

THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

An Agency Profile Prepared by the
Legislative Fiscal Division

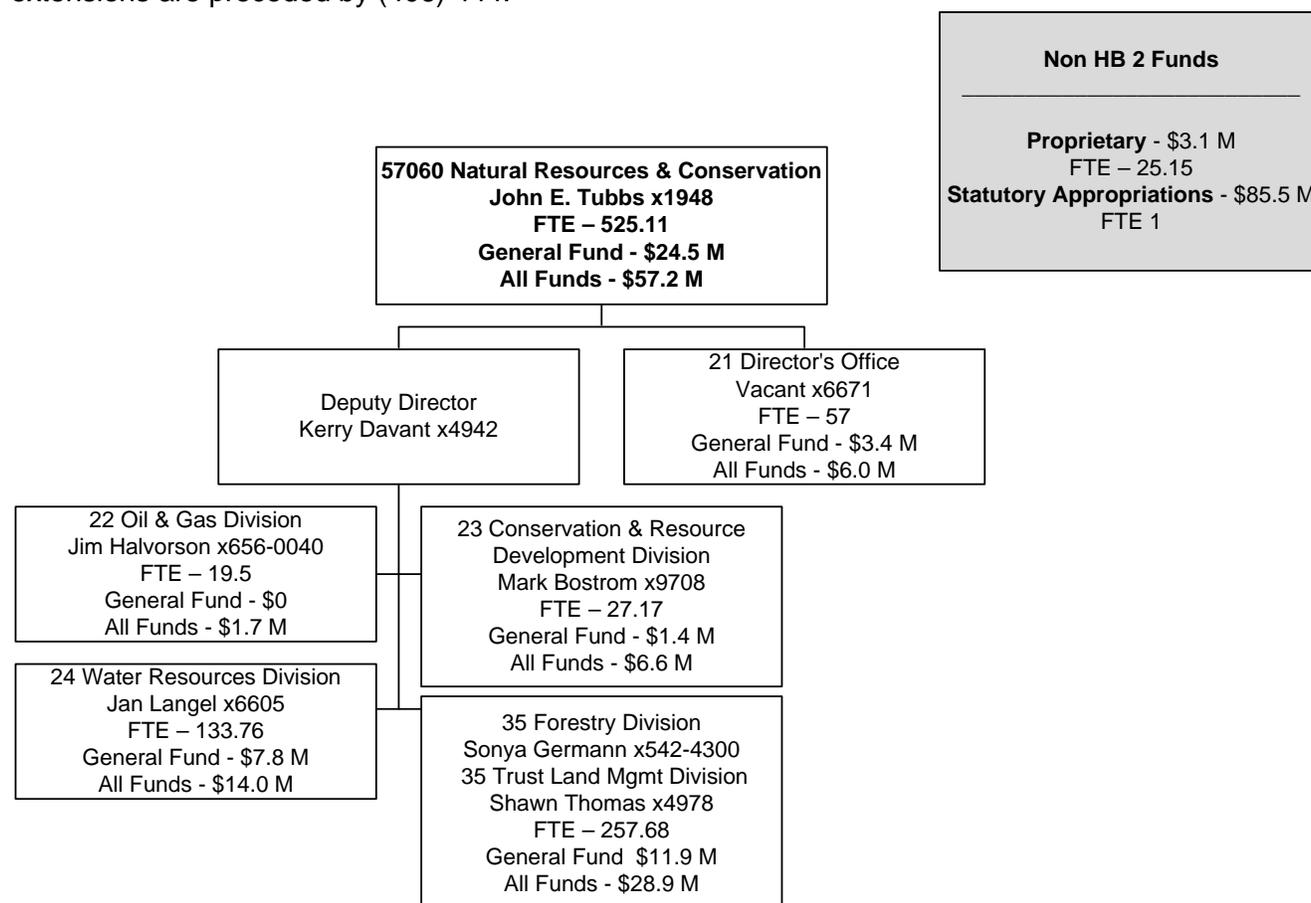
November 2018



INTRODUCTION

The Department of Natural Resources and Conservation (DNRC) promotes the stewardship of the state's natural resources, protects Montana from wildfire, and teaches about conservation. DNRC also supports the State Board of Land Commissioners, which controls the disposition of state trust lands.

Below is an organizational chart of the branch, including full-time employee (FTE) numbers and the HB 2 base general fund appropriations and the total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



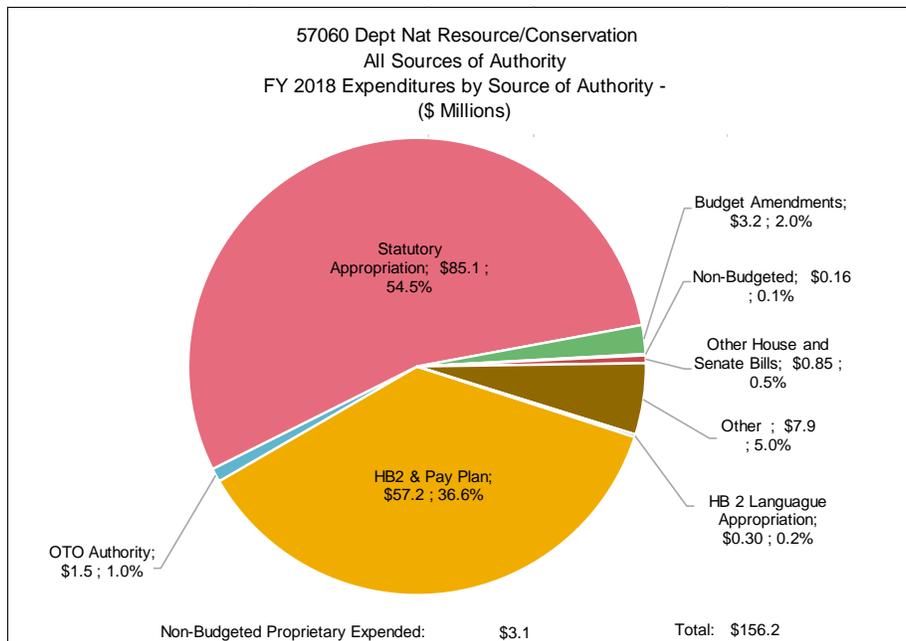
HOW SERVICES ARE PROVIDED

Six divisions form DNRC with the following functions:

- The Director's Office provides managerial and administrative support services to the entire department
- The Oil and Gas Conservation Division supports the Board of Oil and Gas, which issues drilling permits, classifies wells, administers bonds, plugs abandoned wells, and levies civil and criminal fines
- The Conservation and Resource Development Division aids conservation districts and manages loan and grant programs
- The Water Resources Division administers programs associated with the uses, development, and conservation of Montana's water including water rights, state water projects, water planning, dam safety, and floodplain programs

- The Forestry Division is responsible for wildland fire suppression, wildland fire prevention, and the implementation of statewide forestry assistance programs.
- The Trust Land Management Division manages of trust lands granted to the State of Montana

SOURCES OF SPENDING AUTHORITY

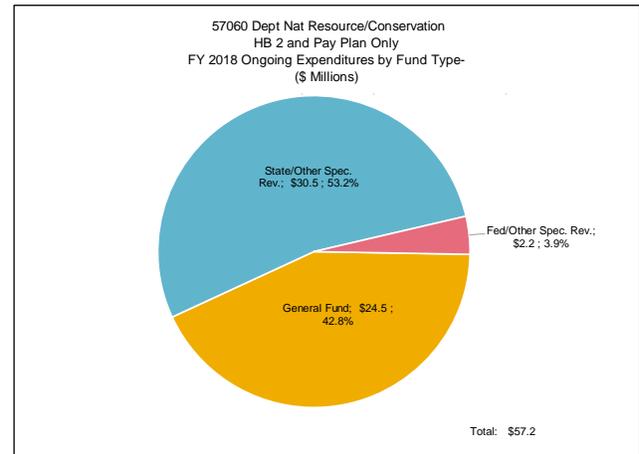
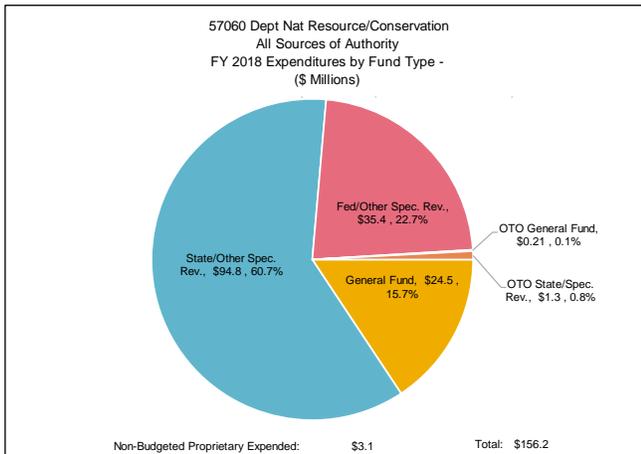


The above chart shows the expenditures by sources of authority for DNRC in FY 2018.

Over half (54.5%) of the agency budget is statutorily appropriated from various state special revenue funds. The legislature appropriates about one third (36.6%) through HB 2. Expenditures and the authority for those expenditures is detailed below.

- **Statutory appropriations** do not require reauthorization by the legislature. 99.5% of expenditures from statutory authority were for fire suppression. The agency expended \$65.4 million from the state fire suppression fund for fires on state lands. The agency also was reimbursed \$19.3 million in federal reimbursements for fire suppression efforts on federal lands. The remainder of expenditures from this source are trust lands management, sage grouse stewardship, oil & gas damage mitigation and other programs.
- **One-Time-Only (OTO)** authority is appropriated through HB 2. Appropriation designated OTO are not considered ongoing expense, and are not included in the agency base budget. Expenditures from this source include \$0.2 million in expenditures from the general fund to support conservation district offices throughout the state and a liaison to the United States Forest Service. OTO expenditures from state special revenue totaled \$1.3 million for Aquatic Invasive Species (AIS) response, the purchase of fire tenders, trust lands restoration, Montana rural water operations and administration, and the Speculator Mine Centenary memorial
- **The budget amendment** process allows the agency to increase federal appropriation to take advantage of federal programs that fund activities related to the mission of DNRC not anticipated during the regular legislative session
- **HB 2 Language** included \$0.3 million in state special revenue to repair or replace equipment at the Broadwater hydropower facility
- **Other House and Senate Bills** included appropriations for coal bed methane protection, AIS response, reclamation, development and renewable resource grants
- **Other** expenditures are from continuing appropriations for the long-range building plan.

FUNDING

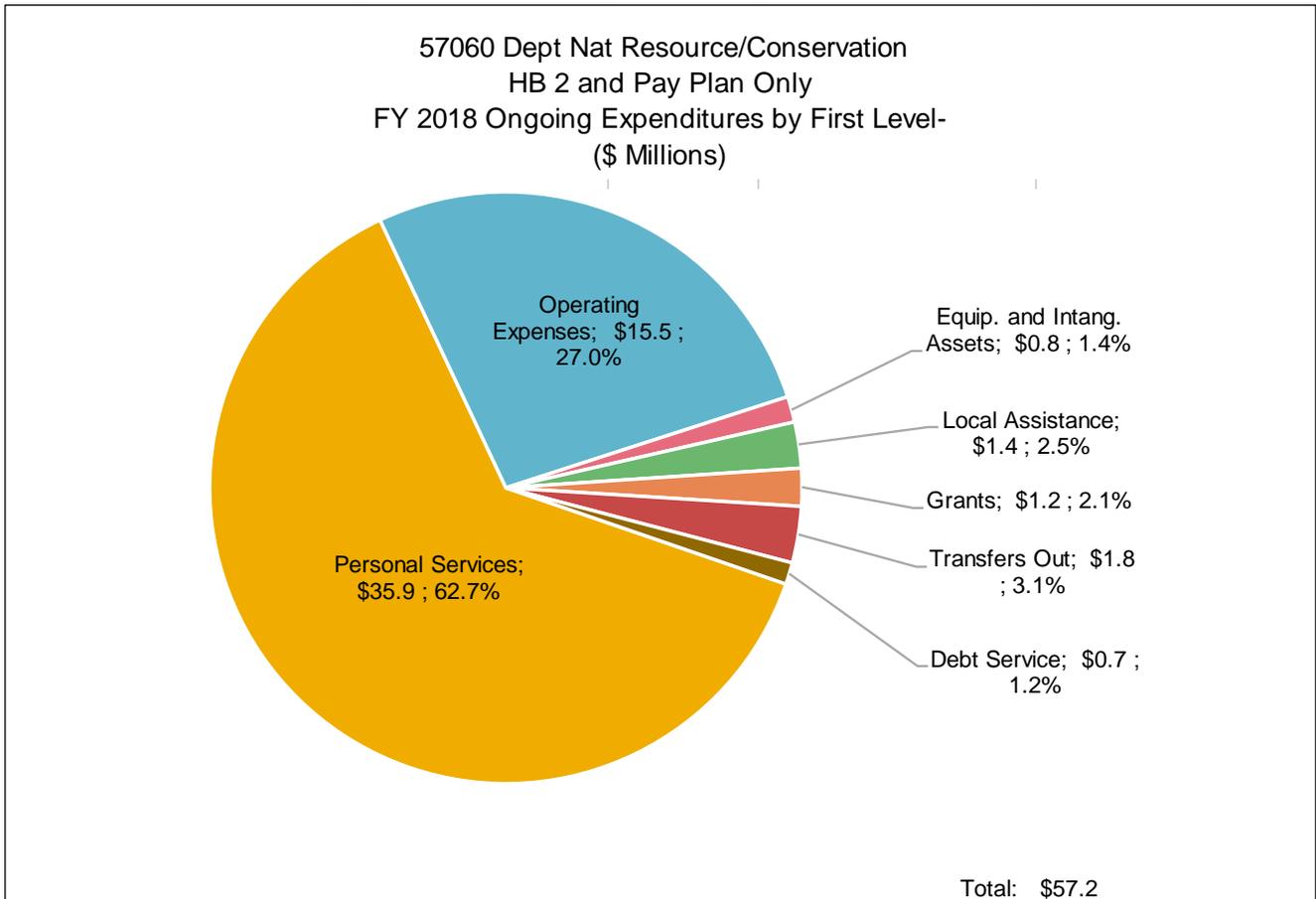


The chart on the left shows the agency's actual expenditures by fund type for all sources of authority. The chart on the right shows the agency's HB 2 and pay plan expenditures by fund type.

- General fund is appropriated by the legislature through HB 2, 15.8% of expenditures were from the general fund
- \$94.8 million or 60.7% of the total agency expenditures are made from state special revenue funds. Statutory appropriations for fire suppression account for 69.0% (\$65.0 million) of total state special revenue expenditures. HB 2 state special revenue expenditures account for 32.2% (\$30.5 million) of total state special revenue expenditures. HB 2 Language, carry forward authority, and other house and senate bills make up the remaining state special revenue expenditures
- \$35.4 million or 22.7% of the total agency expenditure are made from federal special revenue funds. Statutory appropriation, primarily reimbursements for fire suppression, support 65.7% of total federal expenditures, budget amendments account for 28.0% and federal expenditures appropriated through HB 2 account for 6.2%. The remaining federal expenditures are supported by HB 2 language and other house and senate bills

EXPENDITURES

The chart below shows how the HB 2 authority was spent.



Personal services and operating expenses account for 97.2% of all expenditures. These expenditures support 625 full time positions and the associated operating cost. Grants, transfers, and local assistance support water resource, sage grouse habitat, and trust land management.

HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

To change DNRC expenditure levels and/or activity, the legislature must address one or more of the following basic elements that drive most department costs.

Land Management

The management of trust lands and wildland fire protection of forest and agricultural lands are major functions of DNRC. DNRC expenditures and activities can be affected through:

- Guiding the management of trust lands which may impact revenue to beneficiaries
- Establishing appropriate policies related to timber harvest on state lands
- Setting wildfire fire protection assessments on owners of land classified as forestland

Water Resources

Maximizing water resources for the benefit of the state is a major departmental function. 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

DNRC handles 16 loan and grant programs to help private and public entities for resource development or conservation activities. This can be influenced by:

- Setting the priorities for loan and grant programs
- Setting the amount for loan and grant programs
- Changing the regulations regarding administration of loan and grant programs

Permitting and Licensing Activities

DNRC handles several 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

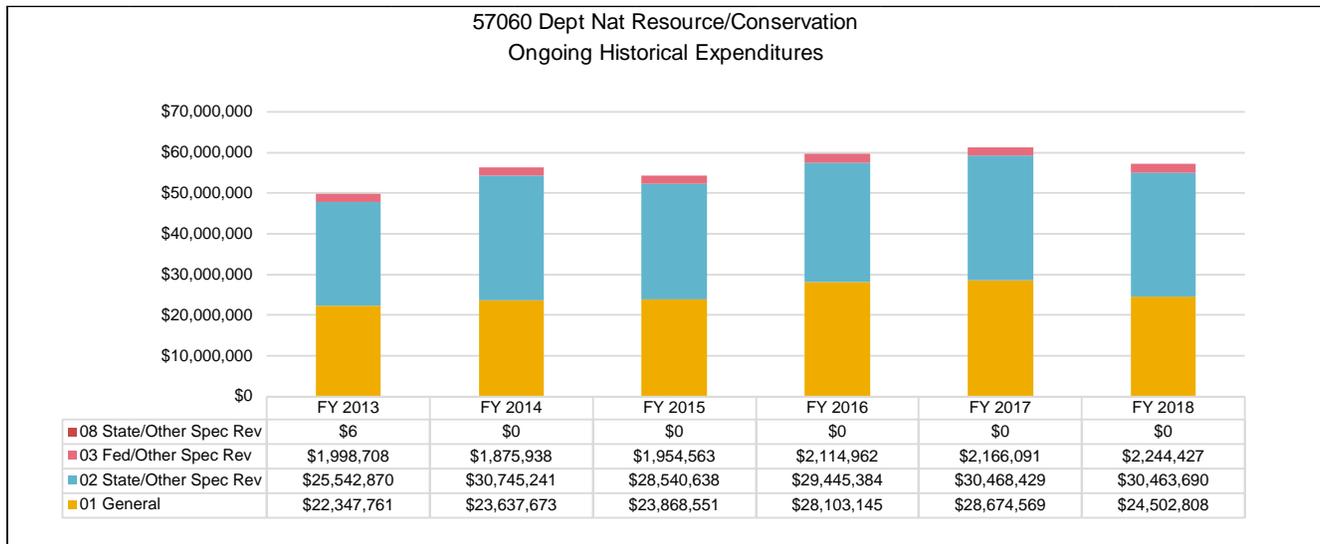
Staffing Levels

Common to all agencies, any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by DNRC. Personal service costs will be a primary driver of total DNRC costs. Factors that impact 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 BASE BUDGET

The following chart shows the historical change in DNRC's base budget authority.



MAJOR COST DRIVERS

The table below illustrates some of major cost drivers for the agency.

Element	2015	2016	2017	Significance of Data
Oil and Gas Leases	3,588 (672 producing)	1,742 (672 producing)	1,441 (666 producing)	Workload, revenue
Coal Leases	35 (6 producing)	35 (7 producing)	35 (7 producing)	Workload, revenue
Agriculture & Grazing Leases	8,952	8,920	8,900	Workload, revenue
Barrels of Oil Produced	1.6 million barrels	1.3 million barrels	1.1 million barrels	Workload, revenue
Gas Produced	2.9 billion cubic feet	2.8 billion cubic feet	2.4 billion cubic feet	Workload, revenue
Coal Produced	4.7 million tons	4.7 million tons	3.9 million tons	Workload, revenue
Total revenues generated from Trust Lands	\$109.1 million	\$95.9 million	\$86.2 million	Revenue transfer to appropriate trusts
Timber Harvest	52.1 million board feet	35.9 million board feet	47.0 million board feet	Workload, revenue
Tree Seedlings Planted	0.2 million	0.2 million	0.3 million	Work load, Expense
Cabin Sites Sold at Auction	4	8	29	Workload, revenue
Acres of direct fire protection	5.2 million	5.2 million	5.2 million	Direct protection responsibilities

MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2017 November Special Session

- HB 3 provided a transfer of \$40 million in FY 2017 from the general fund to the fire suppression account
- HB 6 limited total revenue for the 2019 biennium to the fire suppression account to \$40 million, all revenue more than \$40 million is reverted to the general fund

2017 Session

- HB 228 revises funding for the sage grouse stewardship program. The bill provides an appropriation of \$2.0 million each year from the general fund to the sage grouse stewardship state special revenue account through FY 2021
- HB 344 transfer \$190,000 from the orphan share to the coal bed methane protection account and appropriates the funds to the Department of Natural Resources and Conservation to allow conservation districts to administer the coal bed methane program
- HB 597 creates the Montana public land access network grant program through which an individual or organization may seek funding to secure public access through private land to public land for which there is no other legal public access or to enhance existing access to public land. The grants are funded by private donations and require approval of the Board of Land Commissioners
- SB 363 requires the Departments of Agriculture, Fish Wildlife and Parks, Department of Natural Resources and Conservation, and Montana Department of Transportation to report to the Environmental Quality Council at least biannually on their activities undertaken and expenditures incurred related to implementation of aquatic invasive species laws

2015 Session

- SB 261 authorized DNRC to preserve the greater sage grouse including the appropriation of \$10 million to maintain, enhance, restore, or expand sage grouse habitat
- SB 262 ratified the water compact with Confederated Salish and Kootenai Tribes

2013 Session

- HB 354 provided for transfers from the general fund and the corporation tax to the wildfire suppression account. The legislation limited the fund balance in the account to a maximum of \$100 million and provided for the account to be statutorily appropriated

2011 Session

- HB 49 authorized the sale of bonds to fund the Blackfeet water compact. DNRC 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 Blackfeet Indian reservation
- SB 35 clarified state laws related to the beds of navigable rivers and defined 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

2009 Session

- HB 645 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

For more information on the agency, please visit their website, here: <http://dnrc.mt.gov/>