898,116	2,193,112	12.39 %
State/Other Special Rev. Funds	5,687,027	3,931,699	6,271,955	6,126,588	9,618,726	12,398,543	2,779,817	28.90 %
Federal Spec. Rev. Funds	182,381	225,480	278,657	279,163	407,861	557,820	149,959	36.77 %
Total Funds	\$14,555,641	\$13,175,950	\$16,502,028	\$16,352,451	\$27,731,591	\$32,854,479	\$5,122,888	18.47 %

Program Description

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

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
- 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

The division consists of an administration unit and five bureaus:

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

The Compact Implementation unit is under the Water Management Bureau and will provide technical and legal support for implementation of approved water compacts for Indian tribes and federal agencies.

Program Highlights

**Water Resources Division
Major Budget Highlights**

The division proposes to increase the budget over the prior biennium due to:

- Global adjustments, including annualization of the 2015 biennium pay plan and full funding of positions
- Two new proposals for the following:
 - Surface water assessment and monitoring
 - State water project dam analysis
- Multiple other requests related to state water projects

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
24 WATER RES DIV	13,159,937	129,700			(113,687)	13,175,950
Personal Services	9,872,064				(97,324)	9,774,740
Operating Expenses	2,634,661	129,700			(16,363)	2,747,998
Equipment & Assets	33,020					33,020
Transfers	7,500					7,500
Debt Service	612,692					612,692

The difference between the legislatively appropriated base and the executive implementation is due to a one-time-only appropriation for flood plain mapping and stream gaging as well as a program transfer that moved funding and FTE for the Flathead Basin Commission from the Water Resources Division to the Conservation and Resource Development Division.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$14,555,641 are \$1,395,704 above the FY 2015 Legislative appropriation of \$13,159,937. The 2013 Legislature provided funds for various water projects in FY 2014 that were not appropriated in FY 2015.

Funding

The following table shows proposed program funding by source from all sources of authority.

Natural Resources & Conservation, 24-Water Resources Division					
Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	19,898,116	0	0	19,898,116	60.56 %
02145 Broadwater O & M	1,100,755	0	0	1,100,755	8.88 %
02146 Broadwater Irrigation	0	0	0	0	0.00 %
02147 Broadwater R & R	0	0	0	0	0.00 %
02216 Water Storage St Sp Rev Acct	609,518	0	0	609,518	4.92 %
02351 Water Project Lands Lease Acct	119,438	0	0	119,438	0.96 %
02404 Water Project Loans	616,410	0	0	616,410	4.97 %
02430 Water Right Appropriation	1,027,512	0	0	1,027,512	8.29 %
02431 Water Adjudication	3,581,621	0	0	3,581,621	28.89 %
02470 State Project Hydro Earnings	4,921,569	0	0	4,921,569	39.69 %
02576 Natural Resources Operations SSR Fu	218,623	0	0	218,623	1.76 %
02694 Coal Bed Methane Protection	0	0	0	0	0.00 %
02825 Water Well Contractors	203,097	0	0	203,097	1.64 %
State Special Total	\$12,398,543	\$0	\$0	\$12,398,543	37.74 %
03034 Yellowstone Groundwater NPS	43,848	0	0	43,848	7.86 %
03094 FEMA Federal Grants	513,972	0	0	513,972	92.14 %
Federal Special Total	\$557,820	\$0	\$0	\$557,820	1.70 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$32,854,479	\$0	\$0	\$32,854,479	

The Water Resources Division is predominantly funded with general fund and state special revenue, with a minor amount of federal revenue. The largest state special revenue funding comes from funds set aside for water adjudication and income derived from state owned hydroelectric projects for repair and rehabilitation of state owned water projects.

LFD ISSUE	The Water Court in the Judicial Branch is the other entity that utilizes water adjudication funds. The executive has requested that a portion of the water adjudication funds in the Water Court be replaced with general fund. The Natural Resources and Transportation subcommittee may wish to coordinate its action on this budget request with that of the Judicial Branch, Law Enforcement, and Justice subcommittee.
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Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	9,001,876	9,001,876	18,003,752	90.48 %	13,159,937	13,159,937	26,319,874	80.11 %
PL Adjustments	856,140	874,824	1,730,964	8.70 %	2,973,691	2,937,514	5,911,205	17.99 %
New Proposals	93,400	70,000	163,400	0.82 %	368,400	255,000	623,400	1.90 %
Total Budget	\$9,951,416	\$9,946,700	\$19,898,116		\$16,502,028	\$16,352,451	\$32,854,479	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	492,384	(125,115)	12,005	379,274	0.00	493,313	(124,980)	12,185	380,518
DP 99 - LEG. Present Law	0.00	363,756	2,189,489	41,172	2,594,417	0.00	381,511	2,133,987	41,498	2,556,996
Grand Total All Present Law Adjustments	0.00	\$856,140	\$2,064,374	\$53,177	\$2,973,691	0.00	\$874,824	\$2,009,007	\$53,683	\$2,937,514

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	135.30	\$49,815	\$15,272	\$668	\$65,756
Executive Implementation of 2015 Pay Increase		139,130	34,512	2,168	175,810
Fully Fund 2015 Legislatively Authorized FTE		121,804	62,624	8,428	192,856
Other		181,635	(237,524)	741	(55,148)
Personal Services Present Law Adjustments	135.30	\$492,384	(\$125,115)	\$12,005	\$379,274
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	135.30	\$49,815	\$15,272	\$668	\$65,756
Executive Implementation of 2015 Pay Increase		139,155	34,486	2,169	175,810
Fully Fund 2015 Legislatively Authorized FTE		121,804	62,624	8,428	192,856
Other		182,539	(237,362)	920	(53,904)
Personal Services Present Law Adjustments	135.30	\$493,313	(\$124,980)	\$12,185	\$380,518

The executive proposes to increase support to personal services by 3.8% in FY 2016 and 5.2% in FY 2017 in comparison to the FY 2015 legislatively appropriated budget of \$9,872,064. The increase is entirely due to the state share health insurance, the implementation of the HB 13 pay raises, and fully funding legislatively authorized FTE.

DP 99 - LEG. Present Law -

The LGPL adjustments above are primarily due to increases in consulting and professional services for various proposed projects.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2402402 - WRD Surface Water Assessment/Monitor	0.00	93,400	0	0	93,400	0.00	70,000	0	0	70,000
DP 2402407 - WRD State Water Project Dam Analysis	0.00	0	275,000	0	275,000	0.00	0	185,000	0	185,000
Total	0.00	\$93,400	\$275,000	\$0	\$368,400	0.00	\$70,000	\$185,000	\$0	\$255,000

DP 2402402 - WRD Surface Water Assessment/Monitor -

This budget request is for general fund to purchase equipment and pay operating expenses to establish a state-based surface water assessment and monitoring program. The hydrologic information provided by this program would be utilized by DNRC, other state agencies, and citizens who depend on real-time stream-flow measurement data to aid decision making and policy development.

DP 2402407 - WRD State Water Project Dam Analysis -

The budget includes state special revenue to conduct the analysis and design work for rehabilitation of several state water projects and inundation and loss of life analyses on three dams. The request includes \$370,000 to evaluate alternatives to rehabilitate Willow Creek Dam to meet existing dam safety criteria; \$20,000 for tower safety, engineering design and construction documents; and \$70,000 for inundation and loss of life analyses for Glacier, East Fork of Rock Creek, and Middle Creek Dams.

Language and Statutory Authority -

The Governor proposes the following language for inclusion in HB 2.

“During the 2017 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 2017 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 2017 biennium, up to \$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.”

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	296.08	296.08	287.89	287.89	296.08	287.89	(8.19)	(2.77)%
Personal Services	17,522,571	18,636,444	19,997,950	19,987,938	36,159,015	39,985,888	3,826,873	10.58 %
Operating Expenses	7,132,190	7,477,983	8,266,010	8,421,858	14,610,173	16,687,868	2,077,695	14.22 %
Equipment & Intangible Assets	1,046,720	1,021,176	1,056,720	1,056,720	2,067,896	2,113,440	45,544	2.20 %
Capital Outlay	0	11,128	0	0	11,128	0	(11,128)	(100.00)%
Grants	194,465	189,465	194,465	194,465	383,930	388,930	5,000	1.30 %
Transfers	1,341,297	1,317,694	1,464,423	1,462,152	2,658,991	2,926,575	267,584	10.06 %
Debt Service	24,937	18,678	24,937	24,937	43,615	49,874	6,259	14.35 %
Total Costs	\$27,262,180	\$28,672,568	\$31,004,505	\$31,148,070	\$55,934,748	\$62,152,575	\$6,217,827	11.12 %
General Fund	10,795,266	11,383,236	12,290,375	12,424,643	22,178,502	24,715,018	2,536,516	11.44 %
State/Other Special Rev. Funds	15,417,769	16,167,954	17,356,215	17,365,768	31,585,723	34,721,983	3,136,260	9.93 %
Federal Spec. Rev. Funds	1,049,145	1,121,378	1,357,915	1,357,659	2,170,523	2,715,574	545,051	25.11 %
Total Funds	\$27,262,180	\$28,672,568	\$31,004,505	\$31,148,070	\$55,934,748	\$62,152,575	\$6,217,827	11.12 %

Program Description

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners.

Specific programs include:

- Fire and Aviation Management: Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support
- Forest Practice Regulation: Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana
- Administering Montana Fire Hazard Reduction Law: Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced
- Providing Forestry Services: Providing technical forestry assistance to private landowners, businesses and communities
- Tree and Shrub Nursery – Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

The Trust Land Management Division provides for the administration and management of trust lands granted to the State of Montana by the Enabling Act of 1889. These lands total approximately 5.2 million surface acres and 6.2 million mineral acres. Additionally, the division is responsible for the administration of approximately 6,000 miles (40,000+ acres) of the beds of navigable waterways. The Trust Land Management Division is divided into four primary programs: forest management; agriculture and grazing management; real estate management; and minerals management.

Program Highlights

Forestry and Trust Lands Divisions Major Budget Highlights
<p>The executive proposes an increase above the previous biennium due to:</p> <ul style="list-style-type: none"> • Global adjustments, including annualization of the 2015 biennium pay plan and full funding of all positions • Multiple present law adjustments related to trust lands management, including forest improvement projects and operations adjustments • A new proposal for communication replacement equipment • Morrill Trust Projects of \$160,000 general fund
Legislative Action Issues
<ul style="list-style-type: none"> • Alternate funding sources to the general fund are available to fund the Morrill trust projects

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Natural Resources & Conservation						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Program Transfer	Total Executive Implementation
35 FOREST/TRUST LANDS	28,328,200	412,955			- (68,587)	28,672,568
Personal Services	18,698,854			2,300	(64,710)	18,636,444
Operating Expenses	7,071,205	412,955		(2,300)	(3,877)	7,477,983
Equipment & Assets	1,021,176					1,021,176
Capital Outlays	11,128					11,128
Grants	189,465					189,465
Transfers	1,317,694					1,317,694
Debt Service	18,678					18,678

The difference between the legislative appropriation and the executive implementation is primarily due to one-time-only appropriations in the 2015 biennium for the purchase of narrow-band digital capable radios and complete land management projects on the MSU-Morrill trust lands. The remaining difference was due to a transfer of 1.0 FTE from the Trust Lands Division to the Centralized Services Division.

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$27,262,180 are \$1,066,020 below the FY 2015 legislative appropriation of \$28,328,200 due primarily to lower personal services costs in FY 2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Natural Resources & Conservation, 35-Forestry and Trust Lands Divisions						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	24,715,018	0	0	24,715,018	36.57 %	
02031 Land Banking - Pvt Closing Costs	431,772	0	0	431,772	1.24 %	
02039 Forestry-Fire Protection Taxes	6,730,044	0	0	6,730,044	19.38 %	
02073 Forestry - Slash Disposal	131,186	0	0	131,186	0.38 %	
02107 Environmental Contingency RIT	0	0	0	0	0.00 %	
02173 GIS - STATE SPECIAL REVENUE	0	0	0	0	0.00 %	
02297 Morrill Trust Land Admin	0	0	10,532	10,532	0.03 %	
02449 Forest Resources-Forest Improv	2,719,911	0	0	2,719,911	7.83 %	
02576 Natural Resources Operations SSR Fu	187,144	0	0	187,144	0.54 %	
02623 Contract Timber Harvesting	802,056	0	0	802,056	2.31 %	
02681 Historic Right-of-Way Acct	22,541	0	0	22,541	0.06 %	
02847 Fire Suppression Fund	0	0	0	0	0.00 %	
02912 TLMD LAND EXCHANGE ADMIN	100,000	0	0	100,000	0.29 %	
02938 TLMD - Administration	23,597,329	0	0	23,597,329	67.94 %	
State Special Total	\$34,721,983	\$0	\$10,532	\$34,732,515	51.39 %	
03173 Project Safe Neighborhood	0	0	0	0	0.00 %	
03357 Federal Reimb-Fire Suppr CY14	0	0	0	0	0.00 %	
03471 Consolidated Grant FY14	0	0	0	0	0.00 %	
03472 Non-Consolidated Grant FY14	0	0	0	0	0.00 %	
03483 Consolidated Grant FY15	0	0	0	0	0.00 %	
03484 Non-Consolidated Grant FY15	0	0	0	0	0.00 %	
03564 Consolidated Grant - FY16	1,057,915	0	0	1,057,915	38.96 %	
03565 Non-Consolidated Grant - FY16	300,000	0	0	300,000	11.05 %	
03567 Consolidated Grant - FY17	1,057,665	0	0	1,057,665	38.95 %	
03568 Non-Consolidated Grant - FY17	299,994	0	0	299,994	11.05 %	
Federal Special Total	\$2,715,574	\$0	\$0	\$2,715,574	4.02 %	
06003 State Nursery Enterprise Fund	0	1,302,999	0	1,302,999	24.01 %	
06538 Air Operations Internal Svc.	0	4,123,536	0	4,123,536	75.99 %	
Proprietary Total	\$0	\$5,426,535	\$0	\$5,426,535	8.03 %	
Total All Funds	\$62,152,575	\$5,426,535	\$10,532	\$67,589,642		

General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

A little over half of all funding is from state special revenue. The primary source of state special funding comes from the fire protection taxes fund and the TLMD administration, which is funded with trust fund revenue, timber sales, and forest resources fees. The remaining funding for this program comes from federal revenue and proprietary funds.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	11,220,760	11,220,760	22,441,520	90.80 %	28,328,200	28,328,200	56,656,400	91.16 %
PL Adjustments	978,025	1,112,293	2,090,318	8.46 %	2,547,305	2,690,870	5,238,175	8.43 %
New Proposals	91,590	91,590	183,180	0.74 %	129,000	129,000	258,000	0.42 %
Total Budget	\$12,290,375	\$12,424,643	\$24,715,018		\$31,004,505	\$31,148,070	\$62,152,575	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	395,449	681,867	221,780	1,299,096	0.00	377,536	690,544	221,004	1,289,084
DP 99 - LEG. Present Law	0.00	582,576	650,876	14,757	1,248,209	0.00	734,757	651,752	15,277	1,401,786
Grand Total All Present Law Adjustments	0.00	\$978,025	\$1,332,743	\$236,537	\$2,547,305	0.00	\$1,112,293	\$1,342,296	\$236,281	\$2,690,870

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	285.89	\$63,924	\$64,749	\$10,269	\$138,943
Executive Implementation of 2015 Pay Increase		140,570	166,625	24,839	332,033
Fully Fund 2015 Legislatively Authorized FTE		122,252	209,973	33,290	365,515
Other	2.00	68,703	240,520	153,382	462,605
Personal Services Present Law Adjustments	287.89	\$395,449	\$681,867	\$221,780	\$1,299,096
CP 98 PSPL Item	FY 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	285.89	\$63,924	\$64,749	\$10,269	\$138,943
Executive Implementation of 2015 Pay Increase		140,377	166,655	25,001	332,033
Fully Fund 2015 Legislatively Authorized FTE		122,252	209,973	33,290	365,515
Other	2.00	50,983	249,167	152,444	452,593
Personal Services Present Law Adjustments	287.89	\$377,536	\$690,544	\$221,004	\$1,289,084

The executive proposes to increase support to personal services by 6.9% in both FY 2016 and FY 2017 compared to the legislatively appropriated budget of \$18,698,854. The three main line items make up approximately 65% of the personal services present law adjustments. The present law proposal for TLMD commercial lease marketing and negotiation as well as the 1.00 FTE request for the Forests in Focus present law request contribute to the remaining adjustments.

**LFD
ISSUE**

Other Funding may be Available for Requested TLMD MSU-Morrill Trust Projects Restoration

The 2013 Legislature approved general fund appropriations of \$160,000 to manage projects pursuant to the Morrill Act of 1862 and the Morrill Act of 1890. If the current request is approved, \$320,000 of general fund will have been appropriated in HB 2 from 2014 to 2017.

- The legislature may want to ask the department as to the status and progress made with the \$160,000 general fund appropriated by the 2013 Legislature for forest management on Morrill trust lands and why additional work still needs to be completed
- The legislature may wish to make this appropriation a OTO so it does not appear in the budget base as an ongoing expenditure

DP 99 - LEG. Present Law -

Approximately 70% of the legislative present law adjustments are due to Forestry/TLMD operating adjustments, forest improvement projects, and land transaction base restoration. The remaining adjustments are due to a combination of smaller present law proposals.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3535014 - Forestry-Fire Communication Replacement	0.00	91,590	37,410	0	129,000	0.00	91,590	37,410	0	129,000
Total	0.00	\$91,590	\$37,410	\$0	\$129,000	0.00	\$91,590	\$37,410	\$0	\$129,000

DP 3535014 - Forestry-Fire Communication Replacement -

The executive includes \$129,000 per year of general fund and state special revenue for fire communication equipment replacement. DNRC was granted OTO funding in FY 2014 and FY 2015 for radio replacements. This funding is requested in order to maintain the minimum replacement schedule, which would be replacement of 46 mobiles, 62 portables, 5 repeaters, and 2 base stations annually.

**LFD
COMMENT**

The 2013 Legislature appropriated \$172,706 general fund and \$85,066 state special revenue for the biennium for a total of \$257,772.

Since the request is not for a one-time appropriation, if it is approved the general fund and state special revenue would be in the next budget.

Language and Statutory Authority -

The Governor proposes the following language for inclusion in HB 2.

“During the 2017 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.”

Other Issues -**Proprietary Program Description****Enterprise 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 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 13,500 square feet of greenhouse space. Sixty-seven plant species are currently in production. The nursery program is funded solely from the nursery proprietary account. No general fund or federal dollars are used in the program. Total FTE funded from the revenue generated are 10.92. 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 such services 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 two- to- three-year 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 revenue accounts used in SABHRS to record nursery revenue are 552101, (Sale of Nursery Products) and 585103 (Misc. Nursery Income).

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 (10.92 FTE were funded).

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.

Working Capital Analysis

Working Capital is estimated to exceed the 60 days of cash required for fund operations by \$131,000, \$236,000 and \$335,000 in fiscal years 2015, 2016 & 2017, respectively.

Internal Service Fund, 06538, Air Operations Internal Svc*Program Description*

The air operations program in the Forestry Division is funded by revenue generated by the aircraft rates, and the general fund and fire protection tax revenues for fixed costs. The program operates five medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. The aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and the fire protection tax revenues since they must be paid regardless of the number of hours flown. These costs include hangar rent, insurance, and personnel costs (14.23 FTE). The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. 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. This revenue is deposited in the proprietary account. Statutory authority for the program is 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 run aircraft. Additionally, contracted services are often not available for the extended timeframes currently covered by the state operated aircraft. The department believes that 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

Flight rates are proposed to increase for DNRC operated aircraft to meet increased costs of fuel and replacement parts. All revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. Current rates are: UH-1H \$1,225/hr, Jet Ranger \$515/hr, and Cessna \$150/ hr. Proposed rates are UH-1H \$1,650/hr, Jet Ranger \$515/hr, and Cessna \$175/hr.

The primary source of revenue is the collection of aircraft flight charges. Additional transfer-in revenue is received from HB 2 transfers of fixed costs (FTE, Insurance & Rent) from the general fund and the fire protection tax revenues. 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). The expense account used in SABHRS to record Aircraft Rental is 62525. The revenue accounts used in SABHRS to record Aircraft Revenue are 522067-522076 (there is a separate account for each aircraft).

Flight rates are proposed to increase for DNRC operated aircraft 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. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes 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. Average 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 (14.23) are supported by the general fund and fire protection tax transfers.

Rate(s) and Rate Explanation

The reimbursement rates for the operation of the department aircraft are based on 5000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5000 hours, all parts should have been replaced and a new maintenance/operation cycle started.

The section provides aircraft services and charges for reimbursement by hours and tenths of hours at the following rates:

Dept Aircraft	2015 Bien Current	2017 Bien Proposed
Bell UH-1H Helicopters	\$1,225.00/hr	\$1,650.00/hr
Jet Ranger Helicopter	\$515.00/hr	\$515.00/hr
Cessna 180 Series Aircraft	\$175.00/hr	\$175.00/hr

Changes in Level of Fees and Charges

The agency is requesting a rate increase for the Bell UH-1H Helicopters from \$1,225 to \$1,650 per hour. This is primarily due to increased costs of fuel and replacement parts.

Projected Fund Balance, Including Cash Fluctuations

The program experiences extreme fluctuations in cash flow due to the variations in fire seasons. As a result, large fire seasons result in a higher number of hours flown for each aircraft and therefore increased maintenance costs.

Working Capital Analysis

Working Capital is estimated to be short of the 60 days of cash required for fund operations by \$255,000 in FY15 and exceed the 60 days of cash required for fund operations by \$451,000 and \$1,086,000 in fiscal years 2016 & 2017, respectively.

2017 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Department of Natural Resources & Conservation			Program Name: Forestry and Trust Lands Divisions		
	Fund	Fund Name				
	06003	State Nursery Enterprise Fund				
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:						
Fee and Charges						
Fee Revenue A	722,990	464,530	769,689	750,000	750,000	750,000
Other Operating Revenue	7,643	-	-	-	-	-
Total Operating Revenues	730,633	464,530	769,689	750,000	750,000	750,000
Expenses:						
Personal Services	428,348	402,340	388,296	503,539	556,012	555,548
Other Operating Expenses	139,105	86,643	98,300	128,640	95,764	95,712
Expense B	-	-	-	57,500	-	-
Total Operating Expenses	567,453	488,983	486,596	689,679	651,776	651,260
Operating Income (Loss)	163,180	(24,453)	283,093	60,321	98,224	98,740
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	163,180	(24,453)	283,093	60,321	98,224	98,740
Change in Net Position	163,180	(24,453)	283,093	60,321	98,224	98,740
Beginning Net Position - July 1	(210,675)	(47,495)	(71,948)	211,145	271,466	369,690
Change in Net Position	163,180	(24,453)	283,093	60,321	98,224	98,740
Ending Net Position - June 30	(47,495)	(71,948)	211,145	271,466	369,690	468,430
Net Position (Fund Balance) Analysis						

The Legislative Fiscal Division Presents an Agency Profile of:

The Department of Agriculture

Contact: Stephen Forrest
Rm. 110F, State Capitol Building
Phone: (406) 444-5389, e-mail: sforrest@mt.gov

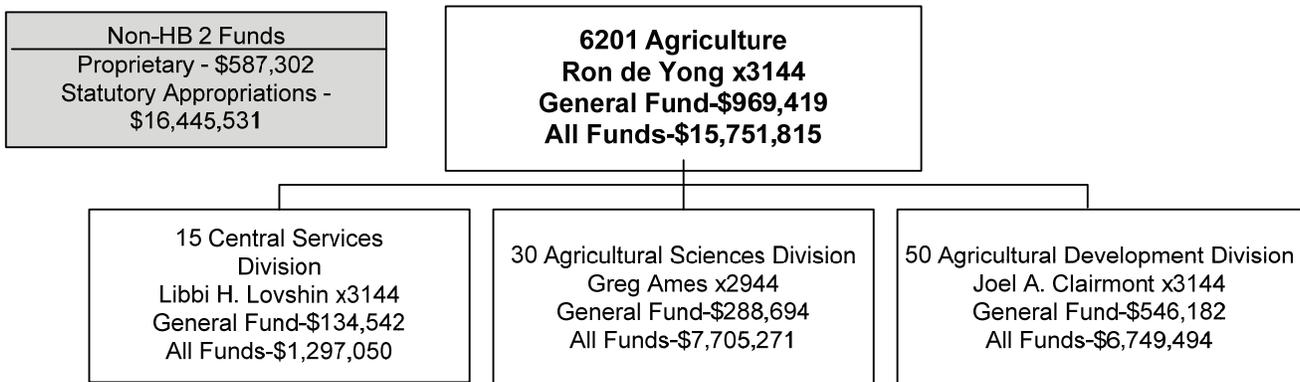
Updated August 2014

Agency Description

Definition of Terms

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, exists to promote the interests of agricultural and allied industries in Montana. To meet this mission the department strengthens and diversifies the Montana agriculture industry through private-public partnerships; adopts standards for grade and other classifications of farm products; conducts market analysis for farm products; and regulates food, fiber products, fertilizers, and pesticides.

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2015 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



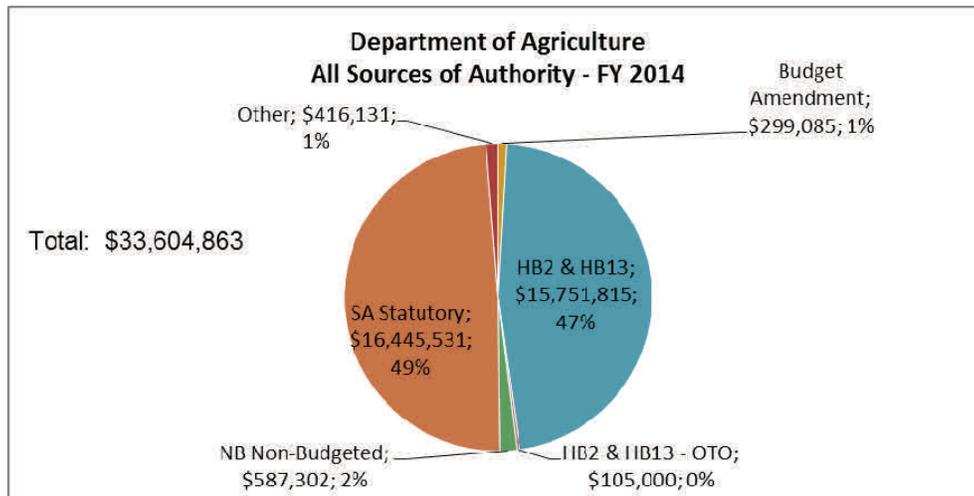
How Services are Provided

The Department of Agriculture is organized into three divisions and a number of bureaus that perform the following program functions:

- Agricultural Development Division - promotes and enhances growth and expansion of Montana agriculture, including rural development, wheat and barley program, agriculture marketing and business and the state grain laboratory
- Agricultural Science Division - supports agriculture through regulation, certification, research, inspection and licensing related to environmental and consumer protection, consisting of handling pesticide and pest management, analytical laboratory services, noxious weed management, agricultural chemical ground water management and vertebrate pest management
- Central Management Division - responsible for budgeting, accounting, payroll, and other administrative functions to support all department operations
- Grants - primary grant driven programs include noxious weed management, which mostly funds county-level efforts to eradicate weeds, and development grants in Growth Through Agriculture

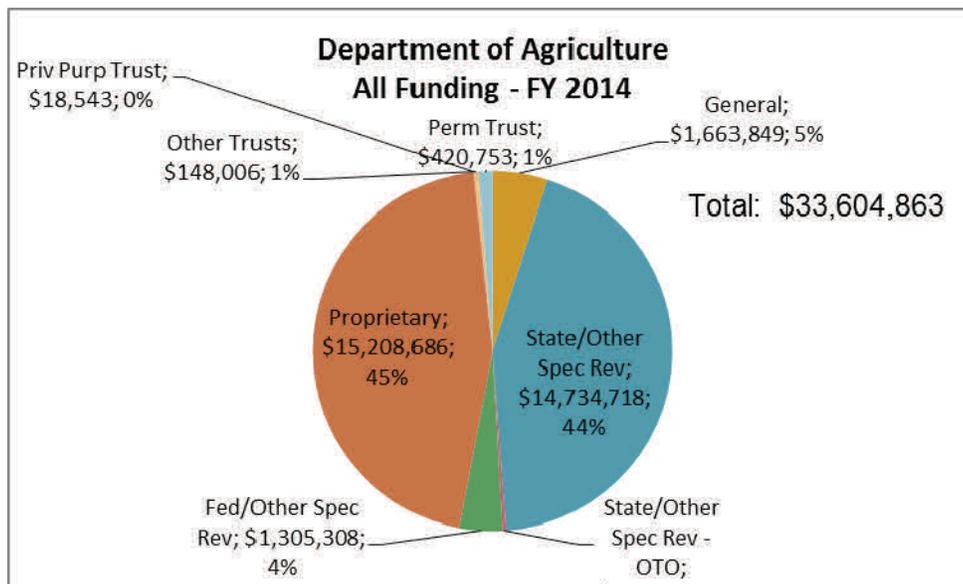
Sources of Spending Authority

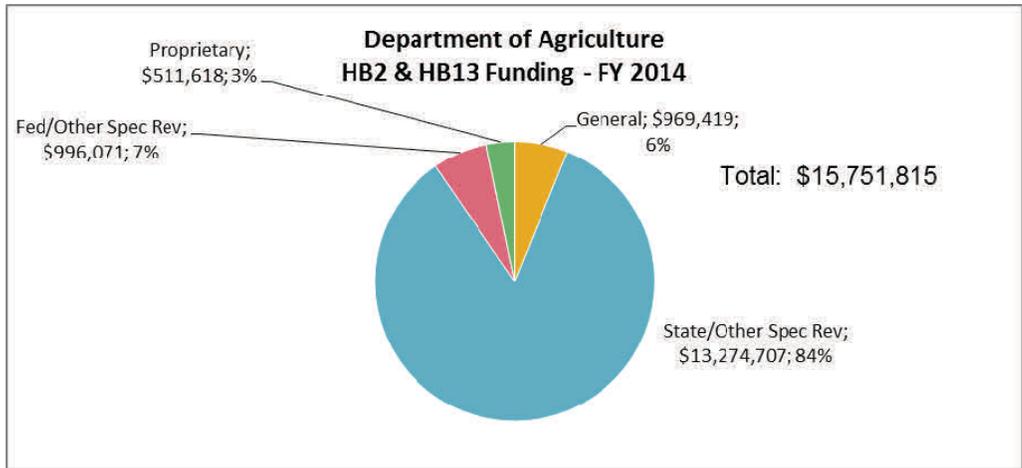
The chart below shows the sources of authority for the Department of Agriculture. Statutory authority primarily includes funding from the hail insurance program, Cherry Check-Off account, and Commodity and Marketing account. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



Funding

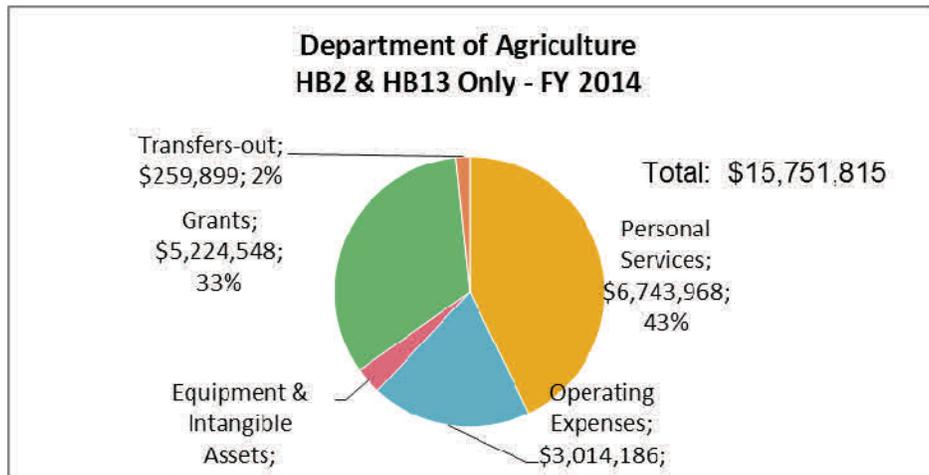
The following charts show the agency's all authority sources and HB 2 authority funding by fund type.





Expenditures

This chart shows how the HB2 authority is spent.



How the 2015 Legislature Can Effect Change

In order to change expenditure levels and/or Department of Agriculture activity, the legislature must address one or more of the following basic elements that drive most department costs.

- Grant and Loan/Financing program priorities – with 36 percent of all department expenditures coming in the form of grants (noxious weed management and Growth Through Agriculture), changes to the funding priorities will have a major impact on overall expenditures. Such changes may include defining eligibility criteria, identifying specific projects that are preferred and setting minimum or maximum amounts for grants. In addition, in Growth Through Agriculture there is the option of providing loans rather than grants.
- Economic development objectives – a primary function of the department is to administer programs that have an impact on expanding the agriculture economy. These economic development programs can be designed or amended by legislation that more clearly defines specific objectives, such as creating a specific number, type or wage level job, or creating a specific number or type of agriculture business enterprise.

How the 2015 Legislature Can Effect Change, cont.

- Groundwater and Pesticide Management programs – these environmental protection programs are a function of regulations (federal and state) that govern the use of pesticide and fertilizer, and the acceptable levels of contaminants. The definitions of these regulations and the contamination levels may be addressed in order to have an impact on these programs, although federal regulations must be kept in mind.
- Food inspection and regulation – these consumer protection programs are a function of regulations (federal and state) which can be changed or redefined in order to change program activities.

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

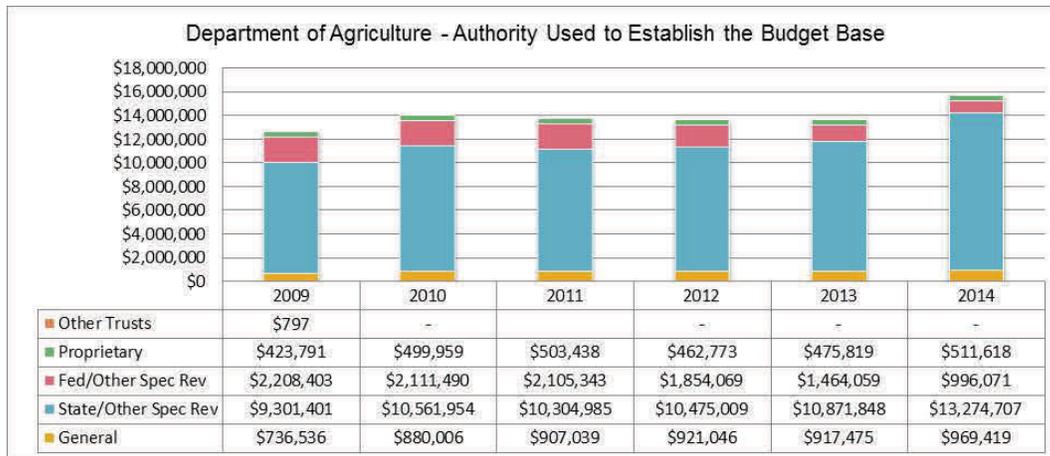
Major Cost Drivers

<i>Element</i>	<i>2010</i>	<i>2012</i>	<i>Significance of Data</i>
Number/Dollar Amount of Growth Through Ag. Grants/Loans	\$532,275 (2013)	\$634,122 (2014)	Indicates demand for program and impact on agriculture economy
Total Amount of charge for services in the state Grain Lab	\$518,892	\$639,288	Indicates demand for this service and revenue levels
Number of acres in agriculture production in Montana	60.6 million	59.6 million	Indicates size of agriculture economy
Number of farms/ranches in Montana	29,400	28,008 (2012 census)	Indicates size of agriculture constituency
Wheat area harvested	5.2 million acres	5.6 million acres	Indicates size of agriculture land in Montana
Number of organic producers	155	163	Indicates demand for certification program
Note: Numbers will be updated at a later date.			

State FTE - state employees perform many of the functions of the Department of Agriculture. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 45% of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

Funding/Expenditure History, Authority Used to Establish the Budget Base



The table shows the historical changes in the department's base budget authority. The agency's authority increased from the 2009 to 2010 due to expanding the Wheat and Barley program.

Major Legislative Changes in the Last Ten Years

Aquatic Invasive Species

- SB 343 in the 2009 session established the Montana Aquatic Invasive Species Act, requiring the department to establish a mechanism for Montana to take concerted action to detect, control, and manage invasive species to prevent further introduction, importation, and infestation
- HB 621 in the 2011 session revised the Aquatic Nuisance Species act, and provided \$558,000 to the department for the biennium to maintain a list of species subject to control, establish inspection and control measures, carry out public education campaigns, manage restoration of infested areas, enforce quarantine regulations, and develop a Memorandum of Understanding (MOU) for coordination with the Departments of Fish, Wildlife and Parks; and Natural Resources and Conservation.
- HB 189 in the 2013 session increased the maximum amount of hail insurance per acre of crops and would be phased in by the Department of Agriculture over two years. The hail insurance fund would experience increased revenues from premiums paid by policy holders and increased payments of benefits for damaged crops. The legislation reduces the collection fee percentage paid to the Department of Revenue and caps the transfer to the general fund.
- SB 144 in the 2013 session changed the amount the department may spend to manage the noxious weed management program by assigning the percentage limit to all department non-grant expenditures instead of total expenditures to calculate the limit. This reduces the amount spent on department-based programs and increase the amount distributed as grants.

For further information, you may wish to contact the agency at:

Department of Agriculture
 302 North Roberts
 Helena, MT 59620-0201
 Phone: (406) 444-3144
 Webpage: <http://agr.mt.gov>

Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	118.53	118.53	114.74	114.74	118.53	114.74	(3.79)	(3.20)%
Personal Services	6,743,950	7,384,999	7,885,188	7,886,520	14,128,949	15,771,708	1,642,759	11.63 %
Operating Expenses	3,014,179	4,527,904	3,927,181	3,878,781	7,542,083	7,805,962	263,879	3.50 %
Equipment & Intangible Assets	509,214	566,389	544,714	544,714	1,075,603	1,089,428	13,825	1.29 %
Grants	5,224,550	5,109,075	5,248,911	5,242,822	10,333,625	10,491,733	158,108	1.53 %
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	259,899	295,725	259,899	259,899	555,624	519,798	(35,826)	(6.45)%
Total Costs	\$15,751,792	\$17,884,092	\$17,865,893	\$17,812,736	\$33,635,884	\$35,678,629	\$2,042,745	6.07 %
General Fund	969,414	985,598	1,086,631	1,042,634	1,955,012	2,129,265	174,253	8.91 %
State/Other Special Rev. Funds	13,274,701	14,146,180	14,972,380	14,964,108	27,420,881	29,936,488	2,515,607	9.17 %
Federal Spec. Rev. Funds	996,061	2,142,597	1,142,707	1,142,163	3,138,658	2,284,870	(853,788)	(27.20)%
Proprietary Funds	511,616	609,717	664,175	663,831	1,121,333	1,328,006	206,673	18.43 %
Total Funds	\$15,751,792	\$17,884,092	\$17,865,893	\$17,812,736	\$33,635,884	\$35,678,629	\$2,042,745	6.07 %

Mission Statement

Agency Mission: To protect producers and consumers and to enhance and develop agriculture and allied industries.

For more information, please refer to the agency profile: <http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Department of Agriculture Major Budget Highlights
<ul style="list-style-type: none"> The primary driver of the executive's increase in proposed funding is new proposals, the largest of which is \$105,000 in general fund for Food and Ag Development Centers
Major LFD Issues
<ul style="list-style-type: none"> The Legislative Audit fees are funded only with general fund, rather than the same proportion as the department as a whole.

Agency Personal Services

The personal services budget for the 2017 biennium would increase over the 2015 legislative appropriation by 6.8%, primarily due to the following factors:

- Annualization of the executive implementation of HB13 from the 2013 legislative session
- Fully funding legislatively-approved FTE
- State share of health insurance

According to the department, no situational pay adjustments were made outside of HB13 from the 2013 legislative session. The department seeks to maintain base pay at the minimum of the market range for a profession. New hire salaries are determined by internal equity and wage comparisons. Currently, only the State Grain Laboratory has a career ladder with pay increases attached.

The department has experienced an increase in turnover with the rate for FY 2014 of 23.5%.

- Accountants and computer system analysts show a higher turnover rate at 67%.
- The department has had to advertise for information technology related fields multiple times.
- Potential retirements continue to be an issue with 46% of the department workforce eligible by the end of the 2017 biennium.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

FY 2015 Appropriation Transactions - Department of Agriculture						
Program	Legislative Appropriation	Leg App OTO	House Adj	Op Plan	Program Transfers	Total Exec Implement
Central Management Division	\$1,319,735	\$0	\$0	\$0	\$0	\$1,319,735
Personal Services	1,179,639	-	-	-	-	1,179,639
Operating Expenses	140,096	-	-	-	-	140,096
Agricultural Sciences Division	9,349,274	-	-	-	(\$15,000)	9,334,274
Personal Services	4,280,119	-	-	-	-	4,280,119
Operating Expenses	1,892,754	-	-	-	-	1,892,754
Equipment & Intangible Assets	541,512	-	-	-	-	541,512
Grants	2,559,047	-	-	-	(15,000)	2,544,047
Transfers	75,842	-	-	-	-	75,842
Agricultural Development Division	7,110,083	\$105,000	-	-	15,000	7,230,083
Personal Services	1,925,241	-	-	-	-	1,925,241
Operating Expenses	2,375,054	105,000	-	-	15,000	2,495,054
Equipment & Intangible Assets	24,877	-	-	-	-	24,877
Grants	2,567,679	-	-	(2,651)	-	2,565,028
Transfers	217,232	-	-	2,651	-	219,883
	-	-	-	-	-	-
Agency Total	\$17,779,092	\$105,000	-	-	-	\$17,884,092

The department transferred \$15,000 between the Agricultural Sciences Division and the Agricultural Development Division. Additionally, the department made adjustments inside of programs which net to no increase or decrease.

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Agriculture Funding by Source of Authority 2017 Biennium Budget - Department of Agriculture					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	2,129,265	0	1,380,000	3,509,265	6.39 %
State Special Total	29,936,488	0	2,328,045	32,264,533	58.77 %
Federal Special Total	2,284,870	0	0	2,284,870	4.16 %
Proprietary Total	1,328,006	116,400	15,394,136	16,838,542	30.67 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$35,678,629	\$116,400	\$19,102,181	\$54,897,210	
Percent - Total All Sources	64.99 %	0.21 %	34.80 %		

The Department of Agriculture is funded from general fund, state special revenue, federal special revenue, and proprietary funds. State special revenue is the predominant funding source. Major funds include:

- Wheat and Barley Research and Marketing Account
- Noxious Weed Admin Account
- Pesticide Account
- Coal tax shared account

General fund comprises about 8.54% of the department's funding and is primarily used for program activities such as grants, mad cow disease, agriculture literacy, marketing, and statistics.

Coal Tax Shared Account

Section 15-35,108, MCA provides for 5.46% of coal severance tax collections to be deposited to a state special revenue fund to be used for the following:

- Basic library services for residents of all counties
- Conservation districts
- Montana Growth through Agriculture

Any unreserved fund balance at the end of each fiscal year must be deposited in to the general fund.

The Growth Through Agriculture program funds grants and operations of the Agriculture Development Council, which is administratively attached to the Department of Agriculture.

The figure below summarizes the condition of the fund. The figure assumes:

- The Governor's proposed HB 2 budget for the 2017 biennium
- The Legislative Fiscal Division (LFD) revenue estimates for the 2017 biennium
- Any annual ending fund balance is transferred to the general fund in accordance with MCA 15-35-108(3) beginning in FY 2015
- No additional costs from a pay plan bill in the 2015 Legislative Session

Department of Natural Resources and Conservation Coal Tax Shared State Special Revenue				
Balance, Expenditures & Revenues	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Balance	\$1,444,325	(\$61,501)	(\$215,386)	(\$106,932)
<u>Expenditures</u>				
Montana State Library	562,584	562,801	473,030	465,833
Natural Resources & Conservation	3,666,854	2,239,107	2,245,131	2,211,746
Agriculture	<u>425,512</u>	<u>440,706</u>	<u>402,994</u>	<u>396,637</u>
Total Expenditures	4,654,950	3,242,614	3,121,155	3,074,216
LFD Revenues	<u>3,149,124</u>	<u>3,088,729</u>	<u>3,229,609</u>	<u>3,330,218</u>
Ending Fund Balance	(\$61,501)	(\$215,386)	(\$106,932)	\$149,070
				To General Fund

Proposed Expenditures

The executive is requesting \$6.2 million in spending authority from this fund in the FY 2017 biennium, allocated as shown on the above table, a decrease of \$1,702,193, or 21.6% from the 2015 biennium. Under this request, the Department of Agriculture would receive \$799,631, or 12% of the total proposed expenditures.

Projected Revenue

The LFD revenue projection totals \$6.5 million for the biennium, a 5% increase from the 2015 biennium.

As noted above, the table uses the LFD revenue estimates to evaluate the condition of the fund. Using this estimate and the executive proposed expenditures, the fund would have a negative balance at the end of FY 2015. Therefore, the executive will need to reduce expenditures in that year to eliminate the projected negative ending fund balance. Because the executive proposes expenditures in the 2017 biennium that are within projected revenues, the fund would be balanced. LFD staff will provide an update to the legislature on any action taken by the executive concerning FY 2015 expenditures.

Statute does not allocate the funds to any of the above entities, but gives the legislature authority to appropriate the funds. The table below identifies legislative allocation from FY 2011 to FY 2014.

Coal Tax Shared Account History 2340					
Agencies	FY 2014 Appropriation	FY 2013 Appropriation	FY 2012 Appropriation	FY 2011 Appropriation	Average
Library Commission	562,804	509,800	512,273	630,041	553,730
DNRC	2,223,806	2,207,424	2,357,698	1,686,398	2,118,832
Agriculture	444,170	393,926	387,676	820,516	511,572
Total	3,230,780	3,111,150	3,257,647	3,136,955	3,184,133
<u>Percent of Total</u>					
Library Commission	17.4%	16.4%	15.7%	20.1%	
DNRC	68.8%	71.0%	72.4%	53.8%	
Agriculture	13.7%	12.7%	11.9%	26.2%	

LFD COMMENT Coal Tax Shared Account Contains Variable Shares

The Coal Tax Shared Account provides funds to the Department of Agriculture, the Department of Natural Resources, and the Montana State Library. However, there is no statutory basis for the proportion of distribution. Each legislature determines how much goes to each agency. Because the agencies span subcommittee sections, the coordination is not as easily done as when agencies are in the same section.

To ensure proper harmonization among all of these agencies, the legislature may wish to:

- Direct staff to create a draft distribution ratio based on legislative priorities;
- Hold a joint hearing of the section C and E joint appropriation subcommittees; and/or
- Fix a ratio of funding in law

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	985,598	985,598	1,971,196	92.58 %	17,779,092	17,779,092	35,558,184	99.66 %
PL Adjustments	(3,967)	(47,964)	(51,931)	(2.44)%	7,272	(39,786)	(32,514)	(0.09)%
New Proposals	105,000	105,000	210,000	9.86 %	79,529	73,430	152,959	0.43 %
Total Budget	\$1,086,631	\$1,042,634	\$2,129,265		\$17,865,893	\$17,812,736	\$35,678,629	

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	15.00	15.00	15.00	15.00	15.00	15.00	0.00	0.00 %
Personal Services	1,129,275	1,179,639	1,276,687	1,276,578	2,308,914	2,553,265	244,351	10.58 %
Operating Expenses	167,779	140,096	213,932	169,353	307,875	383,285	75,410	24.49 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Total Costs	\$1,297,054	\$1,319,735	\$1,490,619	\$1,445,931	\$2,616,789	\$2,936,550	\$319,761	12.22 %
General Fund	134,542	112,957	153,419	108,890	247,499	262,309	14,810	5.98 %
State/Other Special Rev. Funds	862,862	895,391	1,103,122	1,103,121	1,758,253	2,206,243	447,990	25.48 %
Federal Spec. Rev. Funds	156,694	162,460	105,789	105,639	319,154	211,428	(107,726)	(33.75)%
Proprietary Funds	142,956	148,927	128,289	128,281	291,883	256,570	(35,313)	(12.10)%
Total Funds	\$1,297,054	\$1,319,735	\$1,490,619	\$1,445,931	\$2,616,789	\$2,936,550	\$319,761	12.22 %

Program Description

The Central Services Division provides support services essential to the effective operation of the department, including financial, human resource, information technology, public information, legal, and administrative support activities. Included in this division is the Director's Office, which provides overall guidance and policy development for the department as well as coordination with the agricultural industry and other branches of government.

Program Highlights

Centralized Services Division Major Budget Highlights

- The proposed budget is due to annualization of the 2015 biennium pay plan, full funding of positions, and fixed cost adjustments

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

There is no difference between the FY 2015 legislative base and the FY 2015 appropriation; various house adjustments moved money between funds but did not impact the program's overall appropriation.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures are \$22,681 below the FY 2015 legislative appropriation. The primary reason for the difference is lower personal services costs.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Agriculture, 15-Centralized Services Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	262,309	0	0	262,309	8.77 %
02040 Wheat & Barley Research & Mktg	246,058	0	0	246,058	10.89 %
02066 Agriculture In MT Schools Act.	0	0	0	0	0.00 %
02068 Noxious Weed Admin Account	105,224	0	0	105,224	4.66 %
02071 Anhydrous Ammonia Account	5,016	0	0	5,016	0.22 %
02093 ALFALFA LEAF CUTTING BEE	1,744	0	0	1,744	0.08 %
02178 Cherry Check-off	0	0	486	486	0.02 %
02192 Pesticide Groundwater Account	338,350	0	0	338,350	14.97 %
02193 Pesticide Account	412,012	0	0	412,012	18.23 %
02198 Fert. Groundwater Account	14,346	0	0	14,346	0.63 %
02205 PULSE CROP RESEARCH & MRKTG	0	0	47,969	47,969	2.12 %
02264 Organic Certification	108,602	0	0	108,602	4.81 %
02265 FSI Produce	105,300	0	0	105,300	4.66 %
02266 Commodity Dealer/Warehouse	15,740	0	0	15,740	0.70 %
02267 Nursery Account	99,098	0	0	99,098	4.39 %
02268 Produce Account	128,540	0	0	128,540	5.69 %
02269 Seed Account	30,882	0	0	30,882	1.37 %
02340 Coal Sev. Tax Shared SSR	37,909	0	0	37,909	1.68 %
02341 Weed Seed Free Forage Account	18,066	0	0	18,066	0.80 %
02452 Commercial Fertilizer	111,666	0	0	111,666	4.94 %
02453 Grain Services	206,406	0	0	206,406	9.13 %
02454 Commercial Feed	203,208	0	0	203,208	8.99 %
02792 Apiary Account	18,076	0	0	18,076	0.80 %
02793 Potato Research & Marketing	0	0	4,952	4,952	0.22 %
State Special Total	\$2,206,243	\$0	\$53,407	\$2,259,650	75.57 %
03120 Agriculture CMD Federal	211,428	0	0	211,428	100.00 %
Federal Special Total	\$211,428	\$0	\$0	\$211,428	7.07 %
06052 Hail Insurance	256,570	0	0	256,570	100.00 %
Proprietary Total	\$256,570	\$0	\$0	\$256,570	8.58 %
Total All Funds	\$2,936,550	\$0	\$53,407	\$2,989,957	

The Central Services Division (CSD) is funded based on the expenditures of the two divisions of the agency and their funding sources. A portion of the funding is an indirect cost reimbursement from federal grants administered by the agency. The division also uses an administrative assessment charged to the state special and proprietary revenue accounts used by the divisions that are supported by CSD activities. General fund is used to account for any difference between the assessed amount and the budgeted expenditures for the CSD and for the costs associated with the legislative audit.

The division is funded primarily with state special revenue, with general fund accounting for approximately 7.6% of the base budget. Major state special revenue, federal, and proprietary funds are:

- Wheat and Barley Research and Marketing Account
- Pesticide Groundwater Account
- Pesticide Account
- Agricultural CMD Fund (federal)
- Hail Insurance Fund (proprietary)

LFD COMMENT

Legislative Audit Costs Are Not Funded from All Sources Available

The legislative audit costs for this division are funded solely with general fund even though general fund provides 7.7% of the total funding for the division. Other state agencies with multiple funding sources allocate audit costs to all funds. According to statute (17-2-108, MCA), appropriated non-general fund should be expended before general fund.

The total budgeted legislative audit costs for the 2014 biennium are \$44,529. Allocating the budgeted costs of the agency's legislative audit in accord with its total funding distribution would result in a \$41,100 reduction in general fund.

The legislature may want to direct staff to fund the legislative audit in accord with the total funding for the program – 8.54% from general fund and 91.46% from other sources.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	112,957	112,957	225,914	86.13 %	1,319,735	1,319,735	2,639,470	89.88 %
PL Adjustments	40,462	(4,067)	36,395	13.87 %	170,884	126,196	297,080	10.12 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$153,419	\$108,890	\$262,309		\$1,490,619	\$1,445,931	\$2,936,550	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----				-----Fiscal 2017-----			
	FTE	General Fund	State Special	Federal Special Total Funds	FTE	General Fund	State Special	Federal Special Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(3,124)	159,550	(43,527) 112,899	0.00	(3,124)	159,570	(43,648) 112,798
DP 99 - LEG. Present Law	0.00	43,586	48,181	(13,144) 78,623	0.00	(943)	48,160	(13,173) 34,044
Grand Total All Present Law Adjustments	0.00	\$40,462	\$207,731	(\$56,671) \$191,522	0.00	(\$4,067)	\$207,730	(\$56,821) \$146,842

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	15.00	\$347	\$10,297	(\$2,545)	\$8,099
Executive Implementation of 2015 Pay Increase		1,065	31,556	(7,799)	24,821
Fully Fund 2015 Legislatively Authorized FTE		-	-	-	-
Other		(4,536)	117,697	(33,183)	79,979
Personal Services Present Law Adjustments	15.00	(\$3,124)	\$159,550	(\$43,527)	\$112,899
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	15.00	\$347	\$10,297	(\$2,545)	\$8,099
Executive Implementation of 2015 Pay Increase		1,065	31,585	(7,828)	24,823
Fully Fund 2015 Legislatively Authorized FTE	-	-	-	-	-
Other		(4,537)	117,688	(33,275)	79,876
Personal Services Present Law Adjustments	15.00	(\$3,124)	\$159,570	(\$43,648)	\$112,798

The executive proposes to decrease general fund but increase state special revenue funding to support an overall increase in personal services when compared to the FY2015 legislative appropriations. As shown in the table 29% of the increase in FY 2016 and FY 2017 result from the state share of the health insurance and costs associated with HB13 of the 2013 legislature. Longevity increases make up the majority of the remainder of the increase.

DP 99 - LEG. Present Law -

As shown the present law adjustment table, overall the executive proposes increases when compared to the FY 2015 budget. The increase in general fund in FY 2016 is entirely composed of legislative audit costs. The other cost drivers include fixed costs and inflation/deflationary rates.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	64.78	64.78	61.52	61.52	64.78	61.52	(3.26)	(5.03)%
Personal Services	3,885,831	4,280,119	4,359,254	4,360,580	8,165,950	8,719,834	553,884	6.78 %
Operating Expenses	1,317,572	1,892,754	1,852,979	1,850,529	3,210,326	3,703,508	493,182	15.36 %
Equipment & Intangible Assets	435,934	541,512	459,434	459,434	977,446	918,868	(58,578)	(5.99)%
Grants	2,050,914	2,544,047	2,148,943	2,148,943	4,594,961	4,297,886	(297,075)	(6.47)%
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	15,000	75,842	15,000	15,000	90,842	30,000	(60,842)	(66.98)%
Total Costs	\$7,705,251	\$9,334,274	\$8,835,610	\$8,834,486	\$17,039,525	\$17,670,096	\$630,571	3.70 %
General Fund	288,691	300,335	219,274	219,298	589,026	438,572	(150,454)	(25.54)%
State/Other Special Rev. Funds	6,614,446	7,093,802	7,703,238	7,702,469	13,708,248	15,405,707	1,697,459	12.38 %
Federal Spec. Rev. Funds	802,114	1,940,137	913,098	912,719	2,742,251	1,825,817	(916,434)	(33.42)%
Total Funds	\$7,705,251	\$9,334,274	\$8,835,610	\$8,834,486	\$17,039,525	\$17,670,096	\$630,571	3.70 %

Program Description

The Agricultural Sciences Division (ASD) administers and coordinates the major activities related to:

- Pesticide management
- Pest management
- Analytical laboratory services
- Noxious weed management
- Agricultural chemical groundwater program
- Seed, feed and fertilizer program
- Organic certification
- Nursery program
- Apiary program
- Commodity programs

ASD also administers agricultural programs related to the manufacturing and certification of commodities exported from or distributed in the state. The division provides support to the Montana Noxious Weed Management Advisory Council, Noxious Weed Seed Free Forage Advisory Council, Montana Organic Commodity Advisory Council, and the Montana Mint Committee.

Program Highlights

Agricultural Sciences Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed increase in funding is primarily due to full funding of personal services costs (minus implementation of the HB 2 boilerplate language) and general operational increases that would bring operating expenses to slightly below the FY 2015 appropriation

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budgeted base, by program.

FY 2015 Appropriation Transactions - Agricultural Sciences Division						
Program	Legislative Appropriation	Legislative Approps OTO	House Adjustment	Program Transfers	Total	Executive Implementation
Personal Services	\$4,280,119	-	-	-		\$4,280,119
Operating Expenses	1,892,754	-	-	-		1,892,754
Equipment & Intangible Assets	541,512	-	-	-		541,512
Grants	2,559,047	-	-	(15,000)		2,544,047
Transfers	75,842	-	-	-		75,842
Program Total	\$9,349,274	\$0	\$0	(\$15,000)		\$9,334,274

The total net difference between the legislative appropriation and the executive implementation is a program transfer between this division and the Agricultural Development Division.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures are \$1.6 million below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Lower personal services costs
- Turnover inside of the division that left positions vacant in excess of the anticipated vacancy rate
- Unexpended authority in FY 2014 due to lower than expected operating expenses, equipment, and grants.
- Lower than estimated demands for division services inside the agricultural community

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Agriculture, 30-Agricultural Sciences Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	438,572	0	0	438,572	2.47 %
02037 Mint Committee	14,000	0	0	14,000	0.09 %
02068 Noxious Weed Admin Account	3,883,988	0	0	3,883,988	25.04 %
02071 Anhydrous Ammonia Account	46,457	0	0	46,457	0.30 %
02072 Manuals & Training Account	87,552	0	0	87,552	0.56 %
02093 ALFALFA LEAF CUTTING BEE	14,346	0	0	14,346	0.09 %
02107 Environmental Contingency RIT	0	0	0	0	0.00 %
02192 Pesticide Groundwater Account	2,292,113	0	0	2,292,113	14.77 %
02193 Pesticide Account	3,071,871	0	0	3,071,871	19.80 %
02198 Fert. Groundwater Account	71,854	0	0	71,854	0.46 %
02264 Organic Certification	630,336	0	0	630,336	4.06 %
02265 FSI Produce	614,623	0	0	614,623	3.96 %
02266 Commodity Dealer/Warehouse	132,288	0	108,000	240,288	1.55 %
02267 Nursery Account	593,554	0	0	593,554	3.83 %
02268 Produce Account	843,629	0	0	843,629	5.44 %
02269 Seed Account	245,629	0	0	245,629	1.58 %
02341 Weed Seed Free Forage Account	228,690	0	0	228,690	1.47 %
02452 Commercial Fertilizer	718,696	0	0	718,696	4.63 %
02454 Commercial Feed	1,627,692	0	0	1,627,692	10.49 %
02782 Reverted Weed Grant Fund	132,136	0	0	132,136	0.85 %
02792 Apiary Account	156,253	0	0	156,253	1.01 %
State Special Total	\$15,405,707	\$0	\$108,000	\$15,513,707	87.26 %
03118 Agriculture ASD Federal	1,825,817	0	0	1,825,817	100.00 %
Federal Special Total	\$1,825,817	\$0	\$0	\$1,825,817	10.27 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$17,670,096	\$0	\$108,000	\$17,778,096	

The Agricultural Sciences Division is funded with general fund, state special revenue, and federal special revenue. General fund supports than 2.5% of the division's budget, and funds inspection and testing for prohibited materials in feed related to bovine spongiform encephalopathy (BSE or mad cow disease) and noxious weed control grants.

State special revenue represents the prominent funding source, comprising 87% of the total program funding. It is derived primarily from fees assessed for regulatory activities, product registration, and technical services. The largest funding sources are:

- The noxious weed administration account
- Pesticide account
- Pesticide groundwater account

The noxious weed administration account receives revenues from the interest earnings of the Noxious Weed Management Trust Fund and an annual transfer of \$100,000 from the highways non-restricted account.

Federal special revenue includes funding from the U.S. Forest Service, U.S. Department of Agriculture, and the Environmental Protection Agency. Federal funds support noxious weed mitigation and portions of the Bovine Spongiform Encephalopathy (BSE) feed sampling program.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	300,335	300,335	600,670	136.96 %	9,349,274	9,349,274	18,698,548	105.82 %	
PL Adjustments	(81,061)	(81,037)	(162,098)	(36.96)%	(546,164)	(547,288)	(1,093,452)	(6.19)%	
New Proposals	0	0	0	0.00 %	32,500	32,500	65,000	0.37 %	
Total Budget	\$219,274	\$219,298	\$438,572		\$8,835,610	\$8,834,486	\$17,670,096		

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(92,523)	443,046	(271,388)	79,135	0.00	(92,592)	444,126	(271,073)	80,461
DP 99 - LEG. Present Law	0.00	11,462	133,890	(770,651)	(625,299)	0.00	11,555	132,041	(771,345)	(627,749)
Grand Total All Present Law Adjustments	0.00	(\$81,061)	\$576,936	(\$1,042,039)	(\$546,164)	0.00	(\$81,037)	\$576,167	(\$1,042,418)	(\$547,288)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FTE	FY 2016			
		General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	61.52	\$2,517	\$13,629	\$13,753	\$29,899
Executive Implementation of 2015 Pay Increase		6,528	31,364	35,668	73,561
Fully Fund 2015 Legislatively Authorized FTE		7,398	-	46,032	53,430
Other		(108,967)	398,053	(366,841)	(77,755)
Personal Services Present Law Adjustments	61.52	(\$92,523)	\$443,046	(\$271,388)	\$79,135
CP 98 PSPL Item	FTE	FY 2017			
		General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	61.52	\$2,517	\$13,629	\$13,753	\$29,899
Executive Implementation of 2015 Pay Increase		6,500	31,833	35,228	73,561
Fully Fund 2015 Legislatively Authorized FTE		7,398	-	46,032	53,430
Other		(109,008)	398,665	(366,086)	(76,429)
Personal Services Present Law Adjustments	61.52	(\$92,592)	\$444,126	(\$271,073)	\$80,461

The executive proposes to decrease general fund but increase state special revenue funding to support an overall increase in personal services when compared to the FY 2015 legislative appropriations. As shown in the table 92% of the increase in FY 2016 and FY 2017 result from fully funding the 2015 authorized FTE. The large decrease came from increased turnover within the department, impacting starting salaries and longevity.

DP 99 - LEG. Present Law -

As shown the present law adjustment table, overall the executive proposes a decrease when compared to the FY 2015 budget. However, both the general fund and state special revenue show increases. The largest portion of this increase is due authority to expend fees that have been increased via administrative rule. They include:

- Noxious Weed Seed Free Forage – \$25,572 per year
- Phytosantiary Inspections – \$32,000 per year
- Seed Labeling and Licensing -\$27,000
- Alfalfa Leaf-cutting Bee Program – \$1,600 per year.

The other cost drivers include fixed costs and inflation/deflationary rates.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3003005 - Reverted Noxious Weed Grants	0.00	0	32,500	0	32,500	0.00	0	32,500	0	32,500
Total	0.00	\$0	\$32,500	\$0	\$32,500	0.00	\$0	\$32,500	\$0	\$32,500

DP 3003005 - Reverted Noxious Weed Grants -

The request would provide \$32,500 in state special revenue authority to redistribute reverted noxious weed grants to other projects. The 2013 Legislature authorized the department to make such re-grants.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	38.75	38.75	38.22	38.22	38.75	38.22	(0.53)	(1.37)%
Personal Services	1,728,844	1,925,241	2,249,247	2,249,362	3,654,085	4,498,609	844,524	23.11 %
Operating Expenses	1,528,828	2,495,054	1,860,270	1,858,899	4,023,882	3,719,169	(304,713)	(7.57)%
Equipment & Intangible Assets	73,280	24,877	85,280	85,280	98,157	170,560	72,403	73.76 %
Grants	3,173,636	2,565,028	3,099,968	3,093,879	5,738,664	6,193,847	455,183	7.93 %
Transfers	244,899	219,883	244,899	244,899	464,782	489,798	25,016	5.38 %
Total Costs	\$6,749,487	\$7,230,083	\$7,539,664	\$7,532,319	\$13,979,570	\$15,071,983	\$1,092,413	7.81 %
General Fund	546,181	572,306	713,938	714,446	1,118,487	1,428,384	309,897	27.71 %
State/Other Special Rev. Funds	5,797,393	6,156,987	6,166,020	6,158,518	11,954,380	12,324,538	370,158	3.10 %
Federal Spec. Rev. Funds	37,253	40,000	123,820	123,805	77,253	247,625	170,372	220.54 %
Proprietary Funds	368,660	460,790	535,886	535,550	829,450	1,071,436	241,986	29.17 %
Total Funds	\$6,749,487	\$7,230,083	\$7,539,664	\$7,532,319	\$13,979,570	\$15,071,983	\$1,092,413	7.81 %

Program Description

The Agricultural Development Division (ADD) administers programs to promote Montana agriculture. The division is comprised of the following bureaus:

- Wheat and Barley
- Agriculture Development and Marketing
- The State Grain Laboratory

ADD also provides support to the Agricultural Development Council, the Montana Wheat & Barley Committee, Alfalfa Seed Committee, Montana Pulse Advisory Committee, Montana Potato Advisory Committee, and Cherry Advisory Committee.

Program Highlights

Agricultural Development Division Major Budget Highlights
<ul style="list-style-type: none"> • The primary driver of the proposed increase is personal services, which is due to various global adjustments • The increase in operating expenses would be higher, except that FY 2015 includes additional funding for the Wheat and Barley Committee beyond the amount spent in FY 2014 or requested in the 2017 biennium

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Appropriations

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budgeted base, by program.

FY 2015 Appropriation Transactions - Agricultural Development Division					
Program	Legislative Appropriation	Legislative Approps OTO	Operating Plan	Program Transfers	Total Executive Implementation
Personal Services	\$1,925,241	\$0	\$0		\$1,925,241
Operating Expenses	2,375,054	105,000	-	15,000	2,495,054
Equipment & Intangible Assets	24,877	-	-	-	24,877
Grants	2,567,679	-	(2,651)	-	2,565,028
Transfers	217,232	-	2,651	-	219,883
Program Total	\$7,110,083	\$105,000	\$0	\$15,000	\$7,230,083

A program transfer moved authority between the Agricultural Sciences Division and this division.

Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures are \$370,596 below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Lower personal services costs
- Lower grant amounts

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Agriculture, 50-Agricultural Development Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,428,384	0	1,380,000	2,808,384	8.23 %
02040 Wheat & Barley Research & Mktg	9,177,614	0	0	9,177,614	63.33 %
02066 Agriculture In MT Schools Act.	114,993	0	0	114,993	0.79 %
02132 GTA Seed Capital Account	0	0	284,196	284,196	1.96 %
02178 Cherry Check-off	0	0	48,174	48,174	0.33 %
02205 PULSE CROP RESEARCH & MRKTG	0	0	1,654,602	1,654,602	11.42 %
02340 Coal Sev. Tax Shared SSR	761,722	0	0	761,722	5.26 %
02453 Grain Services	2,171,904	0	0	2,171,904	14.99 %
02461 Alfalfa Seed Assessment	82,805	0	0	82,805	0.57 %
02557 Research & Commercialization	0	0	0	0	0.00 %
02582 Certified Natural Beef	15,500	0	0	15,500	0.11 %
02793 Potato Research & Marketing	0	0	179,666	179,666	1.24 %
State Special Total	\$12,324,538	\$0	\$2,166,638	\$14,491,176	42.46 %
03225 Agriculture ADD Federal	247,625	0	0	247,625	100.00 %
Federal Special Total	\$247,625	\$0	\$0	\$247,625	0.73 %
06016 Beginning Farm Loans	0	116,400	0	116,400	0.70 %
06052 Hail Insurance	1,071,436	0	15,394,136	16,465,572	99.30 %
Proprietary Total	\$1,071,436	\$116,400	\$15,394,136	\$16,581,972	48.59 %
Total All Funds	\$15,071,983	\$116,400	\$18,940,774	\$34,129,157	

The Agricultural Sciences Division is funded with general fund, state special revenue, and federal special revenue. General fund supports division administration, agricultural marketing, agricultural statistics functions, and the state grain lab.

The funding for the Agricultural Development Division is dominated by state special revenue (SSR). The largest account, the wheat and barley research and marketing SSR account, comprises 60% of the budget request for the program.

This account receives revenues from assessments levied on the initial sale of each of the commodities. Additional SSR funding sources include a portion of the coal severance tax collections that supports the Growth Through Agriculture (GTA) program, grain testing fees, alfalfa seed assessments, income tax check offs for Agriculture in Montana Schools, and interest earnings from invested fund balances in various accounts.

Federal special revenue is from federal grants used to develop agriculture markets, marketing projects, and related operating costs.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	572,306	572,306	1,144,612	80.13 %	7,110,083	7,110,083	14,220,166	94.35 %
PL Adjustments	36,632	37,140	73,772	5.16 %	382,552	381,306	763,858	5.07 %
New Proposals	105,000	105,000	210,000	14.70 %	47,029	40,930	87,959	0.58 %
Total Budget	\$713,938	\$714,446	\$1,428,384		\$7,539,664	\$7,532,319	\$15,071,983	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	28,281	236,337	77,137	341,755	0.00	28,947	236,218	77,052	342,217
DP 99 - LEG. Present Law	0.00	8,351	(75,970)	21,683	(45,936)	0.00	8,193	(77,264)	21,753	(47,318)
Grand Total All Present Law Adjustments	0.00	\$36,632	\$160,367	\$98,820	\$295,819	0.00	\$37,140	\$158,954	\$98,805	\$294,899

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	38.22	(\$3,079)	\$12,608	\$5,940	\$15,469
Executive Implementation of 2015 Pay Increase		(8,583)	22,975	17,577	31,969
Fully Fund 2015 Legislatively Authorized FTE		-	80,509	-	80,509
Other		39,942	120,245	53,620	213,808
Personal Services Present Law Adjustments	38.22	\$28,281	\$236,337	\$77,137	\$341,755
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	38.22	(\$3,079)	\$12,608	\$5,940	\$15,469
Executive Implementation of 2015 Pay Increase		(8,946)	22,974	17,941	31,969
Fully Fund 2015 Legislatively Authorized FTE		-	80,509	-	80,509
Other		40,971	120,127	53,171	214,270
Personal Services Present Law Adjustments	38.22	\$28,947	\$236,218	\$77,052	\$342,217

The executive proposes to increase funding for personal services when compared to the FY 2015 legislative appropriations. The majority of this increase comes from filling seasonal work positions at the state grain laboratory. These positions are filled in relation to the harvest needs.

DP 99 - LEG. Present Law -

As shown the present law adjustment table, overall the executive proposes a decrease when compared to the FY 2015 budget. However, the general fund shows a slight increase. The majority of these adjustments are due to fixed cost and inflation/deflation rates.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5005002 - Agriculture Literacy Program	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 5005010 - Food and Ag Development Centers	0.00	105,000	0	0	105,000	0.00	105,000	0	0	105,000
DP 5005011 - ADD Coal Severance Tax Reduction	0.00	0	(76,334)	0	(76,334)	0.00	0	(82,423)	0	(82,423)
Total	0.00	\$105,000	(\$46,334)	\$0	\$58,666	0.00	\$105,000	(\$52,423)	\$0	\$52,577

DP 5005010 - Food and Ag Development Centers -

The request would provide general fund to support the Food and Ag Development Centers in Joliet, Havre, Butte, and Ronan. These funds would augment state special revenue authority to redistribute reverted noxious weed grants to other projects. The 2013 Legislature authorized a restricted, one-time-only appropriation for the Food and Ag Development centers to supplement the statutory appropriation from the research and commercialization account. This request would switch the funding to the general fund and make the appropriation ongoing.

DP 5005002 - Agriculture Literacy Program -

This request is for \$30,000 per year in state special revenue to support the instructional coordinator with funds from outside sources. The agricultural literacy program has seen increased demand, providing state standard curriculum materials specific to agriculture to over 3,000 teachers and reaching 80,000 students in a year.

DP 5005011 - ADD Coal Severance Tax Reduction -

The proposal would reduce state special revenue authority to match the declining revenue projection of the coal severance tax shared fund.

**LFD
COMMENT**

The coal severance tax shared account is shared by this department, the Montana State Library, and the Department of Natural Resources and Conservation. The account is discussed in more detail in the summary section of this agency.

Other Issues -**Proprietary Program Overview**

The Agricultural Development Division operates two proprietary programs: the Hail Insurance program and the Montana Beginning Farmer/Rancher Loan Program.

Hail Insurance Program (Proprietary Fund)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

The Hail Insurance program has been in operation since 1917. The program provides the following services:

- Provides low cost hail insurance coverage for crops grown in Montana?
- Insures approximately 1.65 million acres of crops?
- Covers \$77 million in claims each year

The fund is statutorily appropriated by statute under Title 80, Chapter 2, part 2, MCA. The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers. Using the agreed upon formula, the program must maintain \$1.3 million in cash to maintain an ongoing operation. During the 2013 session, the legislature passed SB 162 that transferred administrative responsibility from the Department of Revenue to the Department of Agriculture.

Expenses?

- Supports 2.93 permanent FTE and 4.55 seasonal FTE?
- Personal services and operating expenses other than the payment of insurance claims are budgeted by the agency in HB 2?.
- Annually transfers are 1.5% of the gross annual fees to the general fund. The transfer is capped at \$100,000.

Revenues?

- Derived entirely from insurance policy premiums and investment earnings
- Dependent on the number of policies written for produces in a given year.
- Statutorily limited, cannot exceed \$75 per acre for non-irrigated land and \$114 per acre for irrigated land.

Farm and Ranch Loan Program (Proprietary Fund)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

The Montana Beginning Farmer/Rancher Loan Program is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher.

Expenses?

- 0.50 FTE and related operating expenses will be funded once there is revenue to support it
- Funds are only used to promote and administer the loan program

Revenues?

- Revenues for the program are derived from an application fee and a percentage fee levied against the outstanding loan amount

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 62010	Agency Name: Department of Agriculture			Program Name: Agricultural Development Division			
	Fund	Fund Name					
	06016	Beginning Farm Loans					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		-	-	-	60,000	60,000	60,000
Other Operating Revenue							
		2	5	3	2	2	2
Total Operating Revenues							
		2	5	3	60,002	60,002	60,002
Expenses:							
Personal Services							
		-	-	-	58,200	58,200	58,200
Total Operating Expenses							
		-	-	-	58,200	58,200	58,200
Operating Income (Loss)							
		2	5	3	1,802	1,802	1,802
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		2	5	3	1,802	1,802	1,802
Change in Net Position							
		2	5	3	1,802	1,802	1,802
Beginning Net Position - July 1							
		2,415	2,417	2,422	2,425	4,227	6,029
Change in Net Position							
		2	5	3	1,802	1,802	1,802
Ending Net Position - June 30							
		2,417	2,422	2,425	4,227	6,029	7,831
Net Position (Fund Balance) Analysis							

The Legislative Fiscal Division Presents an Agency Profile of:

The Department of Transportation

Contact: Cathy Duncan, Senior Fiscal Analyst
 Room 117, State Capitol Building
 Phone: 444-4580
 e-mail: cduncan@mt.gov

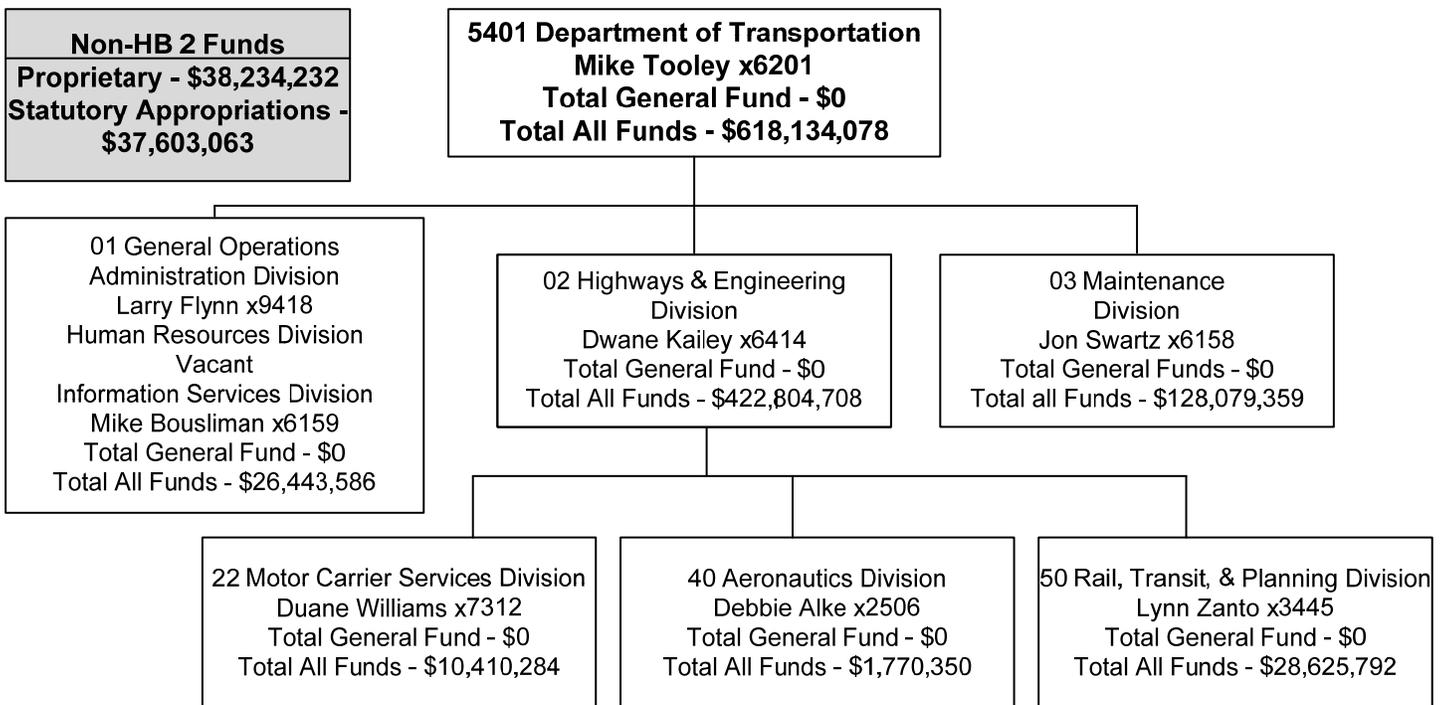
Updated August 2014

Agency Description

Definition of Terms

The Montana Department of Transportation (MDT) mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment.

The primary statutory references include - Article VIII, Section 6, Montana Constitution, 2-15-2505, 15-70, Titles 60, 61, and 67, MCA.

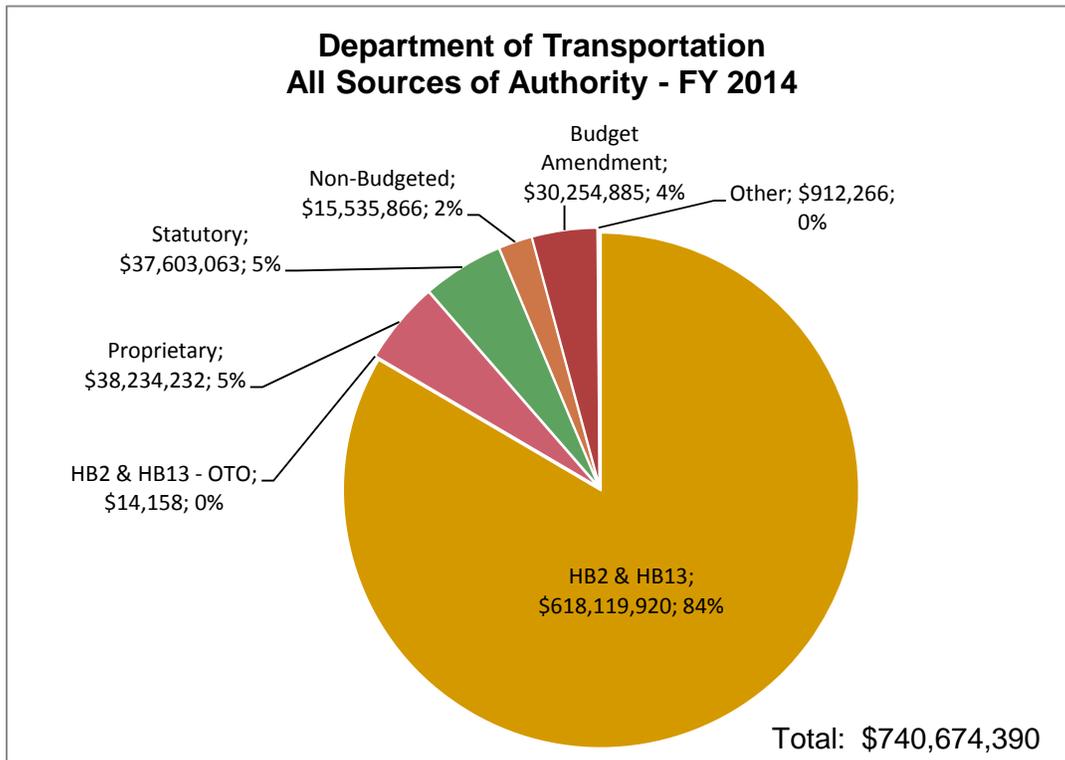


Note: The chart above provides HB 2 and 13 expenditures, including one-time-only (OTO) expenditures, by agency and program for FY 2014. With the inclusion of the OTO's, the amounts shown in this table will not fully match FY 2014 expenditures as shown in the LFD budget analysis.

How Services are Provided

The director acts as liaison between the Transportation Commission (commission) and the department. The commission is comprised of five members appointed by the Governor and confirmed by the Senate for four-year terms. The commission determines construction priorities, selects construction projects, awards construction contracts, and allocates funding to state, local, and national highway system projects. The commission also classifies highways as federal aid, primary, and off-system in the state maintenance system.

Sources of Spending Authority

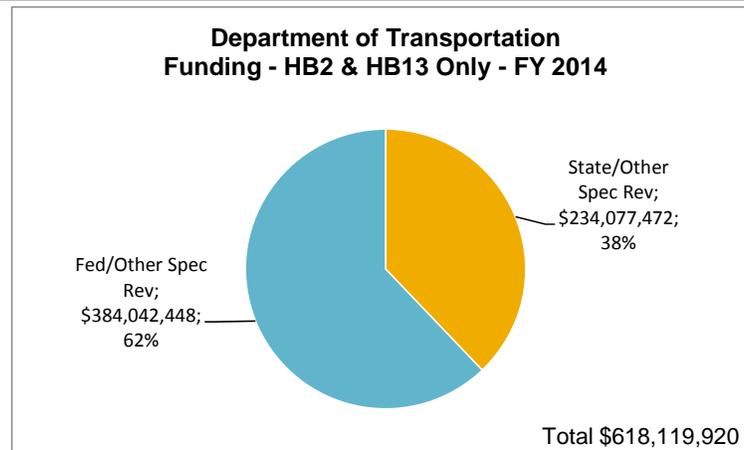
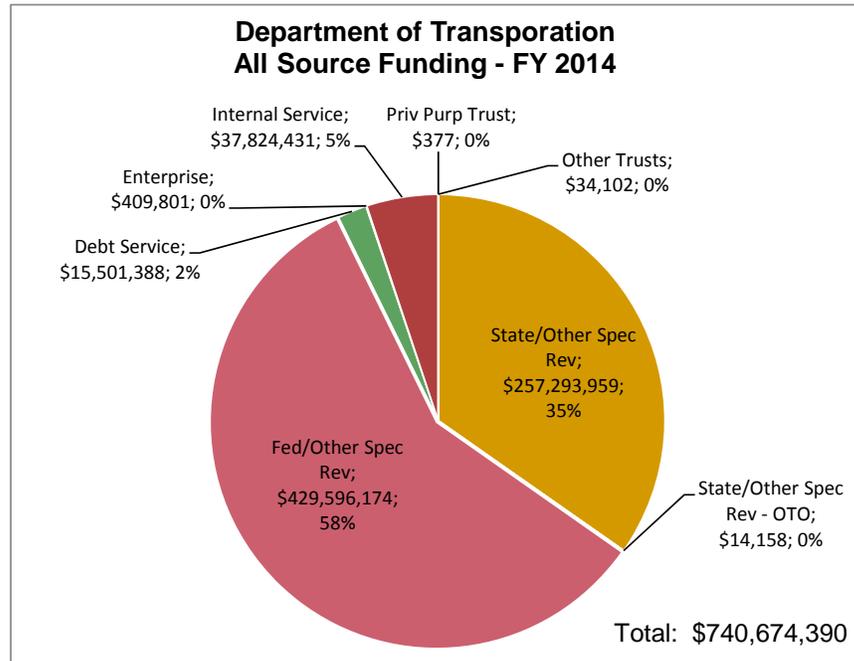


The above chart shows the sources of authority for the Montana Department of Transportation. As illustrated, the primary source of authority for MDT is HB 2 and 13. HB 2 and 13 OTO authority relates to expenditures from one-time-only authority provided by the legislature in the 2013 legislative session. The budget amendments shown in the figure is authority allowing the use of federal funds not anticipated by the 2013 Legislature. The statutory appropriations are primarily distributions of fuel taxes to local and tribal governments and the proprietary authority is the spending authority for the three MDT proprietary programs: 1) the state motor pool; 2) the MDT equipment program; and 3) the West Yellowstone Airport. Non-budgeted authority is primarily related to the debt service on the U.S. Highway 93 project totaling 15.5 million, which is reimbursed by the federal highway trust fund, and other authority is primarily a combination of appropriations from other legislation and carry forward authority.

For a detailed description of accounting terminology, please refer to the definition of terms.

Funding

The following charts show the agency's all authority sources and HB 2 authority funding by fund type.



The total agency funding of expenditures is derived primarily from state and federal fuel taxes. In FY 2014, 93% of the agency state special revenue funding is from the highway state special revenue account (HSRA), which receives revenues from gas and diesel taxes and federal indirect cost reimbursements. Federal funding is significantly composed of, 94%, revenue distributions through the federal highway trust. Two programs in MDT are funded through internal service funds, the state motor pool and the MDT equipment program. Revenues in the motor pool program are primarily collected in the rentals and leases of vehicles by state government agencies. Internal service fund revenue for the MDT equipment program is the agency cost of equipment rental imposed on itself and is paid primarily from the HSRA. Enterprise funding results from rentals at the West Yellowstone airport, which includes landing fees and facility rentals.

HB 2 expenditure funding includes only state and federal special revenue sources. As mentioned above, the primary sources of revenue supporting the operations of MDT are the federal and state highway fuel taxes. 94% of the HB 2

state special revenue funding is from the highway state special restricted account, which is restricted by the Montana Constitution for the following uses:

- Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges
- Payment of county, city, and town obligations on streets, roads, and bridges
- Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

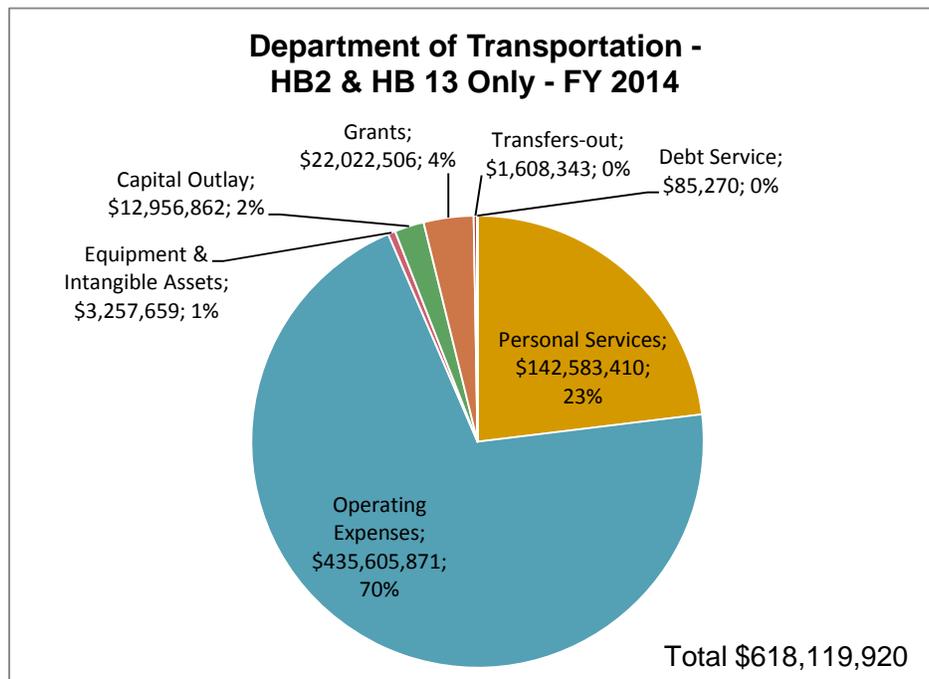
The revenue from this fund may be appropriated for other purposes by a three-fifths vote of the members of each house of the legislature.

Expenditures

The next chart explains how the HB 2 authority is spent.

- Personal services funds the MDT workforce, over 2,000 FTE of which includes more than 560 FTE in the blue collar workforce within the maintenance program
- Within the operating expenses, \$337.4 million (81.2% federal funds) are highway construction and maintenance contractor payments
 - The contractor payments alone are estimated to have provided 9,380 jobs in FY 2014, given the federal highway administration’s estimates of 27.8 jobs per \$1 million of highway construction
- \$22.0 million of grant funds were distributed to local governments
- \$1.7 million of transfers-out are primarily pass-thru grants funded by the National Highway Traffic Safety Administration for innovative traffic safety programs.

This chart matches the agency FY 2014 expenditures found in the 2017 Budget Analysis with the exception of a slight difference caused by clearing account adjustments and rounding errors.



How the 2015 Legislature Can Effect Change

If the legislature is to change the cost of the elements that drive costs, it must address the factors that influence the level of the cost drivers. For example, what determines the level of highway maintenance expenditures? As a consequence, what range of policy choices does the legislature have if it wishes to change the level of highway maintenance expenditures? The following lists the primary factors influencing the drivers of costs for the agency. Please note that the list is not exhaustive.

- Miles of state and federal highways in the system
- Condition of highway and road surfaces
- Number of roads and other transportation facilities maintained by the state
- Acceptable level of snow/ice cover
- Distance between and service condition of rest areas
- Traffic congestion/flow
- Transportation system safety expectations
- Highway user services

Major Cost Drivers

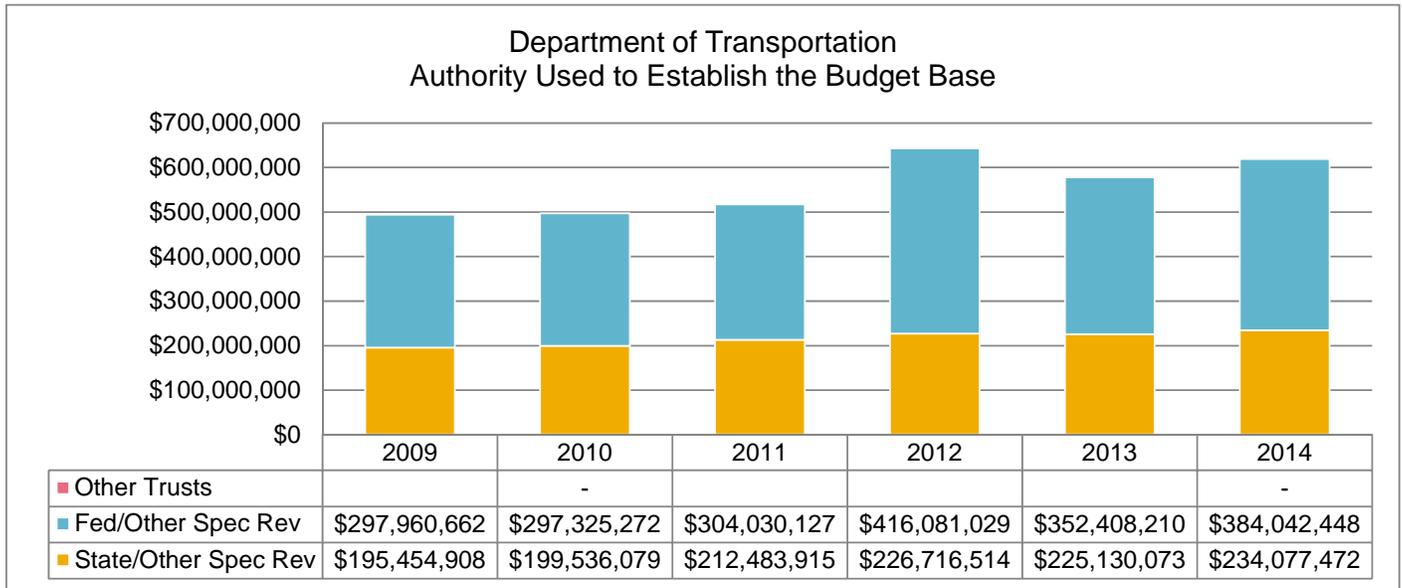
<i>Driver</i>	<i>2004</i>	<i>2014</i>	<i>Significance of Data</i>
Total lane-miles - Montana	127,267	138,575	Shows amount of roads supported by state tax base. Note that Montana's lane miles have grown at a rate twice the national miles over the 10 yr. period
Total lane-miles – U.S.	8,338,821	8,606,003	Shows national road system to compare with state system
Population per lane-mile - Montana	7.3	7.3	Shows how few people are available to fund highway costs in Montana. Note that this statistic has remained constant, showing that the number of lane miles has increased at the same rate as the state population
Population per lane mile – U.S. average	35.2	36.5	Shows there are five times as many people available to fund highway costs on average in the U.S.

The table above provides some cost drivers that can indirectly impact the operating costs of MDT. Other factors include the amount of federal funding available for highway work and the amount of fuel taxes collected in any given year.

Funding/Expenditure History, Authority Used to Establish the Budget Base

The table below shows historical changes in the agency's base budget authority. Major reasons for change are:

- 2009 through 2014 total expenditures have increased at an annual rate of 4.6%, primarily driven by the increases in federal funding
- State funded expenditures have increased on average by 3.7% and federal by 5.2%
- The 36% increase of federal funding seen in FY 2012 is primarily related to the closeout of ARRA projects



Major Legislative Changes

- 2007-Transferred the functions of the Motor Carrier Safety Assistance Program from the Department of Justice to MDT
- 1999-Revised laws concerning the maintenance of paved secondary roads. The change made MDT responsible for the maintenance of eligible paved secondary roads as of January 1, 2001

For further information, you may wish to contact the agency at:

Montana Department of Transportation

2701 Prospect Avenue

PO Box 201001

Helena, MT 59620-1001

Phone: (406) 444-6200 Toll Free: (800) 335-7592 webpage: www.mdt.mt.gov

Agency Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	2,129.26	2,129.26	2,062.32	2,062.32	2,129.26	2,062.32	(66.94)	(3.14)%
Personal Services	142,583,428	154,138,060	162,203,994	162,205,507	296,721,488	324,409,501	27,688,013	9.33%
Operating Expenses	435,605,937	467,407,429	451,827,384	445,254,921	903,013,366	897,082,305	(5,931,061)	(0.66)%
Equipment & Intangible Assets	3,257,659	5,276,589	3,271,659	3,271,659	8,534,248	6,543,318	(1,990,930)	(23.33)%
Capital Outlay	12,956,865	19,655,763	12,956,865	12,956,865	32,612,628	25,913,730	(6,698,898)	(20.54)%
Grants	22,022,506	30,666,771	25,685,454	25,685,454	52,689,277	51,370,908	(1,318,369)	(2.50)%
Benefits & Claims	0	750	0	0	750	0	(750)	(100.00)%
Transfers	1,608,343	1,985,952	1,608,343	1,608,343	3,594,295	3,216,686	(377,609)	(10.51)%
Debt Service	85,270	151,412	85,270	85,270	236,682	170,540	(66,142)	(27.95)%
Total Costs	\$618,120,008	\$679,282,726	\$657,638,969	\$651,068,019	\$1,297,402,734	\$1,308,706,988	\$11,304,254	0.87%
State/Other Special Rev. Funds	234,077,560	248,697,540	254,620,236	254,917,078	482,775,100	509,537,314	26,762,214	5.54%
Federal Spec. Rev. Funds	384,042,448	430,585,186	403,018,733	396,150,941	814,627,634	799,169,674	(15,457,960)	(1.90)%
Total Funds	\$618,120,008	\$679,282,726	\$657,638,969	\$651,068,019	\$1,297,402,734	\$1,308,706,988	\$11,304,254	0.87%

Mission Statement

To serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment.

<http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Department of Transportation Major Budget Highlights
<ul style="list-style-type: none"> • Budget will be continued at approximately the same level as budgeted for the 2015 biennium • Budget request is an overall reduction of 3.7% from the FY 2015 budget <ul style="list-style-type: none"> ◦ Primary reduction is in the Construction Program, where non-personal service items are requested at a net reduction of \$44.4 million per year • Retention issues in the Bakken region are addressed through proposals to provide \$500/month housing allowances for 42.67 FTE
Legislative Action Issues
<ul style="list-style-type: none"> • There are concerns related to over-appropriation and sustainability of state funding • There are uncertainties related to the level of continued federal funding and the associated impacts to the construction program

Agency Discussion

The Department of Transportation (MDT) is the agency responsible for administering the multimodal transportation network in Montana. The department plans, designs, builds, and maintains the statewide network of highways. It is responsible for collecting and distributing highway user fees and fuel taxes. The department enforces state and federal laws for commercial motor carriers and registers interstate fleet vehicles. The department also facilitates the operation and infrastructure of airports and airways in Montana, registers aircraft and pilots, and maintains several state-owned airports. The department represents Montana interests in railroad planning issues and supports local entities in overall transportation planning and transit assistance.

The department provides the above services through the following programs:

- General Operations Program
- Construction Program
- Maintenance Program
- State Motor Pool (entirely funded with non-budgeted proprietary funds)
- Equipment Program (entirely funded with non-budgeted proprietary funds)
- Motor Carrier Services Division
- Aeronautics Program (a portion of this program is funded with non-budgeted proprietary funds)
- Rail, Transit, and Planning Division

Two administrative boards appointed by the Governor are responsible for prioritization of road and airport projects in Montana, within established budget priorities. The five-member transportation commission establishes department priorities and apportions funding among five state financial districts according to statutory guidelines, considers department recommendations, and facilitates community input. The nine-member Board of Aeronautics establishes priorities for department aeronautics activities.

**LFD
COMMENT**

The department has submitted a budget request for the 2017 biennium based on the 2013 tentative construction plan (TCP). The agency is in the process of updating this plan and the associated budget in relation to the most recent TCP, approved in October 2014. Historically, the department revises several of the key budget adjustments from those presented in the request analyzed by legislative staff to reflect a revised and updated construction plan. Consequently, the department request may change prior to appropriations subcommittee hearings. In addition, changes in the TCP may create changes in the working capital balance projection of the highway special revenue fund (HSRA).

In the figure above, the MDT budget request appears to increase by \$11.3 million, or 0.9%. However, when compared to the FY 2015 budget as implemented by the executive, the budget averages a reduction of \$24.9 million each year, or 3.7%. Budgetary reductions are seen in several programs, but none are greater than in the Construction Program, where non-personal service items (included in CP 99) net to a total reduction of \$44.4 million per year. In that reduction, 84.2% is attributed to federal funds. The agency and in large part the Construction Program have been operating under the provisions of the most recent surface transportation legislation, Moving Ahead for Progress in the 21st Century Act (MAP 21) for the past two years, and are anticipating federal funding at a similar level during the 2017 biennium. The level of funding requested in the budget includes sufficient authority to match all potential federal funding that may occur.

There are two overarching issues/concerns related to this budget: 1) the availability of federal funding; and 2) the continued ability of the highway state special revenue account to support the levels of appropriation seen in recent years. Both of these issues are outlined in the funding section of this summary. In summary of the issues, the current budget request takes into consideration estimates of federal funding at a level as provided in FY 2014, which will be uncertain before Congress takes action (in or before May). Most of the state special funding is appropriated from the highway restricted account that under the related budget requests is expected to end the 2017 biennium with a negative working capital balance of \$30.7 million. Both of these issues are outlined in the Funding section of this summary.

Agency Personal Services

Some of the relevant features of the FY 2014 personal service budget include:

- 92.6% of FTE time used in FY 2014, as compared to a funded rate of 96% (4% vacancy savings rate applied)
- \$142.6 million, or 97.0%, of personal services budget used in FY 2014
 - Personal services were paid 66.6% state special and 33.4% federal special

Agency Wide Decision Points

The following proposals have common decision points in several programs across the agency.

Equipment Rental

The proposals in this group increase funding for those user programs making payments to the Equipment Program, a non-budgeted proprietary funded program that acquires, maintains, and disposes of equipment items rented to various programs of the agency. For more information on the factors that impact the rates to the Equipment Program, refer to the "Proprietary Rates" section of that program. These changes are due primarily to plans for rental of this equipment, which allows MDT to bill federal programs and other program funding sources where the service is being provided. The increases anticipated in these requests result from increased rental usage planned in the programs.

Agency-Wide Request - Equipment Rental				
Program	Base (FY 2014)	FY 2016 Adjustment		
		State Special	Federal Special	Total Budget
General Operations	\$10,336	\$617		\$10,953
Construction	3,682,107	120,000	99,858	3,901,965
Maintenance	25,637,946	1,530,876		27,168,822
Motor Carrier Services	385,232	21,917	22,843	429,992
Aeronautics		7,600		7,600
Rail, Transit, & Planning	194,415	11,608		206,023
Total	\$29,910,036	\$1,692,618	\$122,701	\$31,725,355
FY 2017 Adjustment				
General Operations	10,336	586		10,922
Construction	3,682,107	113,942	94,818	3,890,867
Maintenance	25,637,946	1,453,550		27,091,496
Motor Carrier Services	385,232	21,032	22,569	428,833
Aeronautics		7,600		7,600
Rail, Transit, & Planning	194,415	11,024		205,439
Total	\$29,910,036	\$1,607,734	\$117,387	\$31,635,157

LFD COMMENT

A discussion of the equipment rental rates is contained in the proprietary discussion for the Equipment Program. Rates have historically been based on a 60 day working capital balance analysis. The legislature may want to act on the rate request for the program before taking action on the various program requests, as the adjustments correspond to the rates requested and changes in the Equipment Program rates could impact adjustments.

Bakken Rent Allowance

As shown in the figure below, three MDT programs will include decision points that would provide an allowance for positions in the Glendive district. MDT would use the allowance as an incentive to recruitment and retention in designated areas (Sidney, Glendive, Baker, Wolf Point, Culbertson, etc.). The proposal would provide \$500/month/person, or \$6,000/person for a full year, for those meeting the qualifications. Combined, the allowances in these proposals would fund 42.7 full year allowance benefits.

Agency-Wide Request - Bakken Housing Allowance					
Program	Annual # FTE Supported	Each Year of the Biennium			Biennial Total
		State Special	Federal Special	Total Funds	
Construction	16.67	\$100,000		\$100,000	\$200,000
Maintenance	20.00	120,000		120,000	240,000
Motor Carrier Services	6.00	30,000	6,000	36,000	72,000
Total	42.67	\$250,000	\$6,000	\$256,000	\$512,000

LFD COMMENT Rent costs in the Bakken areas “have quintupled since 2008” according to Bloomberg’s October, 2013 article *Montana Towns Struggle With Oil Boom Cost as Dollars Flee*. The \$512,000 biennial cost of Bakken housing allowance would become a continuing base expenditure if passed as requested. The legislature may want to consider restricting the appropriation for the stated use to ensure that the appropriation can be tracked more easily and ask the program to report back on the impacts on employee retention achieved with the allowance.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

Because MDT does not transfer investment earnings or fund balances from their operating funds, the agency is exempt from submission of the reduction plan.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - Department of Transportation							
Program	Legislative Appropriation	Leg App OTO	Direct Transfer	Cns Bien Approp	Program Transfer	Reorgs	Total Exec Implement
01 GNOP	\$27,285,620					\$1,474,169	\$28,759,789
02 CONS	474,891,538				(\$910,000)	(1,474,169)	472,507,369
03 MATN	131,061,599		(\$50,000)				131,011,599
22 MCP	11,712,316	\$14,158					11,726,474
40 AERO	2,067,086			(\$161,450)			1,905,636
50 RTP	32,461,859				910,000		33,371,859
Total	\$679,480,018	\$14,158	(\$50,000)	(\$161,450)	-	-	\$679,282,726

Budget adjustments impacting the FY 2015 legislative starting point include:

- An add back of a one-time-only appropriation in the Motor Carrier Program (MCP) to conform to the legislature’s FY 2015 budget. This will subsequently be subtracted out in present law adjustments
- A movement of biennial authority from FY 2015 to FY 2014 in the Aeronautics Program (AERO)
- A transfer of authority from the Construction Program (CONS) to the Rail, Transit, And Planning Program (RTP) for the purposes of highway planning activities
- A reorganization that moved the legal services function from CONS to the General Operations Program (GNOP)

MDT reorganized the legal services department, moving 12.00 FTE and the associated authority from the Construction Program to the General Operations Program. Historically, most of the legal matters were related to the work of the Construction Program. In more recent years, the department has become more of a support service for the entire agency, similar to agency-wide functions such as human resources and accounting.

Not shown in the figure above, the agency moves authority between state special funds and federal special funds, in large part in reaction to federal reimbursement policies. The practice always nets to \$0 and is allowed through language included in HB 2. The agency also made "operational plan changes", which are the movement of funds between first level authorities, for example movement of personal service authority to operating expense authority. Again, this practice nets to \$0.

More information related to the various budget adjustments may be seen in the program sections of this report.

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
State Special Total	509,537,314	0	44,154,438	553,691,752	37.85 %
Federal Special Total	799,169,674	0	31,189,026	830,358,700	56.76 %
Proprietary Total	0	78,752,188	0	78,752,188	5.38 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$1,308,706,988	\$78,752,188	\$75,343,464	\$1,462,802,640	
Percent - Total All Sources	89.47 %	5.38 %	5.15 %		

The department is funded from a combination of state special revenue and federal special revenue. State special revenue can be grouped into two general categories: 1) those that are protected by the state constitution; and 2) those that are not. In FY 2014 and for the 2015 biennium all highway construction expenditures from state funds are accounted for in the highways state special revenue restricted account, which is used as the match for federal funding of the department.

Restricted revenues are from:

- Gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways

They can only be used for:

- Paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

A diversion of funds to other purposes can only be done through a 3/5th vote of the members of each chamber of the legislature.

Non-restricted revenues are derived from:

- Special use permits and motor fuel penalties and interest payments

They can be used for:

- Any purpose for which the legislature sees fit

Federal Aid Highway Funding

Federal aid for highway construction is primarily realized from the distribution of revenue derived from federal excise taxes on motor fuels and other transportation products, such as heavy truck tires. Montana has historically received significantly more federal-aid highway construction funds than are collected in federal motor fuels excise taxes from Montana sources. Montana receives more than \$2.20 of federal funding for highways for every \$1.00 collected in the state and sent to the federal highway trust fund.

**LFD
COMMENT**

The most recent actions by Congress extended the provisions of MAP 21 until May of 2015, a short-term fix for highway funding. The termination of the extension is challenging for this budget and road construction alike.

Both MDT budgeting and road construction activities require informed planning. Congress has until May of 2015 to address highway funding. Congress faced a similar deadline in 2014, and waited until the last minute to take action that would continue federal funding to the states. Should Congress do the same in 2015, it will hinder both the Montana Legislature's ability to make informed decisions and the agency's ability to move projects into construction. A decision in May is after the legislature adjourns and after the beginning of the construction season. Additionally, with short-term solutions to highway funding, the agency may be reluctant to enter into large road construction projects.

Federal construction dollars support employment across the state, supporting both state employees and private sector road workers. The Construction Program (program 2) is the primary user of federal funds in MDT, using 89% of all federal funds. In FY 2014, there were \$40.4 million of federal funds expended on personal services, 63% of total personal services. From a high level perspective, 63% of the personal services equates to more than 500 FTE. Additionally, \$273.7 million was paid out in highway construction contracts in FY 2014. The federal highway administration estimates that 27.8 jobs are created for each million dollars spent on road construction. If that rate holds true, then the contract costs expended in those federal funds alone employed 7,609 individuals. In summary, federal funds in this program are estimated to pay the salaries of more than 8,100 workers in the state.

Ultimately, the legislature may be required to provide the MDT budget without knowing the level of federal funding. For the 2017 biennium, the agency is requesting a budget that assumes federal funding at levels experienced in the recent past.

Sliding Scale Match

Montana currently receives federal highway construction funds based on a sliding scale match formula that includes factors for the amount of federal land in the state and the amount of financial contribution the state makes to maintain the federal-aid highway system with state dollars. The typical match ratio is 86.6% federal to 13.4% state for reimbursable federal-aid projects.

In order to utilize all of the federal funds allotted to the state, state funds must be available to provide: 1) planning functions required in the federal funding law; 2) maintenance of the federal-aid highway system to federal standards; 3) adequate management and oversight of federal-aid construction projects; 4) a minimum construction program supported by 100% state funds; 5) matching funds for federal-aid construction funds; and 6) adequate working capital to pay operating expenses with 100% state funds until federal reimbursement is provided. These factors all contribute to the need to maintain a certain working capital level to support cash flow obligations of the department.

Highways State Special Revenue Account Working Capital Analysis

The following figure provides working capital balance for the restricted (HSRA-R) and nonrestricted (HSRA-NR) accounts.

Constitutional Restricted Account (HSRA-R)

HSRA-R currently funds the operations of five programs of the MDT that administer, enforce, and support the construction, maintenance, and safe operations of Montana highways. HSRA-R also funds Long-range Building Program projects for

MDT facilities and those of the Department of Fish, Wildlife and Parks (FWP) for park roadway activities, and for programs of the Department of Justice (DOJ) that support highway or motor vehicle activities. Programs of DOJ that are partially funded with HSRA-R are: 1) Legal Services Division; 2) Motor Vehicle Division; 3) Montana Highway Patrol; 4) Central Services Division; and 5) Information Technology Services Division. HSRA-R also funds statutory appropriations for city and county gas tax distributions and a transfer of funds for the revenue sharing agreements with tribal entities.

As shown in the figure, HSRA-R entered FY 2015 with a positive working capital balance of nearly \$55.4 million. In consideration of all authority but as adjusted for the average end of biennium reversions, HSRA-R will begin the 2017 biennium with a \$25.0 million balance, which assumes the reversion of \$45.7 million of appropriation authority expected to be unused in the 2015 biennium. The balance is projected to decline to a negative amount of \$30.7 million by the end of the 2017 biennium. If the 2017 budgeted expenditures result in excess authority, like the \$45.7 million in the 2015 biennium, the account could end with the biennium with an account balance of approximately \$15 million. The analysis does not consider the 2017 biennium pay plan increases that would increase personal services funding from HSRA-R. Estimates for the proposed pay plan increase are expected to be available prior to subcommittee hearings.

**LFD
ISSUE**
Negative Ending Balance

As shown in the fund balance figure above, the HSRA account would finish the 2017 biennium with a negative ending fund balance. According to the Montana Constitution, Article VIII., Section 9, "Appropriations by the legislature shall not exceed anticipated revenue." This section of the Constitution is strictly related to legislative actions, and approving a budget that leaves a negative fund balance, such as seen in the figure above, is contrary to this constitutional directive. There are a number of options available to the legislature related to the status of this account, which include:

- Reduce the appropriations for the MDT budget
- Recommend that the Sec. D subcommittee reduce the appropriations for the DOJ budget
- Make no changes

Non-restricted Account (HSRA-NR)

HSRA-NR currently funds the operations of four programs of the DOT. HSRA-NR also funds one program in the Department of Justice. As shown in the figure above, HSRA-NR entered FY 2015 with a balance of \$0.9 million. If all valid appropriations are expended, HSRA-NR will begin the 2017 biennium with a \$0.5 million balance. The balance is estimated to be \$4.1 million by the end of the 2017 biennium.

To some degree, the HSRA accounts are managed in tandem. As such, a combined balance is included for informational purposes. The combined balance of the HSRA accounts is projected to be negative \$26.6 million by the end of the 2017 biennium. That balance, as is the case with the individual accounts, assumes the expenditure of all authority requested/ provided by the legislature in the 2017 biennium. As mentioned earlier in this report, MDT generally requests more authority than will be used during the biennium. As noted above, if MDT appropriations are \$45.7 million more than actual expenditures, as estimated for the 2015 biennium, the combined balance at the end of the 2017 biennium would be around \$19 million.

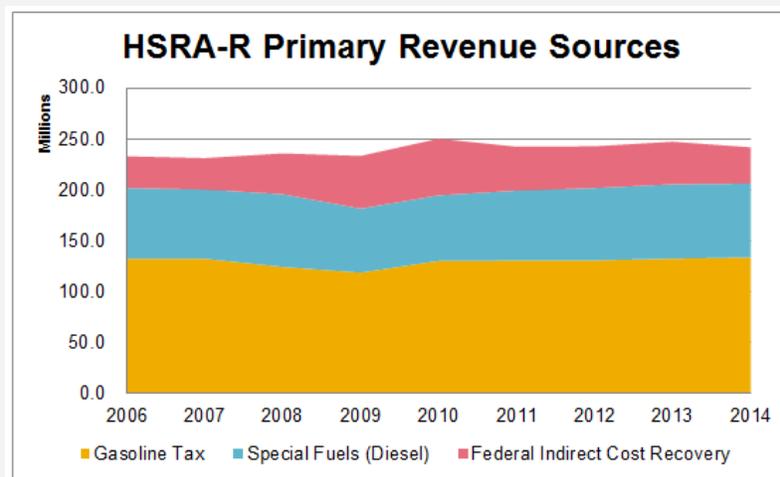
Estimated Working Capital Balance				
Highways Special Revenue Accounts (02422 and 02349)				
	FY2014	FY2015	FY2016	FY2017
	Actuals	SABHRS	Estimated	Estimated
Combined Account (\$ in Millions)				
Beginning Balance	\$72.7	\$56.3	\$25.5	(\$6.5)
Revenues	287.2	286.7	289.9	292.9
Expenditures	<u>303.6</u>	<u>363.2</u>	<u>321.9</u>	<u>313.0</u>
Revenues less Expenditures	(16.4)	(76.5)	(32.0)	(20.1)
Adjustments for Estimated Reverted Authority	0.0	45.7	0.0	0.0
Ending Balance	\$56.3	\$25.5	(\$6.5)	(\$26.6)
Restricted Account - 02422 (\$ Millions)				
Beginning Working Capital Balance	\$69.7	\$55.4	\$25.0	(\$8.7)
Revenues (HJ 2)				
Gasoline Tax	133.6	131.4	130.4	130.0
Diesel Tax	72.6	73.5	73.8	75.0
Gross Vehicle Weight Fees (GVW)	26.2	26.6	27.0	27.4
Federal Indirect Cost Recovery ²	37.2	38.0	41.1	42.4
Other Revenues	<u>7.5</u>	<u>7.0</u>	<u>7.2</u>	<u>7.4</u>
Total Revenues	277.1	276.4	279.5	282.3
Expenditures				
Montana Department of Transportation (MDT)				
MDT Statutory Appropriations and Transfers	22.1	22.1	22.1	22.1
MDT HB 2 and 13	232.0	282.6	242.8	243.1
Other Highway Special Revenue Appropriations				
Department of Justice (DOJ) HB 2 and 13	35.7	36.4	38.9	39.1
MDT Long-Range Information Technology Projects (HB 10)	0.0	2.0	0.7	
Fish, Wildlife, & Parks Long-Range Building Projects (HB 5)	0.7	2.6	2.0	0.0
MDT Long-Range Building Projects (HB 5)	<u>0.9</u>	<u>6.9</u>	<u>6.8</u>	<u>0.0</u>
Total 02422 Expenditures	291.4	352.5	313.2	304.3
Revenues Less Expenditures	<u>(14.3)</u>	<u>(76.1)</u>	<u>(33.7)</u>	<u>(22.0)</u>
Calculated Ending Working Capital Balance	55.4	(20.7)	(8.7)	(30.7)
Adjustments to Balance*	0.0	45.7	0.0	0.0
Calculated Ending Working Capital Balance	\$55.4	\$25.0	(\$8.7)	(\$30.7)
Nonrestricted Account - 02349 (\$ in Millions)				
Beginning Working Capital Balance	\$3.0	\$0.9	\$0.5	\$2.2
Revenues				
GVW (HJ 2)	9.7	9.9	10.0	10.2
Other	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Total Revenues	10.1	10.3	10.4	10.6
Expenditures				
Total Transfer Out (Noxious Weed SSR)	0.3	0.1	0.1	0.1
MDT HB 2 and 13	11.5	10.0	8.0	8.0
DOJ HB 2 and 13	0.5	0.5	0.6	0.6
Fish, Wildlife, & Parks Long-Range Building Projects (HB 5)	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures	\$12.2	\$10.7	\$8.7	\$8.7
Revenues Less Expenditures	(2.1)	(0.4)	1.7	1.9
Calculated Ending Working Capital Balance	\$0.9	\$0.5	\$2.2	\$4.1

LFD
ISSUE

Budgeting for the HSRA-R

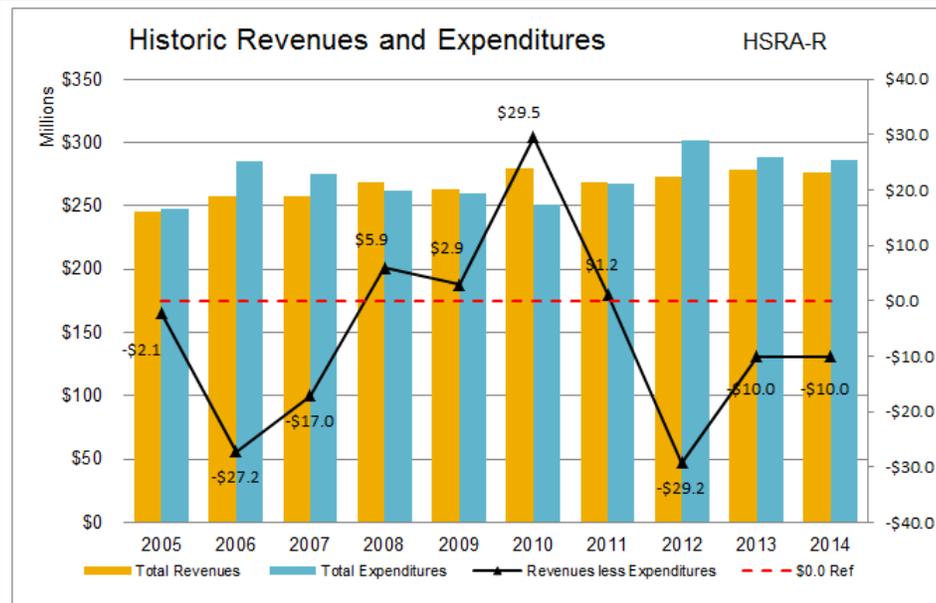
The highway state special revenue restricted account (HSRA-R) is the primary source of funding for MDT and the construction and maintenance of the state roads and highways. When budgeting for MDT, the agency requests sufficient authority to ensure all federal funds are matched and that all state roads are maintained. In addition, the Department of Justice (DOJ) uses the fund for the costs of the Montana Highway Patrol and to fund various licensing services. Over the past decade, both the revenue and expenditures of this account have remained relatively flat. However, in that same time frame expenditures have exceeded the revenues. By definition, when expenditures exceed revenues in an account, the users are relying on fund balance to fund their activities.

In the HSRA-R, the primary funding source is fuel taxes from the sales of gasoline and special fuels (primarily diesel). Another major contributor to revenues in the fund is federal government repayments for the indirect costs associated with highway construction projects. Over time, these primary revenues have remained flat, as shown in the figure below. In the 8 years shown in the chart, the annual growth associated with the gas tax has been 0.1% while the growth for the three revenue sources has amounted to 0.5%. In the 2017 biennium, no real growth is expected in fuel taxes and it is likely that federal indirect cost recovery will decline. Overall, there is not an expectation for growth in the revenues of the HSRA-R.



On the expenditure side of the equation, expenditures have exceeded the account revenues for the past three fiscal years. This effect is seen in the chart below. Between FY 2008 and FY 2010, the increase in federal indirect cost reimbursements associated with the enhanced ARRA funding countered the trend of inadequate revenues for planned expenditures. Even with the increased federal reimbursements, the average difference of revenue to expenditures over the last 10 years is -\$5.6 million. When expenditures exceed revenue, fund balance must be used to cover the costs. On an ongoing basis using fund balance for the costs of operations/services is unsustainable.

Historically, MDT has requested levels of appropriation that exceed their actual needs. The reason that the budget is requested in this way is to assure that the authority required to match every federal dollar coming into the state is available. In consideration of the importance of this philosophy, the legislature has provided extensive budget authority for the agency. In the 2011 session, the legislature approved an addition of appropriation of \$30.0 million on a one-time-only (OTO) basis to the state funded construction program to both make use of fund balance and to provide jobs in the years of the Great Recession. From that appropriation, \$28.4 million was expended. Last session, the legislature provided another \$5.0 million to the state funded construction program for special state road maintenance and construction projects, but as of the end of FY 2014 none of the authority had been used. These actions have had the impact of increasing expenditures above the anticipated revenues.



Over time, MDT has been able to manage the HSRA-R fund to ensure sufficient fund balance for its needs. However, budgeting as related to the HSRA-R has allowed expenditures to exceed revenue. Ultimately, the only way that this can occur is the use of the fund balance. MDT suggests that a fund balance of at least \$20 million is needed, given the reimbursement process of federal funding for construction projects. As fund balance in HSRA-R is reduced by expenditures that exceed revenue, \$20 million fund balance will become harder to maintain. As mentioned earlier, over the past decade expenditures have exceeded revenues by -\$5.6 million/year, the account could face significant issues with inadequacy in the future.

The executive appropriation recommendations in the 2017 biennium would exceed both the anticipated revenue and working capital fund balance by an estimated \$30.7 million, pointing to an instability in the account. The problem with the account is multifaceted (including budgeting, expenditures, and revenues) and would take time and work to resolve. In that light, the legislature may want to consider requesting an interim study to address the issues of the account.

Legislative Option

Request a resolution for an interim study of the HSSRA fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	679,480,018	679,480,018	1,358,960,036	0.00 %	
PL Adjustments	0	0	0	0.00 %	(28,692,248)	(28,490,162)	(57,182,410)	0.00 %	
New Proposals	0	0	0	0.00 %	6,851,199	78,163	6,929,362	0.00 %	
Total Budget	\$0	\$0	\$0		\$657,638,969	\$651,068,019	\$1,308,706,988		

Language and Statutory Authority -

The following language is requested for HB 2:

"The department may adjust appropriations between state special revenue and federal special revenue funds if the total state special revenue authority by program is not increased by more than 10% of the total appropriations established by the legislature."

"All appropriations in the department are biennial."

"All remaining federal pass-through grant appropriations for highway traffic safety, including reversions for the 2015 biennium, are authorized to continue and are appropriated in FY 2016 and FY 2017."

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	198.37	198.37	196.60	196.60	198.37	196.60	(1.77)	(0.89)%
Personal Services	14,124,805	15,533,334	16,817,574	16,816,225	29,658,139	33,633,799	3,975,660	13.40 %
Operating Expenses	12,080,754	12,709,090	13,685,952	13,824,567	24,789,844	27,510,519	2,720,675	10.97 %
Equipment & Intangible Assets	45,804	5,287	45,804	45,804	51,091	91,608	40,517	79.30 %
Grants	106,968	360,666	156,968	156,968	467,634	313,936	(153,698)	(32.87)%
Debt Service	85,270	151,412	85,270	85,270	236,682	170,540	(66,142)	(27.95)%
Total Costs	\$26,443,601	\$28,759,789	\$30,791,568	\$30,928,834	\$55,203,390	\$61,720,402	\$6,517,012	11.81 %
State/Other Special Rev. Funds	25,711,315	27,252,100	29,836,988	29,943,828	52,963,415	59,780,816	6,817,401	12.87 %
Federal Spec. Rev. Funds	732,286	1,507,689	954,580	985,006	2,239,975	1,939,586	(300,389)	(13.41)%
Total Funds	\$26,443,601	\$28,759,789	\$30,791,568	\$30,928,834	\$55,203,390	\$61,720,402	\$6,517,012	11.81 %

Program Description

The General Operations Program provides overall policy direction and management to the agency, administers motor fuel taxes, and provides administrative support services for the department, including general administration and management, accounting and budgeting, ensuring civil rights and equal opportunity, legal services, public affairs, information technology services, human resources activities, compliance review, and goods and services procurement.

Program Highlights

General Operations Program Major Budget Highlights
<ul style="list-style-type: none"> • Transfer of legal services shifts a biennial \$2.7 million in personal service costs from the Construction Program • Personal services are also increased by requests for an additional 5.05 FTE <ul style="list-style-type: none"> ◦ Increase current FTE to full time in civil rights bureau (1.80 FTE) ◦ Additional fuel tax auditors (2.25 FTE) ◦ A new proposal for an electronic records manager (1.00 FTE) • The non-personal services expenditure items are approximately \$1.0 million per year greater than FY 2015 <ul style="list-style-type: none"> ◦ As the administering program for MDT, fixed cost adjustments explain most of the increase in non-personal service items

Program Discussion -

The General Operations Program provides general oversight for the agency. This program is impacted by the increased budget changes related to fixed costs and inflation/deflation factors. As an addition to the program oversight, the legal services function was transferred from the Construction Program to this program. Consequently, the program was increased by 12.00 FTE.

Comparison of FY 2015 Legislative Base to FT 2015 Adjusted Base

FY 2015 Appropriation Transactions - Department of Transportation				
Program	Legislative Appropriation	House Adjustments	Reorgs	Total Executive Implementation
01 GEN OPERATIONS	\$27,285,620			\$27,285,620
Move Legal Ser. - PS State Spc.			943,294	943,294
Move Legal Ser. - PS Fed. Spc.			331,427	331,427
Move Legal Ser. - OpEx State Spc.			147,592	147,592
Move Legal Ser. - OpEx Fed. Spc.			51,856	51,856
Change in Funding-Fed. Spc.		(\$75,000)		(75,000)
Change in Funding-State Spc.		75,000		75,000
Change in Funding-State Spc.		(250)		(250)
Change in Funding-Fed. Spc.		250		250
Program Total	\$27,285,620		- \$1,474,169	\$28,759,789

In this program, there was one change between the executive FY 2015 budget and the legislative FY 2015 budget. The program's 2015 budget was increased by \$1.5 million through a reorganization within the agency. The reorganization moved 12.00 FTE from the Construction Program to this program. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriations

The General Operations Program did not fully expend its budget authority in FY 2014. Historically, this is not unusual.

Relevant personal service statistics and attributes include:

- Increased FTE related to the reorganization of the Legal Services Division
- 88.8% of FTE time used in FY 2014
- 94.6% of personal services budget used in FY 2014
 - Personal services were paid 95.8% state special and 4.2% federal special revenue
- 7.30 FTE were given career ladder raises and 1.00 FTE was given strategic pay raise

The program moved budget authority from operating expenses and into the equipment budget in support of computer hardware costs exceeding \$5,000, a change based on state accounting principles. The continued budget for this funding indicates an expectation of continued expenses in the future.

The program distributes the federal grant funds of the Disadvantaged Business Enterprises Program and the On-the-Job Training Program. In FY 2014, the federal funds distribution were delayed, resulting in the use of just 30% of the grants budget.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 01-General Operations Program Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02294 UCR Fund	17,365	0	0	17,365	0.02 %
02301 Tribal Motor Fuels Admin.	0	0	7,200	7,200	0.01 %
02303 Tribal Motor Fuels Tax Acct	0	0	9,421,488	9,421,488	9.19 %
02422 Highways Special Revenue	59,763,451	0	33,332,000	93,095,451	90.79 %
State Special Total	\$59,780,816	\$0	\$42,760,688	\$102,541,504	98.14 %
03292 MCS FEDERAL GRANTS	17,366	0	0	17,366	0.90 %
03407 Highway Trust - Sp Rev	1,922,220	0	0	1,922,220	99.10 %
Federal Special Total	\$1,939,586	\$0	\$0	\$1,939,586	1.86 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$61,720,402	\$0	\$42,760,688	\$104,481,090	

The General Operations Program is primarily funded from the highways state special revenue fund (02422) and federal highway trust special revenue. The highways state special revenue account receives revenue primarily from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, training, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

The General Operations Program is also responsible for \$42.8 million of statutory appropriations. Most, \$33.3 million, are the distributions of fuel taxes to cities, towns, counties, and consolidated city-county governments. Distributions through the tribal motor fuels accounts are a function of the revenue sharing agreements between the tribes and the state. Funding for this purpose is transferred to the tribal accounts from the highway state special account.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	27,285,620	27,285,620	54,571,240	0.00 %
PL Adjustments	0	0	0	0.00 %	3,427,585	3,565,051	6,992,636	0.00 %
New Proposals	0	0	0	0.00 %	78,363	78,163	156,526	0.00 %
Total Budget	\$0	\$0	\$0		\$30,791,568	\$30,928,834	\$61,720,402	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments									
-----Fiscal 2016-----					-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law									
0.00	0	2,657,783	(177,185)	2,480,598	0.00	0	2,628,561	(149,112)	2,479,449
DP 99 - LEG. Present Law									
0.00	0	1,014,628	(67,641)	946,987	0.00	0	1,150,890	(65,288)	1,085,602
Grand Total All Present Law Adjustments									
0.00	\$0	\$3,672,411	(\$244,826)	\$3,427,585	0.00	\$0	\$3,779,451	(\$214,400)	\$3,565,051

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
FY 2016				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	191.55	\$88,439	\$4,655	\$93,093
Executive Implementation of 2015 Pay Increase		272,877	14,362	287,239
Fully Fund 2015 Legislatively Authorized FTE		256,881	20,339	277,220
Other				
BCD: Re-Organization - Legal Services	0.00	1,108,694	269,034	1,377,728
DP 102 - Additional Civil Rights FTE	1.80	148,219	-	148,219
DP 103 - Motor Fuel Auditor	2.25	123,007	-	123,007
Remainder of Other	0.00	659,666	(485,575)	174,091
Total Other	4.05	\$2,039,586	(216,541)	1,823,045
Personal Services Present Law Adjustments	195.60	\$2,657,783	(\$177,185)	\$2,480,598
FY 2017				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	191.55	\$88,439	\$4,655	\$93,093
Executive Implementation of 2015 Pay Increase		272,877	14,362	287,239
Fully Fund 2015 Legislatively Authorized FTE		256,881	20,339	277,220
Other				
BCD: Re-Organization - Legal Services	0.00	1,112,129	269,867	1,381,996
DP 102 - Additional Civil Rights FTE	1.80	147,843	-	147,843
DP 103 - Motor Fuel Auditor	2.25	122,705	-	122,705
Remainder of Other	0.00	627,687	(458,335)	169,352
Total Other	4.05	\$2,010,364	(\$188,468)	1,821,896
Personal Services Present Law Adjustments	195.60	\$2,628,561	(\$149,112)	\$2,479,449

The personal services budget would increase by \$2.5 million per year under legislative present law adjustments. As seen in the figure above, the impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings create average PSPL adjustment of \$657,553/year, or 26.5% of the total personal service adjustments.

Other decision points for legislative discussion and approval include:

- A reorganization that increased total FTE by 12.00 and personal services costs by approximately \$1.3 million each year of the biennium
- DP 102 - Additional Civil Rights FTE – 1.80 FTE are requested for the Civil Rights Bureau, which currently has two positions funded as a 0.1 FTE. The agency states that the increase of the positions is proposed to promote compliance of laws and ensure opportunities are offered to all current and potential beneficiaries
- DP 103 - Motor Fuel Auditor –2.25 FTE are requested to conduct International Fuel Tax Agreements and International Registration Plan audits due to the increased truck traffic in Eastern Montana

The “remainder of other” row in the figure above averages 1.0% of the total personal services budget and consists of various adjustments such as a funding switch from federal special revenue to state special revenue, career ladder pay raises, and longevity pay increases. The personal services request of this program also includes a \$26,243/year increase in overtime and differential pay, bringing the total to \$62,372/year.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL CP 99 Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
BCD: Re-organization - Legal Services	\$147,592	\$51,856	\$199,448
Fixed Costs Adjustments	1,566,531		1,566,531
DP 103 - Motor Fuel Auditor	8,600		8,600
DP 01122 - Equipment Rental	617		617
Miscellaneous Other	(708,712)	(119,497)	(828,209)
Total LGPL	\$1,014,628	(\$67,641)	\$946,987
FY 2017			
Other Decision Points:			
BCD: Re-organization - Legal Services	\$147,592	\$51,856	\$199,448
Fixed Costs Adjustments	1,712,296		1,712,296
DP 103 - Motor Fuel Auditor	1,000		1,000
DP 01122 - Equipment Rental	586		586
Miscellaneous Other	(710,584)	(117,144)	(827,728)
Total LGPL	\$1,150,890	(\$65,288)	\$1,085,602

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfers, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision.

Other decision points include:

- Fixed Costs Adjustments – This request primarily funds all the fixed cost adjustments for MDT. The adjustment for the state’s Information Technology Services Division costs averages 50% of the increase over the biennium. The General Operations Program administers and funds all the fixed costs of the agency

- DP 102, DP 103 are the operating expenses associated with the present law personal service requests discussed above
- DP 01122 – This request would provide an increase to operating expenses to fund the increased use of equipment rentals through the Equipment Program. This request represents the expected increased use of equipment rentals in the program during the 2017 biennium

The “miscellaneous other” row in the figure above represents the amount of changes not captured in specific decision points and provides a reduction of about 5.9% of the non-personal services budgets and includes a reduction of approximately \$190,000 each year in disadvantaged business enterprises grants. The decision point provides a general reduction from the FY 2015 budget.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 100104 - Electronic Records Manager	1.00	0	78,363	0	78,363	1.00	0	78,163	0	78,163
Total	1.00	\$0	\$78,363	\$0	\$78,363	1.00	\$0	\$78,163	\$0	\$78,163

DP 100104 - Electronic Records Manager -

The executive requests 1.00 additional FTE (electronic records manager) to manage the increasing needs of electronic record keeping for MDT. As a follow-up to a 2007 consultant’s suggestion, an internal audit recommended that the agency acquire the necessary tools and human resources to implement an electronic records management solution for the agency. MDT information services requests this FTE to develop an electronic records management program to implement this system for the agency.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	911.72	911.72	884.72	884.72	911.72	884.72	(27.00)	(2.96)%
Personal Services	64,050,628	70,062,075	72,534,710	72,529,437	134,112,703	145,064,147	10,951,444	8.17%
Operating Expenses	336,001,362	365,963,322	336,363,823	336,376,033	701,964,684	672,739,856	(29,224,828)	(4.16)%
Equipment & Intangible Assets	2,665,262	4,678,597	2,679,262	2,679,262	7,343,859	5,358,524	(1,985,335)	(27.03)%
Capital Outlay	12,956,865	19,654,263	12,956,865	12,956,865	32,611,128	25,913,730	(6,697,398)	(20.54)%
Grants	7,130,628	13,058,612	7,130,628	7,130,628	20,189,240	14,261,256	(5,927,984)	(29.36)%
Benefits & Claims	0	500	0	0	500	0	(500)	(100.00)%
Total Costs	\$422,804,745	\$473,417,369	\$431,665,288	\$431,672,225	\$896,222,114	\$863,337,513	(\$32,884,601)	(3.67)%
State/Other Special Rev. Funds	72,689,783	80,530,142	74,762,290	74,776,182	153,219,925	149,538,472	(3,681,453)	(2.40)%
Federal Spec. Rev. Funds	350,114,962	392,887,227	356,902,998	356,896,043	743,002,189	713,799,041	(29,203,148)	(3.93)%
Total Funds	\$422,804,745	\$473,417,369	\$431,665,288	\$431,672,225	\$896,222,114	\$863,337,513	(\$32,884,601)	(3.67)%

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

Program Highlights

Construction Program Major Budget Highlights
<ul style="list-style-type: none"> • The requested budget is a 2.0% increase in relation to FY 2014 expenditures • Personal services increase due to requests for 5.00 FTE: <ul style="list-style-type: none"> ◦ 3.00 FTE in the Traffic And Safety Bureau due to MAP 21 funding increases in the Highway Safety Improvement Program ◦ 1.00 FTE in the Right of Way Bureau due to increased workloads ◦ 1.00 FTE as an assistant construction traffic control engineer • Non-personal service items in this budget provide a net reduction of \$44.4 million per year in relation to the 2015 budget request <ul style="list-style-type: none"> ◦ The adjustment provides a reconciliation with the provisions of the most recent federal surface transportation funding legislation ◦ A new Bakken housing allowance would provide \$500/mo., providing an allowance for 16.66 FTE
Major LFD Issues
<ul style="list-style-type: none"> • Federal funding uncertainties impact this program

Program Discussion -

The construction program has had and is proposed to have the largest number of FTE in the agency, 43% of the total, and the largest personal service budget, 45% of the total. Furthermore, FTE costs are provided at a level that averages 4.9% more than the agency average cost of 32.1/FTE/hour in FY 2014.

While it may appear that there is a significant reduction proposed in the program, the overall budget is actually 2.1% higher than expenditures in FY 2014. The largest component of increase is related to personal service costs, and is related to the annualized cost of the executive implemented costs of HB 13 approved by the 2013 Legislature. The addition of 5.00 FTE also drives personal services cost increases.

The Construction Program is the largest user of federal funds in MDT, using 89% of federal funds anticipated in the agency and having total budgetary funding split of 82.7% federal special revenue and 17.3% state special revenue. That said, there is a high amount of uncertainty for future federal funding for highway construction in the 2017 biennium. The most recent actions by Congress extended the provisions of the Moving Ahead with Progress in the 21st Century act (MAP 21) until May of 2015, a short-term fix for highway funding. The termination of the extension is challenging for this budget and road construction alike. Given the amount of federal funds used in the Construction Program, the uncertainty of the flow of federal funds for highway projects creates concerns for this budget, road construction, and construction employees across the state. Without action from Congress on highway funding, the agency and legislature will be required to make assumptions on the amount of federal funding that the state will receive. For more information on federal funding, see the comment in the Summary section of the MDT budget analysis.

LFD COMMENT	The budget request for the Construction Program was based on the 2013 tentative construction plan (TCP) as developed by the district commissions. The plan was revised by the commissioners in October. At the time of this writing, MDT was reviewing its budget request in relation to the most recent TCP, and the budgetary results will be compiled by the beginning of the 2015 session. In keeping with past practice, the budget request
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could be revised and resubmitted by the executive prior to being heard by the Natural Resources and Transportation Joint Appropriation Subcommittee.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

FY 2015 Appropriation Transactions - Department of Transportation					
Program	Legislative Appropriation	Legislative Approps OTO	Program Transfer	Reorgs	Total Executive Implementation
02 HIGHWAYS & ENGINEERING	\$474,891,538				\$474,891,538
Move Legal Ser. - PS State Spc.				(\$943,294)	(943,294)
Move Legal Ser. - PS Fed. Spc.				(331,427)	(331,427)
Move Legal Ser. - OpExp State Spc.				(147,592)	(147,592)
Move Legal Ser. - OpExp Fed. Spc.				(51,856)	(51,856)
Transfer Authority to Planning			(\$910,000)		(910,000)
Program Total	\$474,891,538	-	(910,000)	(1,474,169)	\$472,507,369

The Construction Program transferred the legal services function, including 12.00 FTE, to the General Operations Program. The reorganization moved the function and all the related appropriation authority. Additionally, the program transferred \$910,000 of the operating expenses authority to the Rail, Transit, And Planning Division for consulting costs associated with project planning.

NOTE: The amounts shown in the table above do not match the program budget comparison table for FY 2015 due to an error in the executive numbers. The amount shown in the table overstates the FY 2015 budget by \$910,000, the amount of the program transfer, but does not impact the budget recommendation for the 2017 biennium.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriations

Relevant personal service statistics and attributes include:

- 91.2% of FTE time used in FY 2014
- 88.5% of personal services budget used in FY 2014
- Personal services were paid 37.0% state special and 63.0% federal special revenue
- 120.75 FTE were given career ladder raises and 10.00 FTE were given strategic pay raises

While FY 2014 operating expenses were lower than budgeted, the budget request would provide a constant funding pattern in relation to the expenditures of FY 2014, which provided the actual amount of federal funding provided under MAP 21.

In FY 2014, the agency was able to commit all the available federal funds for construction projects, but actual construction was delayed with the impacts of heavy snowfall during the winter of 2013/2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 02-Construction Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02349 Highway Non-Restricted Account	0	0	0	0	0.00 %	
02422 Highways Special Revenue	149,538,472	0	200,000	149,738,472	100.00 %	
State Special Total	\$149,538,472	\$0	\$200,000	\$149,738,472	16.74 %	
03055 Rail Planning & Construction	0	0	0	0	0.00 %	
03313 MDT FEMA Recoveries	0	0	0	0	0.00 %	
03407 Highway Trust - Sp Rev	713,799,041	0	31,189,026	744,988,067	100.00 %	
03828 Traffic Safety	0	0	0	0	0.00 %	
Federal Special Total	\$713,799,041	\$0	\$31,189,026	\$744,988,067	83.26 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$863,337,513	\$0	\$31,389,026	\$894,726,539		

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 86.6% federal with a 13.4% state match for most direct construction related costs. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees.

The Construction Program is also responsible for \$31.4 million of statutory appropriations. The figure above includes the statutory reference for each of the appropriations. \$200,000 from HSRA-R will be distributed for the purposes and functions of the Montana Local Technical Assistance Transportation Program in Bozeman. Another \$31.2 million will be distributed for the debt service associated with the work on Hwy 93 from the federal Highway Trust special revenue fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	474,891,538	474,891,538	949,783,076	0.00 %
PL Adjustments	0	0	0	0.00 %	(43,226,250)	(43,219,313)	(86,445,563)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$431,665,288	\$431,672,225	\$863,337,513	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	190,074	1,007,840	1,197,914	0.00	0	188,884	1,003,757	1,192,641
DP 99 - LEG. Present Law	0.00	0	(7,048,812)	(37,375,352)	(44,424,164)	0.00	0	(7,033,730)	(37,378,224)	(44,411,954)
Grand Total All Present Law Adjustments	0.00	\$0	(\$6,858,738)	(\$36,367,512)	(\$43,226,250)	0.00	\$0	(\$6,844,846)	(\$36,374,467)	(\$43,219,313)

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
FY 2016				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	879.72	\$200,260	\$227,284	\$427,544
Executive Implementation of 2015 Pay Increase	0.00	559,597	635,114	1,194,712
Fully Fund 2015 Legislatively Authorized FTE	0.00	619,496	696,620	1,316,116
Other				
BCD: Re-Organization - Legal Services	0.00	(1,108,694)	(269,034)	(1,377,728)
DP 201 - Traffic and Safety Bureau FTE	3.00	24,106	217,024	241,130
DP 203 - Right of Way Bureau FTE	1.00	77,451	-	77,451
DP 204 - Asst Const Traffic Control Engineer	1.00	45,201	47,052	92,253
DP 02111 - Overtime and Differential Pay Adj.	0.00	(152,214)	(134,011)	(286,225)
Remainder of Other	0.00	(75,129)	(412,209)	(487,338)
Total Other	5.00	(\$1,189,279)	(551,178)	(1,740,457)
Personal Services Present Law Adjustments	884.72	\$190,074	\$1,007,840	\$1,197,914
FY 2017				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	879.72	\$200,260	\$227,284	\$427,544
Executive Implementation of 2015 Pay Increase	0.00	559,842	634,870	1,194,712
Fully Fund 2015 Legislatively Authorized FTE	0.00	619,496	696,620	1,316,116
Other				
BCD: Re-Organization - Legal Services	0.00	(1,112,129)	(269,867)	(1,381,996)
DP 201 - Traffic and Safety Bureau FTE	3.00	24,039	216,471	240,510
DP 203 - Right of Way Bureau FTE	1.00	77,254	-	77,254
DP 204 - Asst Const Traffic Control Engineer	1.00	45,082	46,930	92,012
DP 02111 - Overtime and Differential Pay Adj.	0.00	(152,214)	(134,011)	(286,225)
Remainder of Other	0.00	(72,745)	(414,540)	(487,285)
Total Other	5.00	(\$1,190,713)	(\$555,017)	(1,745,730)
Personal Services Present Law Adjustments	884.72	\$188,884	\$1,003,757	\$1,192,641

The personal services budget would increase by a net \$1.2 million per year under legislative present law adjustments. As seen in the figure above, the impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings create average PSPL adjustments of \$2.9 million/year. Additionally, the reorganization of the Legal Services Division reduce the personal service cost of this program by an average of \$1.4 million per year.

Other decision points for legislative discussion and decision include:

- DP 201 - Traffic and Safety Bureau FTE –3.00 FTE (1.00 FTE Traffic Project Engineer and 2.00 Designers) are requested within the Traffic And Safety Bureau of the Engineering Division. This need is attributable to MAP-21 increasing the funding to the Highway Safety Improvement Program (HSIP) by approximately \$7 million, which has increased the program workloads

- DP 203 - Right of Way Bureau FTE – 1.00 in the Right of Way Bureau of the Engineering Division. The FTE is needed due to an increase in excess property requests and a back-log of work, which increases the current workloads within the real estate services section
- DP 204 - Assistant Construction Traffic Control Engineer – 1.00 additional FTE to address the growing needs for construction traffic control engineering
- DP 02111 – This request is a reduction in overtime and differential pay for the program. With this reduction, the total amount of overtime and differential pay included in the above request is \$3.0 million each year

The “remainder of other” row in the figure above shows a reduction in the total personal services budget and consists of various adjustments such as the re-staffing related to retirements and the departure of long term employees. In these cases, personal service costs will generally be lower than previously experienced.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL CP 99 Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
BCD: Re-organization - Legal Services	(\$147,592)	(\$51,856)	(\$199,448)
BCD - Program Transfer	(910,000)		(910,000)
DP 201 - Traffic and Safety Bureau FTE	1,649	14,851	16,500
DP 203 - Right of Way Bureau FTE	12,500		12,500
DP 204 - Asst Construction Traffic Control Engineer	6,125	6,375	12,500
DP 205 - CADD Software	19,280		19,280
DP 02133 - Bakken Housing Allowance	100,000		100,000
DP 02122 - Equipment Rental	120,000	99,858	219,858
Miscellaneous Other	(6,250,774)	(37,444,580)	(43,695,354)
Total LGPL	(\$7,048,812)	(\$37,375,352)	(\$44,424,164)
			FY 2017
Other Decision Points:			
BCD: Re-organization - Legal Services	(\$147,592)	(\$51,856)	(\$199,448)
BCD - Program Transfer	(910,000)		(910,000)
DP 201 - Traffic and Safety Bureau FTE	1,649	14,851	16,500
DP 203 - Right of Way Bureau FTE	12,500		12,500
DP 204 - Asst Construction Traffic Control Engineer	6,125	6,375	12,500
DP 205 - CADD Software	39,235		39,235
DP 02133 - Bakken Housing Allowance	100,000		100,000
DP 02122 - Equipment Rental	113,942	94,818	208,760
Miscellaneous Other	(6,249,589)	(37,442,412)	(43,692,001)
Total LGPL	(\$7,033,730)	(\$37,378,224)	(\$44,411,954)

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfer, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision.

Other decision points include:

- The first two decision points are related to the reorganization and program transfers discussed earlier
- DP 201, 203, 204 are the operating expenses associated with the present law personal service requests discussed above

- DP 205 – CADD Software – This request would provide an increase in operating expenses for the 3.5% increase in maintenance contracts for the CADD (Computer Aided Design and Drafting) systems used in the program
- DP 02133 - Bakken Housing Allowance , Program 02 – This request provides an increase to operating expenses for a new allowance to provide staff housing assistance in the Glendive District (Sidney, Glendive, Baker, Wolf Point, Culbertson, etc.), which has been impacted by the oil and gas development of the Bakken region. This appropriation would provide an allowance of \$500/month/qualified employee or \$6,000/year. The appropriation would provide an allowance for 16.7 FTE in each year of the biennium.

**LFD
COMMENT**

The \$200,000 biennial cost of Bakken Housing Allowance proposal would become a continuing base expenditure if passed as requested. The legislature may want to consider restricting the appropriation for the stated use, ensuring more efficient tracking, and/or asking the program to report back on whether the allowance has helped to resolve issues of employee retention.

- DP 02122 – This request would provide an increase to operating expenses to fund the increased use of equipment rentals through the Equipment Program. This request represents the expected increased use of equipment rentals in the program during the 2017 biennium

The “miscellaneous other” row in the figure above is a general budget reduction of \$43.7 million per year from FY 2015. For more information on the cause of the reduction, see the comment below.

**LFD
COMMENT**

The Construction Program is responsible for major construction projects on the federal highway system. Consequently, the program receives significant amounts of federal funding. The agency develops a budget that would provide sufficient state funds to provide the match for the federal funds that may materialize. Often, the amount of federal funding requested in the budget, along with the state’s match to those funds, is overstated. The result is seen in the significant reduction of the Construction Budget requested in the 2017 biennium.

The federal surface funding legislation, MAP 21, was passed by Congress just months before the 2013 session. At that time, the agency was uncertain of the full federal funding impacts of the legislation. As a result, federal funds and the accompanying state special match were greater than the amount that actually materialized.

Congress will need to address the federal highway funding budget before May 2015. With the present uncertainty of federal funding for highway construction, the agency is anticipating a continuation of the funding provisions of MAP 21. Since the agency has functioned under the federal legislation for the past two years, there is a heightened understanding of the likelihood of the amount of federal funds that would be received, which results in a reduction of federal funding in the budget and a similar reduction in the state match for those funds.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	770.67	770.67	742.55	742.55	770.67	742.55	(28.12)	(3.65)%
Personal Services	48,800,839	51,230,182	54,887,346	54,890,078	100,031,021	109,777,424	9,746,403	9.74 %
Operating Expenses	79,028,333	79,355,923	85,042,792	85,227,019	158,384,256	170,269,811	11,885,555	7.50 %
Equipment & Intangible Assets	225,208	423,744	225,208	225,208	648,952	450,416	(198,536)	(30.59)%
Capital Outlay	0	1,500	0	0	1,500	0	(1,500)	(100.00)%
Grants	25,000	0	25,000	25,000	25,000	50,000	25,000	100.00 %
Benefits & Claims	0	250	0	0	250	0	(250)	(100.00)%
Total Costs	\$128,079,380	\$131,011,599	\$140,180,346	\$140,367,305	\$259,090,979	\$280,547,651	\$21,456,672	8.28 %
State/Other Special Rev. Funds	119,814,678	123,343,301	131,962,593	132,144,777	243,157,979	264,107,370	20,949,391	8.62 %
Federal Spec. Rev. Funds	8,264,702	7,668,298	8,217,753	8,222,528	15,933,000	16,440,281	507,281	3.18 %
Total Funds	\$128,079,380	\$131,011,599	\$140,180,346	\$140,367,305	\$259,090,979	\$280,547,651	\$21,456,672	8.28 %

Program Description

The Maintenance program is responsible for the repair, maintenance, and preservation of approximately 25,000 lane miles of roadways. Activities include but are not limited to: winter maintenance, reactive and preventive pavement preservation, pavement marking, signing, roadway striping, noxious weed control, traveler information, disaster and emergency services coordination, MDT's long-range building program and state funded construction program, communications program, quality control, and any other necessary roadway and roadside repairs and maintenance. The Maintenance program is authorized by 2-15-2501(1), MCA; Title 60, MCA, and 23 USC 116.

Program Highlights

Maintenance Program Major Budget Highlights
<p>Major changes proposed include:</p> <ul style="list-style-type: none"> • Biennial increase of \$4.8 million for road striping due to increased costs of paint • Funding switch of \$2.0 million from federal special to state special for the de-icing function, which reduces the highway state special restricted revenue account • Bakken rental allowance for 20.00 FTE • The addition of 2.00 FTE <ul style="list-style-type: none"> ◦ Maintenance tech for Bozeman area ◦ Havre carpenter for facility maintenance

Program Discussion -

The Maintenance Program is the largest user of state special funds in MDT. Most of the program activities are related to the repairs and maintenance on Montana's roadways that are not supported by federal funding, as seen in the Construction Program. The Maintenance Program budget request includes a number of present law adjustments, the largest of which is

an increase for the road striping budget, which is primarily funded with federal special revenue. According to the agency, this component of the budget has remained constant since before 2010, while the costs of paint have increased. The increase would allow the program to return to painting at the previous levels. While it does not increase the total overall budget, the executive includes a funding switch of \$2.0 million per year from federal to state funds for the costs of de-icing chemicals, which puts added pressure on the highway restricted revenue fund for a critical function that is no longer funded by the federal government. The program budget request includes a proposal for a housing allowance in the Bakken region in an effort to address retention issues. The proposal would provide an allowance of \$500/month for 20.00 FTE.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

FY 2015 Appropriation Transactions - Department of Transportation				
Program	Legislative Appropriation	Direct Transfer	House Adj	Total Executive Implementation
03 MAINTENANCE PROGRAM	\$131,061,599			\$131,061,599
Transfer to DOA for Repairs		(\$50,000)		(50,000)
Change in Funding-State Spc.			(\$40,089)	(40,089)
Change in Funding-Fed. Spc.			40,089	40,089
Change in Funding-State Spc.			(6,371)	(6,371)
Change in Funding-Fed. Spc.			6,371	6,371
Program Total	\$131,061,599	(\$50,000)	-	\$131,011,599

The Maintenance Program transferred \$50,000 to the Department of Administration (DOA) for repairs to an elevator. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriation

- Approximately 73% of the FTE are in the “Blue Collar Worker” pay plan
 - 538 blue collar FTE received \$0.92 per hour pay-plan increases in FY 2014, per contract specifications
- 94.8% of FTE time used in FY 2014
- 99.3% of personal services budget used in FY 2014
 - Personal services were paid 100% state special
- 135.62 FTE were given career ladder raises and 10.67 FTE were given strategic pay raises

The Maintenance Program fully utilized its personal services budget in FY 2014. The overtime and differential pay budget of \$2.2 million provided by the 2013 Legislature was fully expended, requiring use of regular pay plan authority to cover some of the overtime costs. The unexpectedly high use of the program’s overtime authority occurred with the heavy snowfall experienced in the winter of 2013/2014.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 03-Maintenance Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02349 Highway Non-Restricted Account	13,291,436	0	0	13,291,436	5.01 %	
02422 Highways Special Revenue	250,815,934	0	1,193,750	252,009,684	94.99 %	
State Special Total	\$264,107,370	\$0	\$1,193,750	\$265,301,120	94.16 %	
03313 MDT FEMA Recoveries	0	0	0	0	0.00 %	
03407 Highway Trust - Sp Rev	16,440,281	0	0	16,440,281	100.00 %	
Federal Special Total	\$16,440,281	\$0	\$0	\$16,440,281	5.84 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$280,547,651	\$0	\$1,193,750	\$281,741,401		

The state special revenue funding of the Maintenance Program is derived from highways state special revenue funds. The funding proposal includes state special support from both the non-restricted account (02349) and the constitutionally restricted account (02422), which primarily receives revenues from fuel taxes. Federal special revenue also funds qualifying highway maintenance activities determined by the Federal Highway Administration to extend the life of the highway system.

The Maintenance Program is also responsible for \$1.2 million of statutory appropriation authority for debt service payments related to the Long Range Building Program bonds.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	131,061,599	131,061,599	262,123,198	0.00 %
PL Adjustments	0	0	0	0.00 %	9,118,747	9,305,706	18,424,453	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$140,180,346	\$140,367,305	\$280,547,651	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law										
0.00	0	3,436,800	220,364	3,657,164	0.00	0	3,441,920	217,976	3,659,896	
DP 99 - LEG. Present Law										
0.00	0	5,132,492	329,091	5,461,583	0.00	0	5,309,556	336,254	5,645,810	
Grand Total All Present Law Adjustments										
0.00	\$0	\$8,569,292	\$549,455	\$9,118,747	0.00	\$0	\$8,751,476	\$554,230	\$9,305,706	

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
FY 2016				
	FTE	State Special	Federal Special	Total Funds
CP 98 PSPL Item				
State Share Health Insurance	740.55	\$359,907	\$0	\$359,907
Executive Implementation of 2015 Pay Increase	0.00	867,768	-	867,768
Fully Fund 2015 Legislatively Authorized FTE	0.00	954,714	-	954,714
Other				
DP 306 - Bozeman Maintenance Sec. - Add. Miles	1.00	58,441	-	58,441
DP 308 - FTE for Havre Maintenance Carpenter	1.00	67,568	-	67,568
DP 03111 - Overtime and Differential Pay Adj.	0.00	875,180	-	875,180
Remainder of Other	<u>0.00</u>	<u>253,222</u>	<u>220,364</u>	<u>473,586</u>
Total Other	2.00	\$1,254,411	220,364	1,474,775
Personal Services Present Law Adjustments	742.55	\$3,436,800	\$220,364	\$3,657,164
FY 2017				
	FTE	State Special	Federal Special	Total Funds
CP 98 PSPL Item				
State Share Health Insurance	740.55	\$359,907	\$0	\$359,907
Executive Implementation of 2015 Pay Increase	0.00	867,768	-	867,768
Fully Fund 2015 Legislatively Authorized FTE	0.00	954,714	-	954,714
Other				
DP 306 - Bozeman Maintenance Sec. - Add. Miles	1.00	58,297	-	58,297
DP 308 - FTE for Havre Maintenance Carpenter	1.00	67,396	-	67,396
DP 03111 - Overtime and Differential Pay Adj.	0.00	875,180	-	875,180
Remainder of Other	<u>0.00</u>	<u>258,658</u>	<u>217,976</u>	<u>476,634</u>
Total Other	2.00	1,259,531	217,976	1,477,507
Personal Services Present Law Adjustments	742.55	\$3,441,920	\$217,976	\$3,659,896

The personal services budget would increase by \$3.7 million per year under legislative present law adjustments. As seen in the figure above, the impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings create average PSPL adjustments of \$2.2 million/year, or 59.6% of the total personal service adjustments.

Other decision points for legislative discussion include:

- DP 306 - Bozeman Maintenance Section-Additional Miles – 1.00 FTE (maintenance tech) is requested for the additional maintenance needs in the Bozeman area. Construction and maintenance activities and increased traffic impacts in the area have resulted in workload increase
- DP 308 - Additional FTE for Havre Maintenance Carpenter - 1.00 FTE (carpenter) is requested for a maintenance carpenter in the Havre division. Currently, facility maintenance is provided with road maintenance staff. This request would provide a dedicated employee to maintain and repair facilities
- DP 03111 – This request is an increase in overtime and differential pay for the program. In FY 2014 with high road maintenance needs due heavy snowfalls in the winter, the overtime budget was not sufficient to cover the costs of the increased hours. The program used normal personal services budget to cover the shortfall. The program is expecting this need could arise again in the 2017 biennium. With this increase, the total amount of overtime and differential pay included in the budget is \$3.1 million per year

LFD COMMENT	The heavy snowfall during the winter of 2013 (FY 2014) caused significant pressures on the budget of the Maintenance Program. Personal service costs were heavily impacted by the use of staff working on overtime pay. Additionally, the equipment budget was heavily used as the need for additional hours of usage for snow removal equipment occurred.
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The “remainder of other” row in the figure above averages 0.9% of the total personal services budget and consists of various adjustments such as career ladder pay raises and longevity pay increases.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
DP 306 - Bozeman Maintenance Sec. - Add. Miles	\$16,452	\$0	\$16,452
DP 308 - FTE for Havre Maintenance Carpenter	3,600	-	3,600
DP 301 - Secondary Roads	133,120	-	133,120
DP 303 - Rest Area Maintenance	190,403	-	190,403
DP 304 - Increased Budget for Epoxy Program	168,584	2,239,762	2,408,346
DP 03133 - Bakken Housing Allowance	120,000	-	120,000
DP 03122 - Equipment Rental	1,530,876	-	1,530,876
DP 307 - Maintenance Contracts	21,652	-	21,652
DP 309 - Funding Switch for De-icer	2,000,000	(2,000,000)	-
Miscellaneous Other	947,805	89,329	1,037,134
Total LGPL	\$5,132,492	\$329,091	\$5,461,583
FY 2017			
DP 306 - Bozeman Maintenance Sec. - Add. Miles	\$16,452	\$0	\$16,452
DP 308 - FTE for Havre Maintenance Carpenter	500	-	500
DP 301 - Secondary Roads	349,440	-	349,440
DP 303 - Rest Area Maintenance	201,074	-	201,074
DP 304 - Increased Budget for Epoxy Program	168,584	2,239,762	2,408,346
DP 03133 - Bakken Housing Allowance	120,000	-	120,000
DP 03122 - Equipment Rental	1,453,550	-	1,453,550
DP 307 - Maintenance Contracts	21,652	-	21,652
DP 309 - Funding Switch for De-icer	2,000,000	(2,000,000)	-
Miscellaneous Other	978,304	96,492	1,074,796
Total LGPL	\$5,309,556	\$336,254	\$5,645,810

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfer, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision. Other decision points include:

- DP 306, 308 are the operating expenses associated with the present law personal service requests discussed above
- DP 301 - Secondary Roads – This request would fund the maintenance of additional secondary road lane miles in the 2017 biennium. The department currently maintains 2,378 centerline miles. Each year counties nominate secondary roads for improvement. Many of the capital construction projects result in gravel roads becoming paved. The capital construction program indicates which additional miles will become eligible.
- DP 303 - Rest Area Maintenance – This request provides an increase in operating expense appropriation for the cost increases of rest area maintenance. This request would provide an average increase of 15.5%. The Bearmouth (east and west bound), Divide, Flowing Wells, and Reynolds Pass rest areas are all in the process of being rebuilt and should be completed by FY 2016. The size of the buildings will increase, and the facilities will be open year-round, which will increase maintenance and caretaker costs. Additionally some of the caretaker contracts for rest areas and truck parking areas throughout the state are nearing term and the request assumes new contract costs will increase by 20%
- DP 304 - Increased Budget for Epoxy Program – This request would provide an increase in operating expense appropriation for the epoxy program. This request would provide an increase of 57.4% from the base expenditures. The executive cites two reasons for the request: cold weather in the spring reduced the striping accomplished in the base year and the increased cost of paint has resulted in fewer miles striped. The increase is expected to allow striping activities to resume at levels prior to 2010

- DP 03133 - Bakken Housing - Program – This request would provide an increase to operating expenses for a new allowance to provide staff housing assistance in the Glendive District (Sidney, Glendive, Baker, Wolf Point, Culbertson, etc.), which has been impacted by the oil and gas development of the Bakken region. The allowance is requested to improve employee retention in the competitive labor market of the Bakken. This appropriation would provide an allowance of \$500/month/qualified employee or \$6,000/year. The appropriation would provide an allowance for 20.00 FTE in each year of the biennium

**LFD
COMMENT**

The \$240,000 biennial cost of Bakken Housing Allowance proposal would become a continuing base expenditure if passed as requested. The legislature may want to consider restricting the appropriation for the stated use, ensuring more efficient tracking, and/or asking the program to report back on whether the allowance helped to resolve issues of employee retention.

- DP 03122 - Equipment Rental - Program – This request would fund an increase to operating expenses for the cost increases of equipment rentals through the MDT equipment program. This request represents the increase costs of the Equipment Program allocated based on the anticipated equipment needs of the program. The Maintenance Program rents this equipment to perform various maintenance activities, including snow removal during winter maintenance and repair and maintenance in the summer
- DP 307 - Maintenance Contracts – This request would provide an increase in operating expenses related to increased maintenance contracts including:
 - 2.5% increase for Missoula maintenance contract (for routes within the city)
 - Annual increase for maintenance of state route Big Mountain Road (Kalispell division)
- DP 309 - Fund Switch for De-icer – This request would provide a transfer of authority from fund 03407, (federal highway trust special revenue) to fund 02422, (highway state special revenue), for the de-icer program. Due to a change in federal guidelines, de-icer is no longer eligible for federal reimbursement. Note, this cost will now be funded through the highway state special revenue restricted account, adding another pressure on the fund balance

The “miscellaneous other” row in the figure above averages to about 1.2% of the non-personal services budget and provides a general increase from the FY 2015 budget.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	6.00	6.00	6.00	6.00	6.00	6.00	0.00	0.00 %
Personal Services	349,075	372,516	394,097	394,708	721,591	788,805	67,214	9.31 %
Operating Expenses	2,528,340	2,511,338	2,467,252	2,448,354	5,039,678	4,915,606	(124,072)	(2.46)%
Equipment & Intangible Assets	3,801,753	2,315,314	3,801,753	3,801,753	6,117,067	7,603,506	1,486,439	24.30 %
Debt Service	19,449	106,521	19,449	19,449	125,970	38,898	(87,072)	(69.12)%
Total Costs	\$6,698,617	\$5,305,689	\$6,682,551	\$6,664,264	\$12,004,306	\$13,346,815	\$1,342,509	11.18 %
Proprietary Funds	6,698,617	5,305,689	6,682,551	6,664,264	12,004,306	13,346,815	1,342,509	11.18 %
Total Funds	\$6,698,617	\$5,305,689	\$6,682,551	\$6,664,264	\$12,004,306	\$13,346,815	\$1,342,509	11.18 %

Program Description

See Other Issues section of this report.

Program Highlights

See Other Issues section of this report.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 07-State Motor Pool Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06506 Motor Pool - Int Svc	0	13,346,815	0	13,346,815	100.00 %	
Proprietary Total	\$0	\$13,346,815	\$0	\$13,346,815	100.00 %	
Total All Funds	\$0	\$13,346,815	\$0	\$13,346,815		

See Other Issues section of this report.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	5,276,803	5,276,803	10,553,606	0.00 %
PL Adjustments	0	0	0	0.00 %	1,405,748	1,387,461	2,793,209	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$6,682,551	\$6,664,264	\$13,346,815	

Other Issues -

Proprietary Program Description

Motor Pool Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components:

- Daily rental fleet; and
- Out-stationed lease fleet.

The daily rental program operates out of the Helena headquarters facility and provides a fleet of 181 vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide. The motor pool’s responsibilities are established in 2-17-411, MCA, and include the acquisition, operations, maintenance, repair, and administration of all motor vehicles in the custody of the motor pool (this does not apply to motor vehicles used in the service of the Governor, attorney general or the highway patrol).

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (MOM). Other options for use by state employees are: 1) other state-owned vehicles not part of the state motor pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract.

The program does not expect any major changes to the customer base. The program has received requests from state agencies to purchase 37 additional vehicles for the lease program during the 2017 biennium. New agency lease requests are summarized in the figure below.

Leased Vehicles Requests in 2017 Biennium Requested in Agency Decision Packages						
Agency	Number	Class	Description	New Agency Costs		
				FY 2016	FY 2017	
Public Health and Human Services	5	2	Small Utilities	\$16,286	\$17,172	
Environmental Quality	5	12	Vans	17,567	19,428	
Justice	2	2	Small Utilities	9,747	10,474	
Corrections	3	2	Small Utilities	17,820	18,891	
	1	11	Large Pickup	4,601	4,615	
Public Defender	6	6	Passenger Car	12,634	12,884	
Livestock	1	6	Passenger Car	4,405	4,475	
	6	11	Large Pickup	37,644	37,809	
	1	4	Large Utilities	8,897	9,011	
	7	11	Large Pickup		41,159	
Total	37			\$129,601	\$175,920	

Fund Equity and Reserved Fund Balance, 06506 Motor Pool - Internal Service Fund

The motor pool fund is managed with a 60 days working capital as required by state law. In the 2017 biennium, the 60 day working capital would require a balance of \$765,600 per year. The motor pool owns its vehicles which is a significant factor to the current fund balance. Statute requires that agencies providing enterprise/internal service functions must provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund. This information may be seen in the figure below.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: State Motor Pool			
	Fund	Fund Name					
	06506	Motor Pool - Int Svc					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		4,899,277	4,944,145	3,784,024	4,486,816	4,480,589	4,587,329
Other Operating Revenue		7,195	13,321	-	-	-	-
Total Operating Revenues		4,906,472	4,957,466	3,784,024	4,486,816	4,480,589	4,587,329
Expenses:							
Personal Services							
Other Operating Expenses		4,437,228	3,949,999	3,668,005	4,114,300	4,086,505	4,192,633
Total Operating Expenses		4,784,932	4,302,411	4,028,629	4,486,816	4,480,589	4,587,329
Operating Income (Loss)		121,540	655,055	(244,605)	-	-	-
Nonoperating Revenues:							
Other Revenue A		133,546	189,781	71,140	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		133,546	189,781	71,140	-	-	-
Income (Loss) Before Contributions and Transfers		255,086	844,836	(173,465)	-	-	-
Change in Net Position		255,086	844,836	(173,465)	-	-	-
Beginning Net Position - July 1		5,068,066	5,323,152	6,167,988	5,994,523	5,994,523	5,994,523
Change in Net Position		255,086	844,836	(173,465)	-	-	-
Ending Net Position - June 30		5,323,152	6,167,988	5,994,523	5,994,523	5,994,523	5,994,523
Net Position (Fund Balance) Analysis							

Expenses

Significant base costs for the program are:

- Personal services for 6.00 FTE of \$349,076 or 5.1% of total costs
- Operating costs of \$2.5 million, including:
 - Gasoline, \$1.7 million
 - Repair and maintenance costs, \$382,189
 - Contracted services to support the motor pool management system, \$197,251
 - Insurance and bonds, \$298,293
- Equipment costs of \$3.8 million
- Debt service costs of \$19,449

Direct costs from vehicle usage include fuel, oil, repairs, and tires, and are supported by the usage rates. Indirect costs such as administrative overhead costs, insurance, interest payments, and utility costs are supported by the vehicle possession rates.

Changes in the 2017 biennium the State Motor Pool Program budget include:

- Personal services - projected to increase by \$55,640 or 7.6%
- Operating costs – projected to increase by \$477,453 or 6.1%
- Total expenses – projected to increase by \$533,094 or 6.2%

Revenues

Revenue is primarily generated through vehicle rental fees, which provided 100.0% of the program revenue in the base year. The following sources of funding were used to pay for the services provided by this program in FY 2014:

- General fund (55.0%)
- State special revenue (20.8%)
- Federal special revenue (20.7%)
- Proprietary funds (2.4%)
- Other (1.1%)

On occasion, the program receives revenues resulting from the sale of surplus property and accident damages reimbursed by private individuals or insurance companies. Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. Revenue is expected to increase by \$797,071, or 9.6%, in the 2017 biennium. However, the increased revenue is not related to the rate structure (seen in the rate table below), which is actually expected to reduce costs, but instead increased use.

Significant Present Law Adjustments

The Motor Pool Program included one decision point proposal with its budget submission, as follows:

- CP 07111 - OT/Diff - Program – This change package would provide an increase in personal services costs for overtime and differential pay, including the associated benefits. The request would provide \$284 each year for overtime and retirement pay. The request is consistent with base year expenditures and will not increase rates for the 2017 biennium

For the 2017 biennium, the executive requests state motor pool rates as shown in the figure below. If approved by the legislature, this rate schedule would be included in the “R” section of HB 2.

Motor Pool Rates

The proposed rates, as seen in the figure below, are the maximum the program may charge during the biennium.

State Motor Pool Base and 2017 Biennium Requested Rates							
Class	Description	FY 2014 (Actual)		FY 2016		FY 2017	
		Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)
<u>Tier 1 \$3.35/gal</u>							
2	Small Utilities	\$0.990	\$0.203	\$1.121	\$0.160	\$1.249	\$0.159
3	Hybrid SUV	1.872	0.186	2.372	0.174	2.383	0.175
4	Large Utilities	1.655	0.280	1.636	0.206	1.675	0.206
5	Hybrid Sedans	1.522	0.112	1.755	0.113	1.766	0.113
6	Passenger Car	0.999	0.159	0.702	0.157	0.721	0.158
7	Small Pickup	0.686	0.231	0.121	0.241	0.132	0.242
11	Large Pickup	0.963	0.262	0.716	0.251	0.714	0.253
12	Vans	1.203	0.226	0.983	0.196	1.043	0.197
<u>Tier 2 \$3.85/gal</u>							
2	Small Utilities	\$0.990	\$0.229	\$1.121	\$0.180	\$1.249	\$0.179
3	Hybrid SUV	1.872	0.208	2.372	0.193	2.383	0.194
4	Large Utilities	1.655	0.317	1.636	0.234	1.675	0.235
5	Hybrid Sedans	1.522	0.126	1.755	0.125	1.766	0.126
6	Passenger Car	0.999	0.178	0.702	0.176	0.721	0.177
7	Small Pickup	0.686	0.259	0.121	0.272	0.132	0.273
11	Large Pickup	0.963	0.295	0.716	0.284	0.714	0.286
12	Vans	1.203	0.254	0.983	0.220	1.043	0.221
<u>Tier 3 \$4.35/gal</u>							
2	Small Utilities	\$0.990	\$0.255	\$1.121	\$0.200	\$1.249	\$0.199
3	Hybrid SUV	1.872	0.231	2.372	0.213	2.383	0.214
4	Large Utilities	1.655	0.353	1.636	0.264	1.675	0.264
5	Hybrid Sedans	1.522	0.141	1.755	0.138	1.766	0.139
6	Passenger Car	0.999	0.198	0.702	0.195	0.721	0.196
7	Small Pickup	0.686	0.287	0.121	0.302	0.132	0.303
11	Large Pickup	0.963	0.328	0.716	0.317	0.714	0.318
12	Vans	1.203	0.283	0.983	0.244	1.043	0.245

When the State Motor Pool rates are budgeted in the agencies, the rates are calculated (based on usage) as an inflation/deflation rate that is then applied to base expenditures. In the 2017 biennium, the proposed rate structure would result in the following adjustments to the agencies' base:

- FY 2016 - (12.72%)
- FY 2017 - (11.02%)

For the 2017 biennium, the executive requests State Motor Pool rates as shown in the figure below. If approved by the legislature, this rate schedule would be included in the "R" section of HB 2.

Historical Trends

As seen in the figure to the below, the program increased its inventory from 833 units in FY 2005 to a high of 1,056 in FY 2009. During that time, annual mileage increased from 13.0 million to a high of 15.0 million miles in FY 2008. This growth in the number of vehicles and miles traveled was largely due to the encouragement by the administration for agencies to lease new vehicles from the state motor pool instead of purchasing vehicles directly. During FY 2010 the program began to reduce fleet size based on miles traveled. Along with a reduction in travel by state employees, this fleet reduction decreased the fleet size to 912 vehicles in FY 2012 and the miles traveled to 13.0 million.

Fleet Size and Miles			
FY	Units	Miles	Annual % Change in Miles
2005	833	13,014,200	10.9%
2006	884	13,646,466	4.9%
2007	943	14,104,595	3.4%
2008	1,032	14,972,276	6.2%
2009	1,056	14,380,872	-3.9%
2010	1,020	13,758,259	-4.3%
2011	912	12,693,749	-7.7%
2012	912	12,964,321	2.1%
2013	936	12,817,967	-1.1%
2014	967	12,625,411	-1.5%
2015F	972	12,738,865	0.9%

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	123.00	123.00	123.00	123.00	123.00	123.00	0.00	0.00 %
Personal Services	8,156,350	8,312,782	8,915,358	8,916,379	16,469,132	17,831,737	1,362,605	8.27 %
Operating Expenses	15,854,340	13,859,518	15,443,322	15,353,031	29,713,858	30,796,353	1,082,495	3.64 %
Equipment & Intangible Assets	7,115,128	6,400,232	8,420,128	7,115,128	13,515,360	15,535,256	2,019,896	14.95 %
Total Costs	\$31,125,818	\$28,572,532	\$32,778,808	\$31,384,538	\$59,698,350	\$64,163,346	\$4,464,996	7.48 %
Proprietary Funds	31,125,818	28,572,532	32,778,808	31,384,538	59,698,350	64,163,346	4,464,996	7.48 %
Total Funds	\$31,125,818	\$28,572,532	\$32,778,808	\$31,384,538	\$59,698,350	\$64,163,346	\$4,464,996	7.48 %

Program Description

See the Other Issues section of this report.

Program Highlights

See the Other Issues section of this report.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 08-Equipment Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund		0	0	0	0	0.00 %
State Special Total		\$0	\$0	\$0	\$0	0.00 %
Federal Special Total		\$0	\$0	\$0	\$0	0.00 %
06508 Highway Equipment - Int Svc.		0	64,163,346	0	64,163,346	100.00 %
Proprietary Total		\$0	\$64,163,346	\$0	\$64,163,346	100.00 %
Total All Funds		\$0	\$64,163,346	\$0	\$64,163,346	

See the Other Issues section of this report.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	27,939,485	27,939,485	55,878,970	0.00 %	
PL Adjustments	0	0	0	0.00 %	4,839,323	3,445,053	8,284,376	0.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$0	\$0		\$32,778,808	\$31,384,538	\$64,163,346		

Other Issues -

Proprietary Program Description

Equipment Program Description

The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units and other specialized equipment. Exclusively, the various programs within the Montana Department of Transportation (MDT) such as construction, motor carrier services, maintenance, and right-of-way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 123.00 FTE. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment Program is funded under the rules and guidelines of proprietary funded programs, meaning that the legislature determines the maximum rates the program can charge but does not appropriate an operating budget. The program is strictly internal to the Department of Transportation and is not used by any outside entity.

Fund Equity and Reserved Fund Balance, 06508 Equipment Program – Internal Service Fund

The Equipment Program fund is managed with a 60 day working capital as required by state law. In the 2017 biennium, the 60 day working capital would require a balance of \$5.2 million per year. The fund balance continues to grow due to the fact that the Equipment Program owns its vehicles and equipment. Since FY 1999 federal money has been available for the purchase of equipment, which is then donated to the program, contributing to the increase in fund balance. Statute requires that agencies providing enterprise/internal service functions provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation		Program Name: Equipment Program				
	Fund	Fund Name					
	06508	Highway Equipment - Int Svc.					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		28,562,706	27,951,396	29,910,629	30,466,760	31,473,341	31,383,238
Other Operating Revenue		401,220	314,214	1,084,766	-	-	-
Total Operating Revenues		28,963,926	28,265,610	30,995,395	30,466,760	31,473,341	31,383,238
Expenses:							
Personal Services		7,531,765	7,508,180	7,970,743	8,312,782	8,914,891	8,915,080
Other Operating Expenses		20,676,454	21,122,749	22,487,393	22,153,978	22,558,450	22,468,158
Total Operating Expenses		28,208,219	28,630,929	30,458,136	30,466,760	31,473,341	31,383,238
Operating Income (Loss)		755,707	(365,319)	537,259	-	-	-
Nonoperating Revenues:							
Other Revenue A		162,271	116,316	(108,068)	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		162,271	116,316	(108,068)	-	-	-
Income (Loss) Before Contributions and Transfers		917,978	(249,003)	429,191	-	-	-
Capital Contributions							
Change in Net Position		1,847,963	1,821,373	783,065	-	-	-
Beginning Net Position - July 1		67,005,124	69,771,065	71,373,884	72,586,140	72,586,140	72,586,140
Prior Period Adjustments		-	30,449	-	-	-	-
Change in Net Position		2,765,941	1,572,370	1,212,256	-	-	-
Ending Net Position - June 30		69,771,065	71,373,884	72,586,140	72,586,140	72,586,140	72,586,140
Net Position (Fund Balance) Analysis							

Proprietary Revenues and Expenses

The MDT Equipment Program is an internal service function. Vehicles are leased only to the programs of MDT.

Expenditures

Significant FY 2014 costs for the program include:

- Personal service costs for 123.00 FTE are \$8.3 million or 26.2% of total costs
- Operating expenses are \$15.9 million and significant expenses include:
 - Diesel gas, \$6.8 million or 43% of total operating expenses
 - Repairs and maintenance (primarily equipment), \$5.0 million or 31.4% of total operating expenses
- Equipment expense: \$7.1 million

In the 2017 biennium the Equipment Program budget includes:

- Personal services - \$17.8 million, or 28.4%
- Operating costs – \$45.0 million, or 71.6%
- Total expenses – projected to increase by \$1.5 million or 2.5% from the 2015 biennium

Revenues

Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets, and from reimbursements from accidents caused by an outside party. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The rental rates will be set to recover revenue to meet the programs obligations. There are no changes in services and fees in the 2017 biennium, but revenue is expected to increase as a result of higher use anticipated in the 2017 biennium. The change amounts to an increase of 2.3% in the 2017 biennium.

Significant Present Law Adjustments

CP 08111 - OT/Diff - Program – This change package would provide an increase in personal services costs for overtime and differential pay, including the associated benefits. The request would provide \$91,280/FY for overtime, differential, and retirement pay. The request would result in a 0.28% increase in rates for the 2017 biennium.

CP 801 – Additional Equipment – This change package would fund the purchase of new equipment. The additional equipment would be used to support MDT winter maintenance and city maintenance activities. These requests are tied to the Maintenance Division proposal for the addition of lane miles including new interchanges for snow removal as well as being responsible for drainage structures. The request would be funded with a cash transfer from the 02422 highway state special revenue account. Equipment costs cannot be used in calculating the rates. Vehicle purchases under this proposal include:

- 5 Tow Plows
- 2 Vacuum Trucks

Equipment Program Rates

The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate. The usage rate is a mileage rate that is applied according to the actual miles/hours used by a vehicle or piece of equipment. The usage rate is designed to recover "direct costs" that include labor, parts, fuel, lubricants, and tires. The assigned rate is a per hour rate designed to recover "fixed costs" such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. Rates are based on the actual operational costs for each vehicle sub-class during the base rental period. Costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the MDT and the program is held accountable to ensure the rates recover only needed operational monies. Attached are the current FY 2015 rental rates, which will be adjusted yearly to reflect changes in operations.

The Equipment Program rates are calculated to be commensurate with costs each year using data from the equipment vehicle management system (EVMS) to identify indirect and direct costs for each class. The EVMS data is reconciled to SABHRS financial data and inflation factors are applied using Inflation.com information. The rates are also adjusted for any gains or losses from previous years. The Equipment Program financial team reviews the rates monthly to determine if they are commensurate with costs. There are no requirements to reserve a fund balance.

LFD COMMENT

The Equipment Program bases rates on the funds required to cover all administrative and maintenance costs while retaining a 60 day working capital balance. The agency did not include the rates charged in FY 2014 or any of the estimated rate amounts for FY 2015 or the 2017 biennium. In the agency states that the rates future years have not been determined at this time. The changes proposed in the program budgets are related to equipment usage, and the rates that will be charged for the equipment will be based on the amount of revenue needed to retain a 60-day balance in the fund.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	134.00	134.00	128.94	128.94	134.00	128.94	(5.06)	(3.78)%
Personal Services	7,717,304	8,413,326	8,756,757	8,758,033	16,130,630	17,514,790	1,384,160	8.58 %
Operating Expenses	2,474,895	3,255,065	3,104,412	3,104,468	5,729,960	6,208,880	478,920	8.36 %
Equipment & Intangible Assets	197,716	16,233	197,716	197,716	213,949	395,432	181,483	84.83 %
Transfers	6,216	41,850	6,216	6,216	48,066	12,432	(35,634)	(74.14)%
Total Costs	\$10,396,131	\$11,726,474	\$12,065,101	\$12,066,433	\$22,122,605	\$24,131,534	\$2,008,929	9.08 %
State/Other Special Rev. Funds	7,952,960	8,530,431	9,203,534	9,203,399	16,483,391	18,406,933	1,923,542	11.67 %
Federal Spec. Rev. Funds	2,443,171	3,196,043	2,861,567	2,863,034	5,639,214	5,724,601	85,387	1.51 %
Total Funds	\$10,396,131	\$11,726,474	\$12,065,101	\$12,066,433	\$22,122,605	\$24,131,534	\$2,008,929	9.08 %

Program Description

The Motor Carrier Services Program enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, dyed fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses and oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws. The Motor Carrier Safety Assistance Program (MCSAP) conducts commercial motor carrier safety compliance reviews and safety audits to ensure commercial vehicles, drivers, and motor carriers are compliant with state safety laws and federal regulations by conducting vehicle and driver inspections and motor carrier compliance reviews and safety audits.

Program Highlights

Motor Carrier Division Major Budget Highlights
<ul style="list-style-type: none"> • Personal services increase explained by the executive implementation of HB 13 approved by the 2013 Legislature • Bakken region staff housing allowance would provide assistance to 6.00 FTE

Program Discussion -

The change in this budget compared to FY 2015 is approximately 3.0%. Personal service costs are the primary factor for the growth. The change in personal service costs attributable to the executive implementation of the pay plan explains the increase in this budget. The program experienced near full employment in FY 2014, despite recruitment and retention issues in Eastern Montana. The motor carrier budget request includes a proposal for a housing allowance in the Bakken region in an effort to address the retention issues. The proposal would provide an allowance of \$500/month for 6.00 FTE.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Transportation					
Program	Legislative Appropriation	Legislative Approp OTO	House Adjustments	Operation Plan	Total Executive Implementation
22 MOTOR CARRIER SVCS DIV	\$11,712,316				\$11,712,316
Add back of OTO Appropriation		14,158			14,158
Move Authority from OpExp				(32,600)	(32,600)
Move Authority to Equip.				32,600	32,600
Move Authority Between State Spc.			(\$15,100)		(15,100)
Move Authority Between State Spc.			15,100		15,100
Move Authority Between Fed. Spc.			(11,100)		(11,100)
Move Authority Between Fed. Spc.			11,100		11,100
Program Total	\$11,712,316	\$14,158	-	-	\$11,726,474

For the purposes of developing the FY 2015 starting point, the one-time-only (OTO) appropriation is added back into the executive FY 2015 for agreement with the legislative starting point in the figure above. The reduction of the OTO appropriation is made in the present law adjustments. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriations

Relevant personal service statistics and attributes include:

- 98.7% of FTE time used in FY 2014
- 95.7% of personal services budget used in FY 2014
 - Personal services were paid 76.7% state special and 23.3% federal special
- 4.00 FTE were provided career ladder raises

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 22-Motor Carrier Services Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02294 UCR Fund	1,833,041	0	0	1,833,041	9.96 %	
02349 Highway Non-Restricted Account	87,556	0	0	87,556	0.48 %	
02422 Highways Special Revenue	16,486,336	0	0	16,486,336	89.57 %	
State Special Total	\$18,406,933	\$0	\$0	\$18,406,933	76.28 %	
03292 MCS FEDERAL GRANTS	5,435,065	0	0	5,435,065	94.94 %	
03407 Highway Trust - Sp Rev	289,536	0	0	289,536	5.06 %	
Federal Special Total	\$5,724,601	\$0	\$0	\$5,724,601	23.72 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$24,131,534	\$0	\$0	\$24,131,534		

The Motor Carrier Services Division is funded by the highways state special revenue fund and federal special revenue. State funds are revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees. Most of the funding in the 2017 biennium is derived from the constitutionally restricted highway state special revenue account (02422). Other state special revenues supporting program activities include unified carrier registration fees and the highway non-restricted account. Federal funds are derived from federal grants programs and distributions from the federal highway trust.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	11,712,316	11,712,316	23,424,632	0.00 %
PL Adjustments	0	0	0	0.00 %	352,785	354,117	706,902	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$12,065,101	\$12,066,433	\$24,131,534	

Present Law Adjustments -

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	669,039	(325,608)	343,431	0.00	0	668,867	(324,160)	344,707
DP 99 - LEG. Present Law	0.00	0	18,222	(8,868)	9,354	0.00	0	18,259	(8,849)	9,410
Grand Total All Present Law Adjustments	0.00	\$0	\$687,261	(\$334,476)	\$352,785	0.00	\$0	\$687,126	(\$333,009)	\$354,117

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
FY 2016				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	128.94	\$48,310	\$14,355	\$62,665
Executive Implementation of 2015 Pay Increase		110,234	32,755	142,988
Fully Fund 2015 Legislatively Authorized FTE		119,776	40,566	160,342
Other		390,719	(413,283)	(22,564)
Personal Services Present Law Adjustments	128.94	\$669,039	(\$325,608)	\$343,431
FY 2017				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	128.94	\$48,310	\$14,355	\$62,665
Executive Implementation of 2015 Pay Increase		110,234	32,755	142,988
Fully Fund 2015 Legislatively Authorized FTE		119,776	40,566	160,342
Other		390,547	(411,835)	(21,288)
Personal Services Present Law Adjustments	128.94	\$668,867	(\$324,160)	\$344,707

The personal services budget would increase by an average of \$344,069/FY under legislative present law adjustments. Adjustments include:

- The impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings - \$365,995/year

The column titled "other, includes:

- A funding switch from federal special to state special.
- An adjustment of negative \$14,667 per year for overtime and differential pay; the budget includes \$170,413 each year for overtime and differential pay.

The row titled "other" in the figure above provides a reduction averaging \$21,926 over the biennium. Also apparent in the other amounts is a funding switch from federal funds to state special funds.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL - CP 99 Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
BCD - Elimination of OTO Funding	\$14,158	\$0	\$14,158
DP 22133 - Bakken Housing Allowance	30,000	6,000	36,000
DP 22122 - Equipment Rental	21,917	22,843	44,760
Miscellaneous Other	(47,853)	(37,711)	(85,564)
Total LGPL	\$18,222	(\$8,868)	\$9,354
FY 2017			
Other Decision Points:			
BCD - Elimination of OTO Funding	\$14,158	\$0	\$14,158
DP 22133 - Bakken Housing Allowance	30,000	6,000	36,000
DP 22122 - Equipment Rental	21,032	22,569	43,601
Miscellaneous Other	(46,931)	(37,418)	(84,349)
Total LGPL	\$18,259	(\$8,849)	\$9,410

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfers, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision. Other decision points include:

- DP 133 - Bakken Housing Allowance - Program 22 – This request would provide an increase to operating expenses for a new allowance to provide staff housing assistance in the Glendive District (Sidney, Glendive, Baker, Wolf Point, Culbertson, etc.), which has been impacted by the oil and gas development of the Bakken region. The allowance is requested to improve employee retention in the competitive labor market of the Bakken. This program has 11.00 FTE in the Bakken region. This appropriation would provide an allowance of \$500/month/qualified employee or \$6,000/year. The appropriation would provide an allowance for 6.00 FTE in each year of the biennium

LFD COMMENT The \$72,000 biennial cost of Bakken Housing Allowance proposal would become a continuing base expenditure if passed as requested. The legislature may want to consider restricting the appropriation for the stated use, ensuring more efficient tracking, and/or asking the program to report back on whether the allowance helped to resolve issues of employee retention.

- DP 122 - Equipment Rental - Program 22 – This request would fund an increase to operating expenses for the cost increases of equipment rentals through the MDT equipment program. This request represents the increase costs of the equipment program allocated based on the anticipated equipment needs of the program

The miscellaneous other amount represents a general reduction of an average of approximately \$85,000 per year in the 2017 biennium.

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	9.00	9.00	9.00	9.00	9.00	9.00	0.00	0.00 %
Personal Services	675,136	680,874	761,440	762,381	1,356,010	1,523,821	167,811	12.38 %
Operating Expenses	702,263	791,284	7,802,622	895,160	1,493,547	8,697,782	7,204,235	482.36 %
Grants	386,052	426,000	424,000	424,000	812,052	848,000	35,948	4.43 %
Transfers	6,901	7,478	6,901	6,901	14,379	13,802	(577)	(4.01)%
Total Costs	\$1,770,352	\$1,905,636	\$8,994,963	\$2,088,442	\$3,675,988	\$11,083,405	\$7,407,417	201.51 %
State/Other Special Rev. Funds	1,585,078	1,704,848	1,868,073	1,861,645	3,289,926	3,729,718	439,792	13.37 %
Federal Spec. Rev. Funds	185,274	200,788	7,126,890	226,797	386,062	7,353,687	6,967,625	1,804.79 %
Total Funds	\$1,770,352	\$1,905,636	\$8,994,963	\$2,088,442	\$3,675,988	\$11,083,405	\$7,407,417	201.51 %

Program Description

The Aeronautics Program: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations, and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The program administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The program serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The program is also responsible for operation of the air carrier airport at West Yellowstone and for 15 other state-owned airports.

Program Highlights

Aeronautics Program Major Budget Highlights
<ul style="list-style-type: none"> • \$6.4 million for improvements at West Yellowstone Airport are included in this budget <ul style="list-style-type: none"> ◦ Creates large increase in operating expenses ◦ Increases federal funding in the 2017 biennium • The present law change from FY 2015 in this budget is \$176,397, an average increase of 4.6% • \$162,073 is personal services adjustments
Legislative Action Issues
<ul style="list-style-type: none"> • West Yellowstone Airport will be challenged in providing matching funds for the taxiway project

Program Discussion -

The significant change in this program budget is related to the \$6.4 million new proposal to design and reconstruct the apron area and taxiway at Yellowstone Airport. While this is a West Yellowstone airport project, the request has been made in the Aeronautics Program budget. The state match to these anticipated federal dollars is \$750,000, or an approximate 9.1% state match and is included in the budget for the proprietary West Yellowstone Airport program. There are funding issues with the state's portion of the cost, and for more information see the West Yellowstone Program section of this analysis. The present law adjustments for the program provide an increase of 4.6% over FY 2015.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Transportation				
Program	Legislative Appropriation	Consolid of Bien Approp	House Adjustments	Total Executive Implementation
40 AERONAUTICS PROGRAM	\$2,067,086			\$2,067,086
Change in Funding-Fed. Spc.			1,000	1,000
Change in Funding-Fed. Spc.			(1,000)	(1,000)
Change in Funding-State Spc.			(11,000)	(11,000)
Change in Funding-State Spc.			11,000	11,000
Move OpExp Authority to FY 2014		(\$99,450)		(99,450)
Move Grant Authority to FY 2014		(62,000)		(62,000)
Program Total	\$2,067,086	(\$161,450)	-	\$1,905,636

The Aeronautics Program moved biennial authority from FY 2015 to FY 2014 in operating expenses and grant authority. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriations

87.7% of FTE time used in FY 2014

- 99.6% of personal services budget used in FY 2014
 - Personal services were paid 96% state special and 4% federal special
 - Transferred \$29,186 from operating expenses to personal services
- Half of the program's workforce, 4.00 FTE, is eligible for retirement

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 40-Aeronautics Program Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02286 Aeronautical Loan Account	700,000	0	0	700,000	18.77 %
02287 Aeronautical Grant Account	700,000	0	0	700,000	18.77 %
02349 Highway Non-Restricted Account	274,926	0	0	274,926	7.37 %
02827 Aeronautics Division	1,914,792	0	0	1,914,792	51.34 %
02962 Airport Pvmnt. Preservation	140,000	0	0	140,000	3.75 %
State Special Total	\$3,729,718	\$0	\$0	\$3,729,718	30.26 %
03060 Aeronautics Division	7,352,238	0	0	7,352,238	99.98 %
03407 Highway Trust - Sp Rev	1,449	0	0	1,449	0.02 %
Federal Special Total	\$7,353,687	\$0	\$0	\$7,353,687	59.66 %
06007 West Yellowstone Airport	0	1,242,027	0	1,242,027	100.00 %
Proprietary Total	\$0	\$1,242,027	\$0	\$1,242,027	10.08 %
Total All Funds	\$11,083,405	\$1,242,027	\$0	\$12,325,432	

The Aeronautics Program is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	2,067,086	2,067,086	4,134,172	0.00 %
PL Adjustments	0	0	0	0.00 %	155,041	21,356	176,397	0.00 %
New Proposals	0	0	0	0.00 %	6,772,836	0	6,772,836	0.00 %
Total Budget	\$0	\$0	\$0		\$8,994,963	\$2,088,442	\$11,083,405	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	(3,289)	83,855	80,566	0.00	0	(17,759)	99,266	81,507
DP 99 - LEG. Present Law	0.00	0	(3,041)	77,516	74,475	0.00	0	13,106	(73,257)	(60,151)
Grand Total All Present Law Adjustments	0.00	\$0	(\$6,330)	\$161,371	\$155,041	0.00	\$0	(\$4,653)	\$26,009	\$21,356

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
FY 2016				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	9.00	\$4,166	\$208	\$4,374
Executive Implementation of 2015 Pay Increase		12,668	631	13,299
Fully Fund 2015 Legislatively Authorized FTE		13,241	-	13,241
Other		(33,364)	83,016	49,652
Personal Services Present Law Adjustments	9.00	(\$3,289)	\$83,855	\$80,566
FY 2017				
CP 98 PSPL Item	FTE	State Special	Federal Special	Total Funds
State Share Health Insurance	9.00	\$4,166	\$208	\$4,374
Executive Implementation of 2015 Pay Increase		12,668	631	13,299
Fully Fund 2015 Legislatively Authorized FTE		13,241	-	13,241
Other		(47,834)	98,427	50,593
Personal Services Present Law Adjustments	9.00	(\$17,759)	\$99,266	\$81,507

The personal services budget would increase by an average of \$81,037 per year under legislative present law adjustments. As seen in the figure above, the impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings create average PSPL adjustments of \$30,914/year, or 38.4% of the total personal service adjustments.

The "other" row in the figure above averages 6.6% of the total personal services budget and consists of various adjustments such as a funding switch from federal special revenue to state special revenue, career ladder pay raises, and longevity pay increases. This personal services budget was not reduced by in the implementation of the boiler plate language included in the 2013 session version of HB 2, due to the low number of staff in the program.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL - CP 99 Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
BCD - Consolidation of Biennial Approp	(\$161,450)	\$0	(\$161,450)
DP 4001 - Aeronautic Loans and Grants	146,766	-	146,766
DP 4003 - Aeronautic Charts OTO	0	-	-
DP 4005 - Pavement Condition & System Plan	19,283	173,547	192,830
DP 40122 - Equipment Rental	7,600	-	7,600
Miscellaneous Other	(15,240)	(96,031)	(111,271)
Total LGPL	(\$3,041)	\$77,516	\$74,475
2017			
Other Decision Points:			
BCD - Consolidation of Biennial Approp	(\$161,450)	\$0	(\$161,450)
DP 4001 - Aeronautic Loans and Grants	146,766	-	146,766
DP 4003 - Aeronautic Charts OTO	20,000	-	20,000
DP 4005 - Pavement Condition & System Plan	4,283	38,547	42,830
DP 40122 - Equipment Rental	7,600	-	7,600
Miscellaneous Other	(4,093)	(111,804)	(115,897)
Total LGPL	\$13,106	(\$73,257)	(\$60,151)

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfers, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision. Other decision points include:

- DP 4001 - Aeronautic Loans and Grants – This request would provide an increase in appropriation authority for the grants and loans programs. Communities often use these grants and loans to leverage federal funds available for airport safety and development. The request, along with the current base, would provide \$350,000 for distributions in each program. The request provides in each year:
 - Airport loans - \$112,818
 - Airport grants - \$33,948
- DP 4003 - Aeronautic Charts – This request would provide appropriation authority to produce an aeronautical chart, which is historically updated every four years. The chart will incorporate the latest federal FAA aeronautical information and identify and depict aeronautical features unique to Montana that are not reflected on other charts. The department states it cannot be produced in house. This decision package is considered an OTO and normally occurs in a non-base year
- DP 4005 - Pavement Condition & System Plan – This request would provide an appropriation increase in consulting and professional services related to the state aviation system plan. The system plan provides both voluntary and mandated infrastructure and capital improvement plans that are used to develop individual airport projects around the state. This request includes new federal appropriation authority from the Federal Aviation Administration for a pavement condition index
- DP 40122 - Equipment Rental - Program - This request would fund an increase to operating expenses for the cost increases of equipment rentals through the MDT equipment program. This request represents the increased costs of the Equipment Program allocated based on the anticipated equipment needs of the program

The “miscellaneous other” row in the figure above is a general budget reduction, which over the biennium nets to a reduction of \$227168.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4004004 - Yellowstone Airport Taxiway	0.00	0	0	6,421,831	6,421,831	0.00	0	0	0	0
DP 4004006 - Lincoln Airport Improvements	0.00	0	8,105	342,900	351,005	0.00	0	0	0	0
Total	0.00	\$0	\$8,105	\$6,764,731	\$6,772,836	0.00	\$0	\$0	\$0	\$0

DP 4004004 - Yellowstone Airport Taxiway -

This budget request is for \$6,421,831 in federal special revenue for engineering design services necessary to prepare a complete set of plans and specifications for the reconstruction of the apron area and to reconstruct the only taxiway at the Yellowstone Airport. These pavement surfaces must meet FAR 139 requirements to maintain the airport's commercial operating certificate in order to host scheduled air carrier service. These pavement surfaces must be maintained in order to eliminate possible aircraft damage or injury to the flying public. The potential for Foreign Object Debris (FOD) to either be ingested by an aircraft engine or blown into other aircraft is high with the current pavement conditions that exist at the airport.

LFD COMMENT	The Yellowstone airport taxiway proposal seen above provides the federal funds for this project. The matching state funds are requested in the non-budgeted West Yellowstone proprietary section of this report. For a discussion of the issues related to the use of proprietary funds for this match, refer to the "Proprietary Rates" section that follows.
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DP 4004006 - Lincoln Airport Improvements -

The executive requests an appropriation consulting and professional services related to the construction of a hangar taxi-lane, which will create opportunities for an additional 20 hangar building sites. There are currently 10 hangars at the airport and 2 additional sites are available for future construction. Hangar site rent paid is the only revenue generating source of income for the airport.

Other Issues -

Proprietary Program Description

The Yellowstone Airport is located in West Yellowstone, one mile from Yellowstone National Park. Commercial air service is available seasonally from June 1st to September 30th and the airport is usually open for private aircraft operations from mid-May through mid-November. The airport accomplishes its missions with extensive facilities to accommodate all sized aircraft and operations ranging from large commercial service jets to small piston aircraft.

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2017 biennium include a runway maintenance project funded with 90% FAA AIP money and performed in accordance with FAA mandates and advisory circulars.

The West Yellowstone Airport program is funded with an enterprise proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. Statute requires that agencies providing enterprise/internal service functions must provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund. The report for the enterprise fund is seen below.

Revenues and Expenses

Operations of the West Yellowstone Airport are funded with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Total operating revenues in the 2017 biennium, as seen in the figure below, are expected to be \$417,772, decreasing 13.2% in comparison to the revenues in the 2015 biennium.

Expenses

- Personal service costs for 3.00 employees or 2.00 FTE are \$138,236 or 33.7% of total costs and include:
 - 1 Airport manager employed at 8 months full time and 4 months half-time
 - 1 Airport operations chief and 1 airport fire fighter who are employed seasonally
- Operating expenses are \$271,566 or 66.3% of total costs and include:
 - Consultant and professional services, \$208,327
 - Electricity and natural gas, \$22,931

In the 2017 biennium the West Yellowstone budget includes:

- Personal services - projected to increase by \$72,123 or 19.3%
- Operating costs – projected to increase by \$537,645 due to plans for taxiway reconstruction
- Total expenses – projected to increase by \$609,768

Revenues

The enterprise revenue sources when combined with existing working capital balances are projected to recover sufficient cash to fund projected expenditures at the airport. The cash needed for 60-days of personal services and operating expenses average to \$44,195.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program			
	Fund 06007	Fund Name West Yellowstone Airport					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		75,083	75,317	62,533	68,994	68,994	68,994
Other Operating Revenue		142,235	124,166	406,492	147,429	146,892	146,892
Total Operating Revenues		217,318	199,483	469,025	216,423	215,886	215,886
Expenses:							
Personal Services							
		135,417	90,751	137,992	150,748	187,038	187,070
Other Operating Expenses							
		62,006	65,342	241,918	52,118	792,667	75,253
Total Operating Expenses		197,423	156,093	379,910	202,866	979,705	262,323
Operating Income (Loss)		19,895	43,390	89,115	13,557	(763,819)	(46,437)
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		(134,509)	(165,211)	(167,709)	4,800	-	-
Total Nonoperating Revenues (Expenses)		(134,509)	(165,211)	(167,709)	4,800	-	-
Income (Loss) Before Contributions and Transfers		(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
Change in Net Position		(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
Beginning Net Position - July 1		2,877,872	2,763,258	2,641,437	2,562,843	2,581,200	1,817,381
Change in Net Position		(114,614)	(121,821)	(78,594)	18,357	(763,819)	(46,437)
Ending Net Position - June 30		2,763,258	2,641,437	2,562,843	2,581,200	1,817,381	1,770,944
Net Position (Fund Balance) Analysis							

The Yellowstone Airport proprietary fund balance is forecast to decrease slightly and includes a reduction in operating expenses. Management objectives are to use part of the available fund balance as needed to satisfy recent necessary federal airport certification requirements. There is no anticipated fluctuation of cash into the program and conservation of fund equity is to remain a high priority to offset additional Federal Airport Certification and Security requirements.

In past biennia, the West Yellowstone Airport has maintained an adequate cash balance to meet operational needs and provide the required match for federal airport improvement grants. In the 2017 biennium the program will need to sustain both normal operating costs and provide the required match for anticipated federal funds to reconstruct the apron and runway for the West Yellowstone Airport. The West Yellowstone Airport is not anticipating an increase in revenues, thus MDT is working on a funding solution for the necessary match so it can maintain its commercial operating certificate. Budget authority needs to be in place while funding solutions are determined; ensuring commercial flights continue into the region.

Rate and Rate Explanation

For the 2017 biennium the following rates are proposed by the executive. This information is provided for informational reasons only, and the legislature is not required to approve the rates.

Rates and fees for provided services are market based and will increase in FY2015 and the 2017 biennium as noted in the schedule below. The fee increases will help bring the current charged fees closer to common state industry standards based upon rates and charges schedules as reported by airport operators throughout the state. In addition, some of the changes are to standardize and even out current rates, which are charged at different levels for similar services.

Some landing fees will increase for the 2017 biennium. The fuel flow fee increased in the second year of the 2015 biennium by \$0.01 per gallon and will remain constant through the biennium. Car rental and airline rates will increase from \$2.50/\$2.75 a square foot to \$2.75/\$3.00 a square foot and the building lease agreement with Nevada Testing will go from \$5.50 a square foot to \$6.00 a square foot.

West Yellowstone Airport Rate Schedule		
Fee/Rate Information	Actuals FY 2014	Budgeted FY 2015
Fee Group A		
Landing Fees - Scheduled Air Carrier	\$1.10 / 1,000lbs	\$1.25 / 1,000lbs
Landing Fees - Other uses	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00
Landing Fees - Other uses	16,500 lbs - \$1.60/1000lbs	16,500 lbs - \$1.60/1000lbs
Fuel Flowage Fee	\$0.08/Gallon	\$0.09/Gallon
Building Leases - Car rental, Airline	\$2.50-\$2.75/sq.ft.	\$2.75-\$3.00/sq.ft..
Building Leases -FBO, Hangar Ground	\$0.12/sq.ft	\$0.12/sq.ft
Adboards	\$225 ad board - \$400 special	\$225 ad board - \$400 special
Tax Transfers	7000	7000
Sales Receipts	10% of Gross Sales	10% of Gross Sales
Non-Aero Rentals		
Nevada Testing		6.00 psfpa + utilities + usage fee (\$925/customer annual and \$75/day)
City	\$11,000/Year	\$11,000/Year
Energy West	\$13,500/Year	\$13,500/Year
Yamaha	\$8,500/Year	\$8,750/Year
Chamber - Snow Shoot	\$1,000 + \$100.00/day occupancy + \$200.00 Groomer Storage	\$1,125 + \$115.00/day occupancy + \$225.00 Groomer Storage
	Budgeted FY 2016	Budgeted FY 2017
Fee Group A		
Landing Fees - Scheduled Air Carrier	\$1.25 / 1,000lbs	\$1.45 / 1,000lbs
Landing Fees - Other uses	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$30.00
Landing Fees - Other uses	16,500 lbs - \$1.60/1000lbs	16,500 lbs - \$1.70/1000lbs
Fuel Flowage Fee	\$0.09/Gallon	\$0.09/Gallon
Building Leases - Car rental, Airline	\$2.75-\$3.00/sq.ft.	\$2.75-\$3.00/sq.ft.
Building Leases -FBO, Hangar Ground	\$0.12/sq.ft.	\$0.12/sq.ft.
Adboards	\$225 ad board - \$400 special	\$225 ad board - \$400 special
Tax Transfers	8000	8000
Sales Receipts	10% of Gross Sales	10% of Gross Sales
Non-Aero Rentals		
Nevada Testing	6.00 psfpa + utilities + usage fee (\$925/customer annual and \$75/day)	6.00 psfpa + utilities + usage fee (\$925/customer annual and \$75/day)
City	\$11,000/Year	\$11,000/Year
Energy West	\$13,500/Year	\$13,500/Year
Yamaha	\$9,000/Year	\$9,250/Year
Chamber - Snow Shoot	\$1,250 + \$130.00/day occupancy + \$250.00 Groomer Storage	\$1,375 + \$145.00/day occupancy + \$275.00 Groomer Storage

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	105.50	105.50	100.51	100.51	105.50	100.51	(4.99)	(4.73)%
Personal Services	7,214,716	8,218,269	8,446,167	8,449,353	15,432,985	16,895,520	1,462,535	9.48 %
Operating Expenses	5,318,330	5,332,745	5,827,783	5,827,674	10,651,075	11,655,457	1,004,382	9.43 %
Equipment & Intangible Assets	123,669	152,728	123,669	123,669	276,397	247,338	(29,059)	(10.51)%
Grants	14,373,858	16,821,493	17,948,858	17,948,858	31,195,351	35,897,716	4,702,365	15.07 %
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	1,595,226	1,936,624	1,595,226	1,595,226	3,531,850	3,190,452	(341,398)	(9.67)%
Total Costs	\$28,625,799	\$32,461,859	\$33,941,703	\$33,944,780	\$61,087,658	\$67,886,483	\$6,798,825	11.13 %
State/Other Special Rev. Funds	6,323,746	7,336,718	6,986,758	6,987,247	13,660,464	13,974,005	313,541	2.30 %
Federal Spec. Rev. Funds	22,302,053	25,125,141	26,954,945	26,957,533	47,427,194	53,912,478	6,485,284	13.67 %
Total Funds	\$28,625,799	\$32,461,859	\$33,941,703	\$33,944,780	\$61,087,658	\$67,886,483	\$6,798,825	11.13 %

Program Description

The Rail, Transit, and Planning Program provides: 1) a continuous statewide multimodal transportation planning process used to allocate highway program resources to ensure highway system performance goals are maintained and federal-aid highway and transit grant eligibility is maintained within the federal surface transportation programs; 2) an inventory of transportation infrastructure for the allocation of state fuel taxes to local governments; 3) support for the state's comprehensive statewide highway safety plan including technical analysis, performance tracking, and coordination with multiple administrative agencies and jurisdictions; 4) the point of contact for MDT for major developers seeking access onto the state's highway system; 5) mapping functions to aid in the publication of the state tourist map and geo-spatial infrastructure inventories; 6) transportation planning and programming assistance to metropolitan and urban areas; 7) administration and implementation of safety programs that help reduce traffic deaths, injuries, and property losses resulting from traffic crashes; 8) administration and implementation of environmental services that assure environmental compliance with all relative laws, rules, regulations, policies, orders, and agreements; and 9) responses to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. The planning function addresses system areas that include buses for transit systems, street and highway improvements, railroad track rehabilitation, and considerations for non-motorized improvements.

Program Highlights

Rail, Transit, and Planning Division Major Budget Highlights
<ul style="list-style-type: none"> • The budget is an increase of 1.7% over FY 2015 • Federal transit grants are increased by \$1.4 million per year, bringing the level of FTA grants to \$12.5 million for the 2017 biennium • General budget reductions amounting to \$2.4 million are included in the request

Program Discussion -

The comparison table above provides that the budget for the Rail, Transit, and Planning Division is increased by 11.1% from the level of FY 2014 expenditures. However, the budget in this program would remain relatively flat in comparison to the FY 2015 budget. The total increase in the budget is \$3.0 million above the 2015 budget, and \$2.8 million is explained by the change in federal transit grants. When all other requests are taken into consideration, this budget is requested with an overall reduction of about \$2.4 million compared to FY 2015.

Comparison of FY 2015 Legislative Base to FY Adjusted Base

FY 2015 Appropriation Transactions - Department of Transportation					
Program	Legislative Appropriation	House Adj	Op Plan	Program Transfer	Total Executive Implementation
50 RAIL, TRANSIT & PLAN	\$32,461,859				\$32,461,859
Transfer Authority from Construction				910,000	910,000
Move Authority Between 1st Level Accts			(1,500)		(1,500)
Move Authority Between 1st Level Accts			1,500		1,500
Change in Funding (SS/FS)		(766,503)			(766,503)
Change in Funding (SS/FS)		495,804			495,804
Change in Funding (SS/FS)		270,699			270,699
Program Total	\$32,461,859	-	-	\$910,000	\$33,371,859

Budget authority of \$910,000 from the Construction Program was transferred to the Rail, Transit, and Planning Division for highway planning activities. The program also moved \$1,000 from operating expenses to personal services and \$500 from transfer authority to grant authority. Other changes seen in the figure above include the movement of authority between state special and federal special funds, as authorized in HB 2 language.

NOTE: The amounts shown in the table above do not match the program budget comparison table for FY 2015 due to an error in the executive numbers. The amount shown in the table understates the FY 2015 budget by \$910,000, the amount of the program transfer, which does not impact the 2017 biennium budget.

Comparison of FY 2014 Actual Expenditures to FY 2015 Appropriations

Relevant personal service statistics and attributes include:

- 88% of FTE time used in FY 2014
- 92.3% of personal services budget used in FY 2014
- Personal services were paid 31% state special and 69% federal special
- 3.00 FTE were given career ladder raises and 2.00 FTE were given strategic pay raises

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Transportation, 50-Rail, Transit, & Planning Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02282 FTA Local Match	708,512	0	0	708,512	5.07 %	
02349 Highway Non-Restricted Account	2,442,925	0	0	2,442,925	17.48 %	
02422 Highways Special Revenue	9,329,632	0	0	9,329,632	66.76 %	
02436 County DUI Prevention Programs	890,250	0	0	890,250	6.37 %	
02795 Trans Aid Special Revenue	602,686	0	0	602,686	4.31 %	
State Special Total	\$13,974,005	\$0	\$0	\$13,974,005	20.58 %	
03147 FTA Grants	25,896,355	0	0	25,896,355	48.03 %	
03407 Highway Trust - Sp Rev	17,935,694	0	0	17,935,694	33.27 %	
03828 Traffic Safety	10,080,429	0	0	10,080,429	18.70 %	
Federal Special Total	\$53,912,478	\$0	\$0	\$53,912,478	79.42 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$67,886,483	\$0	\$0	\$67,886,483		

The Rail, Transit, and Planning Division is funded with a combination of state and federal special revenue funds. State special funding in the program is primarily provided through fuel taxes through the highway restricted fund. Highway state special revenue from both the restricted and non-restricted funds supports the overall administrative and operational costs of the program. Other state special funding includes:

- Federal transit authority (FTA) local match funds, which provides a local entity match for FTA grants
- Trans-aid special revenue, which in large part provides funding for transit services that serve the elderly and disabled (and can be used to match federal transit funds)
- County DUI prevention funds, which provide assistance to county DUI task force activities

Funding through the federal highway trust (03407) provides for costs of program administration, activities, and projects.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	32,461,859	32,461,859	64,923,718	0.00 %
PL Adjustments	0	0	0	0.00 %	1,479,844	1,482,921	2,962,765	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$33,941,703	\$33,944,780	\$67,886,483	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	(42,607)	271,505	228,898	0.00	0	(43,034)	275,118	232,084
DP 99 - LEG. Present Law	0.00	0	(232,853)	1,483,799	1,250,946	0.00	0	(231,937)	1,482,774	1,250,837
Grand Total All Present Law Adjustments	0.00	\$0	(\$275,460)	\$1,755,304	\$1,479,844	0.00	\$0	(\$274,971)	\$1,757,892	\$1,482,921

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments				
	FY 2016			
	FTE	State Special	Federal Special	Total Funds
CP 98 PSPL Item				
State Share Health Insurance	100.51	\$14,475	\$34,373	\$48,848
Executive Implementation of 2015 Pay Increase		43,168	102,505	145,672
Fully Fund 2015 Legislatively Authorized FTE		57,459	100,699	158,158
Other		(157,709)	33,929	(123,780)
Personal Services Present Law Adjustments	100.51	(\$42,607)	\$271,505	\$228,898
FY 2017				
	FTE	State Special	Federal Special	Total Funds
CP 98 PSPL Item				
State Share Health Insurance	100.51	\$14,475	\$34,373	\$48,848
Executive Implementation of 2015 Pay Increase		43,338	102,335	145,672
Fully Fund 2015 Legislatively Authorized FTE		57,459	100,699	158,158
Other		(158,306)	37,712	(120,594)
Personal Services Present Law Adjustments	100.51	(\$43,034)	\$275,118	\$232,084

The personal services budget would increase by an average of \$230,491 per year under legislative present law adjustments. Adjustments include:

- The impacts of HB 13, employee health care, and the increase associated with the add-back of the 2015 biennium additional 2% vacancy savings - \$352,678/year

The “remainder of other” row in the figure above shows a reduction in the total personal services budget and consists of various adjustments such as the re-staffing related to retirements and the departure of long term employees. In these cases, personal service costs will generally be lower than previously experienced. Included in other is an adjustment of \$14,629 per year for overtime and differential pay, which will total \$44,924 per year for the biennium.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments			
LGPL - CP 99 Item	FY 2016		
	State Special	Federal Special	Total Funds
Other Decision Points:			
BCD - Program Transfer	\$910,000	\$0	\$910,000
DP 5004 FTA Grants Increase	-	1,400,000	1,400,000
DP 50122 - Equipment Rental	11,608	-	11,608
Miscellaneous Other	(1,154,461)	83,799	(1,070,662)
Total LGPL	(\$232,853)	\$1,483,799	\$1,250,946
FY 2017			
Other Decision Points:			
BCD - Program Transfer	\$910,000	\$0	\$910,000
DP 5004 FTA Grants Increase	-	1,400,000	1,400,000
DP 50122 - Equipment Rental	11,024	-	11,024
Miscellaneous Other	(1,152,961)	82,774	(1,070,187)
Total LGPL	(\$231,937)	\$1,482,774	\$1,250,837

The figure above includes all present law adjustments requested for operating expenses, equipment, grants, transfer, and debt service. The adjustments are shown in decision points to provide a mechanism for legislative discussion and decision. Other decision points include:

- Executive office authorized budget changes (BCD), for more information on the changes see the “Comparison of FY 2015 Legislative Base to FY Adjusted Base” of this report
- DP 5004 - Adjustment to FTA Transit Grant Funds – This request would provide an increase in federal special funds appropriations for Transit grants. The agency is expecting \$12.5 million of federal funding for FTA grants in the 2017 biennium
- DP 50122 - Equipment Rental - Program – This request would provide an increase to operating expenses to fund the increased use of equipment rentals through the Equipment Program. This request represents the expected increased use of equipment rentals in the program during the 2017 biennium

The “miscellaneous other” row in the figure above is a general budget reduction of \$1.1 million per year from FY 2015. The reduction amounts to approximately 4.2% of the total non-personal service budget items in the 2017 biennium.