

**Agency Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	76,025,979	85,204,313	9,178,334	12.07 %
Operating Expenses	36,213,204	44,343,516	8,130,312	22.45 %
Equipment & Intangible Assets	2,522,033	2,706,132	184,099	7.30 %
Capital Outlay	40,000	0	(40,000)	(100.00)%
Local Assistance	8,096,180	8,116,180	20,000	0.25 %
Grants	2,718,299	2,944,268	225,969	8.31 %
Benefits & Claims	400,000	800,000	400,000	100.00 %
Transfers	3,411,686	3,448,486	36,800	1.08 %
Debt Service	1,464,866	1,570,682	105,816	7.22 %
<b>Total Expenditures</b>	<b>\$130,892,247</b>	<b>\$149,133,577</b>	<b>\$18,241,330</b>	<b>13.94 %</b>
General Fund	52,109,118	62,402,764	10,293,646	19.75 %
State/Other Special Rev. Funds	74,011,815	80,411,765	6,399,950	8.65 %
Federal Spec. Rev. Funds	4,771,314	6,319,048	1,547,734	32.44 %
<b>Total Funds</b>	<b>\$130,892,247</b>	<b>\$149,133,577</b>	<b>\$18,241,330</b>	<b>13.94 %</b>
<b>Total Ongoing</b>	<b>\$127,484,435</b>	<b>\$146,927,577</b>	<b>\$19,443,142</b>	<b>15.25 %</b>
<b>Total OTO</b>	<b>\$3,407,812</b>	<b>\$2,206,000</b>	<b>(\$1,201,812)</b>	<b>(35.27)%</b>

**Agency Biennium Comparison -**

The biennium comparison table shows a total growth of total expenditures of 13.9%, which for the agency is influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 11.4%.

**Mission Statement**

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

## Agency Highlights

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

The executive proposes increases in total appropriations of 13.9% or \$18.2 million when compared to the 2019 biennium. The executive proposes present law adjustments totaling \$11.4 million and new proposals totaling \$7.1 million. Increases include a 19.8% or \$10.3 million in general fund appropriation. The executive proposes:

- Increase of 8.50 FTE and \$2.2 million general fund appropriation for personal services and associated operating expense;
  - 6.50 FTE as one-time-only to expand the Good Neighbor Authority Program on federal lands
  - 2.00 FTE to act as liaison with the U.S. Forest service Good Neighbor Authority
- Water Resources Division new proposals totaling \$1.3 million general fund and \$2.2 million state special revenue for water projects, dam rehabilitation, support for water compacts, drought mitigation, stream gauges, and water projects
- The executive requests an increase of \$1.5 million in federal revenue from the Good Neighbor Authority program

## Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	525.11	525.11	533.61	533.61
Personal Services	36,016,011	37,201,921	38,824,058	42,548,080	42,656,233
Operating Expenses	16,517,088	17,641,833	18,571,371	21,847,320	22,496,196
Equipment & Intangible Assets	813,713	1,132,967	1,389,066	1,353,066	1,353,066
Capital Outlay	11,067	40,000	0	0	0
Local Assistance	1,437,875	4,038,090	4,058,090	4,058,090	4,058,090
Grants	1,411,014	1,336,165	1,382,134	1,472,134	1,472,134
Benefits & Claims	0	200,000	200,000	400,000	400,000
Transfers	1,765,856	1,687,443	1,724,243	1,724,243	1,724,243
Debt Service	679,063	679,525	785,341	785,341	785,341
<b>Total Expenditures</b>	<b>\$58,651,687</b>	<b>\$63,957,944</b>	<b>\$66,934,303</b>	<b>\$74,188,274</b>	<b>\$74,945,303</b>
General Fund	24,709,942	24,981,294	27,127,824	31,228,017	31,174,747
State/Other Special Rev. Funds	31,747,315	36,696,628	37,315,187	40,053,385	40,358,380
Federal Spec. Rev. Funds	2,194,430	2,280,022	2,491,292	2,906,872	3,412,176
<b>Total Funds</b>	<b>\$58,651,687</b>	<b>\$63,957,944</b>	<b>\$66,934,303</b>	<b>\$74,188,274</b>	<b>\$74,945,303</b>
<b>Total Ongoing</b>	<b>\$57,137,805</b>	<b>\$62,204,038</b>	<b>\$65,280,397</b>	<b>\$73,210,274</b>	<b>\$73,717,303</b>
<b>Total OTO</b>	<b>\$1,513,882</b>	<b>\$1,753,906</b>	<b>\$1,653,906</b>	<b>\$978,000</b>	<b>\$1,228,000</b>

## Agency Discussion

*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The agency expended 91.7% of the total appropriation. The agency is funded primarily with general fund and state special revenue, which combined constitute 96.4% of the total fund. General fund was 98.9% expended, and state special revenue was 86.5% expended. Most of the unexpended state special revenue of \$4.9 million was in the Conservation & Resource

Development Division and the Forestry & Trust Lands Division. Personal services were 96.8% expended and operating expense 93.6% expended.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

Total appropriations are \$3.0 million or 4.7% higher than the FY 2018 total appropriations due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.5 million
- SB 294 pay plan increase in FY 2019 of \$0.3 million
- Fund transfer from FY 2019 to FY 2018 of \$1.2 million

*Comparison of FY 2019 Legislative Budget to FY 2019 Base*

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Department of Natural Resources				
	Legislative Action	Executive Modifications Per Statutory Authority	Executive Base	% Change From Legislative Action
<b>21 Directors Office</b>				
Personal Services	\$4,692,829	\$19,419	\$4,712,248	0.4%
Operating Expenses	1,148,999	127,958	1,276,957	11.1%
Equipment & Intangible Assets	62,554	-	62,554	0.0%
Transfers-out	-	500	500	0.0%
Debt Service	21,700	-	21,700	0.0%
<b>Program Total</b>	<b>\$5,926,082</b>	<b>\$147,877</b>	<b>\$6,073,959</b>	<b>2.5%</b>
<b>22 Oil &amp; Gas Conservation</b>				
Personal Services	\$1,568,655	\$0	\$1,568,655	0.0%
Operating Expenses	517,470	-	517,470	0.0%
Equipment & Intangible Assets	56,550	-	56,550	0.0%
<b>Program Total</b>	<b>\$2,142,675</b>	<b>\$0</b>	<b>\$2,142,675</b>	<b>0.0%</b>
<b>23 Conservation &amp; Resource Dev</b>				
Personal Services	\$2,341,090	(\$278,264)	\$2,062,826	-11.9%
Operating Expenses	2,604,182	(38,946)	2,565,236	-1.5%
Equipment & Intangible Assets	43,743	-	43,743	0.0%
Local Assistance	3,890,936	167,154	4,058,090	4.3%
Grants	1,211,823	(167,154)	1,044,669	-13.8%
Benefits & Claims	200,000	-	200,000	0.0%
<b>Program Total</b>	<b>\$10,291,774</b>	<b>(\$317,210)</b>	<b>\$9,974,564</b>	<b>-3.1%</b>
<b>24 Water Resources Division</b>				
Personal Services	\$10,117,743	\$28	\$10,117,771	0.0%
Operating Expenses	4,869,993	149,305	5,019,298	3.1%
Equipment & Intangible Assets	133,499	-	133,499	0.0%
Transfers-out	21,591	20,000	41,591	92.6%
Debt Service	738,704	-	738,704	0.0%
<b>Program Total</b>	<b>\$15,881,530</b>	<b>\$169,333</b>	<b>\$16,050,863</b>	<b>1.1%</b>
<b>35 Forestry &amp; Trust Lands</b>				
Personal Services	\$20,118,397	(\$40,000)	\$20,078,397	-0.2%
Operating Expenses	7,961,665	12,000	7,973,665	0.2%
Equipment & Intangible Assets	1,056,720	-	1,056,720	0.0%
Grants	194,465	28,000	222,465	14.4%
Transfers-out	1,682,152	-	1,682,152	0.0%
Debt Service	24,937	-	24,937	0.0%
<b>Program Total</b>	<b>\$31,038,336</b>	<b>\$0</b>	<b>\$31,038,336</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>\$65,280,397</b>	<b>\$0</b>	<b>\$65,280,397</b>	<b>0.0%</b>

The executive modification to the base budget included operating plan changes and transfers between programs. The modifications reduced personal services by \$0.3 million and increased operating expenses by a like amount.

*Executive Request*

The executive proposes an increase of 13.9% in total expenditures including a 19.8% or \$10.3 million increase in general fund appropriation. In addition to present law adjustments, the executive proposes a permanent increase of 2.00 FTE and an increase of 6.50 FTE as one-time-only (OTO) within the Forestry and Trust Land Division. The permanent 2.00 FTE would act as a liaison with the U.S. Forest Service Good Neighbor Authority. The 6.50 OTO FTE would be used to expand the Good Neighbor Authority program to all national forests within the state. As proposed, the executive the budget would be funded 41.9% general fund, 53.9% state special revenue, and 4.2% federal sources.

These requests will be discussed in further detail at the program level.

*5% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2019 biennium 5% plan submitted for this agency is in the Budget Analysis Appendix.

The department's 5% plan reduces the budget by \$2.4 million by reducing general fund and state special revenue each by \$1.2 million. Reductions include expenditures from the land banking account, reductions in the fire protection, and forest stewardship & urban community forestry programs. Other reductions are through savings in operating cost and the deferment of equipment purchases.

**Agency Personal Services**

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

*1. Formula Based*

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

*2. Personal Services Management Decisions*

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

*3. Proposed Reinstatement of Personal Services Base Budget Reductions*

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

#### 4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 2

Personal Services Present Law DP 1 - FY 2020					
Program	Proposed				
	Formula Based	Management Decisions	Reinstatement of Personal Services	Budget Modifications	DP 1 SWPL
Director's Office	\$48,423	\$82,772	\$226,362	\$0	\$357,557
Oil & Gas Conservation Div.	23,895	(44,062)	65,653	-	45,486
Conservation/Resource Dev Div	48,056	400,021	(128,931)	6,512	325,658
Water Resources Division	127,802	(144,657)	806,348	169,305	958,798
Forestry/Trust Lands Div.	134,541	216,066	1,178,108	40,000	1,568,715
<b>Agency Total</b>	<b>\$382,717</b>	<b>\$510,140</b>	<b>\$2,147,540</b>	<b>\$215,817</b>	<b>\$3,256,214</b>

Personal services comprise 57.1% of the budget for the agency. The agency experienced a vacancy saving rate of 6.3% in hours expended compared to hours budgeted. The executive has included a 2% vacancy savings reduction in its budget submission for the 2021 biennium. In FY 2018 the agency experienced a turnover rate of 9.8%, turnover in information technology (IT) is of the greatest concern to the agency. The market for qualified IT persons is extremely competitive in pay and other benefits. The agency addressed the 6% vacancy savings in FY 2018 and FY 2019 by keeping vacant positions open longer than normal, reduced operating costs, and the use of carry forward appropriation. Over the last ten years the agency has, on average, paid out \$300,000 per year for retirements and termination pay outs.

#### Funding

The following table shows proposed agency funding by source of authority.

Total Natural Resources and Conservation Funding by Source of Authority 2021 Biennium Budget Request - Natural Resources and Conservation						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	60,446,764	1,956,000	0	0	62,402,764	38.93 %
State Special Total	80,161,765	250,000	0	4,064,616	84,476,381	52.70 %
Federal Special Total	6,319,048	0	0	0	6,319,048	3.94 %
Proprietary Total	0	0	7,088,441	0	7,088,441	4.42 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$146,927,577</b>	<b>\$2,206,000</b>	<b>\$7,088,441</b>	<b>\$4,064,616</b>	<b>\$160,286,634</b>	
<b>Percent - Total All Sources</b>	<b>91.67 %</b>	<b>1.38 %</b>	<b>4.42 %</b>	<b>2.54 %</b>		

Department of Natural Resources and Conservation is primarily funded with general fund and state special revenue funds. Federal revenue funds and proprietary funds associated with air operations and the state nursery make up the remainder of funding for DNRC.

State special revenue from 28 different funds constitutes over half of the total funding for the agency. The 13 funds that make up 96% of the agencies state special revenue appropriation are listed in the table below. Revenues support appropriations as proposed by the executive.

Executive Proposal for Major State Special Funds 2021 Biennium (The funds listed below constitute 96.0% of agency state special funding)				
Fund	Beginning Balance <sup>1</sup>	Revenues	Expenditures <sup>2</sup>	Ending Balance
			HB 2 Appropriated	
02938 TLMD Trust Administration	\$46,190	\$29,754,000	(\$29,321,816)	\$478,374
02039 Forestry-Fire Protection Taxes	126,845	8,120,020	(\$7,822,377)	424,488
02971 RDB PROCEEDS	16,910	8,000,000	(\$7,966,180)	50,730
02432 Oil & Gas ERA	3,195,797	3,957,000	(\$5,814,507)	1,338,290
02470 State Project Hydro Earnings	1,871,230	6,000,000	(\$4,860,998)	3,010,232
02431 Water Adjudication	36,142	8,092,000	(\$7,896,648)	231,494
02048 Conservation District Acct	1,451,013	6,400,000	(\$5,040,911)	2,810,102
02449 Forest Resources-Forest Improv	1,516,779	2,315,000	(\$2,707,298)	1,124,481
02430 Water Right Appropriation	1,347,660	2,200,000	(\$1,590,546)	1,957,114
02015 TSEP Regional Water System	(3,850,109)	6,217,400	(\$2,017,876)	349,415
02216 Water Storage St Sp Rev Acct	1,225,527	87,000	(519,518)	793,009
02576 Natural Resources Operations	1,668,848	5,172,938	(5,941,899)	899,887
02145 Broadwater O & M	<u>82,330</u>	<u>1,150,000</u>	<u>(1,116,915)</u>	<u>115,415</u>
Total funding	\$8,735,161	\$87,465,358	(\$82,617,489)	\$13,583,030

Notes

<sup>1</sup> The beginning balance is calculated using FY 2018 actual revenues and expenditures and FY 2019 forecast revenues and appropriations

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

<sup>3</sup> The ending balance includes encumbered funds

#### Statutory Authority

DNRC has multiple statutory appropriations:

- Oil and gas production damage mitigation state special revenue fund is statutorily appropriated and under the authority of the Board of Oil and Gas. It receives \$650,000 from the Resource Indemnity Trust interest each biennium for the reclamation of drill sites and production areas associated with oil and natural gas production. Over the past five fiscal years, DNRC has expended an average of \$132,000 per year
- The trust land administration state special revenue fund which receives an \$80,000 transfer each biennium from the general fund for the purposes of administering the Morrill Trust lands. Over the past five fiscal years DNRC has expended an average of \$32,000 per year
- The wildfire suppression state special revenue fund which pays for the state share of wildfire suppression. The fund receives revenue from the Governor's unspent emergency general fund appropriation and general fund reversions in excess of 0.5% of the state general fund budget. Historically, the 10-year average for state wildfire costs is \$25.0 million
- The fire hazard reduction state special revenue fund which receives forfeited performance bonds on fire hazard reduction work and is used by DNRC to control timber debris. Over the past five fiscal years, DNRC has expended an average of \$15,900 per year
- The federal fire reimbursement federal special revenue fund allows DNRC to spend federal fire reimbursements. Over the past five fiscal years, DNRC has expended an average of \$9.1 million per year

**Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	26,920,824	26,920,824	53,841,648	86.28 %	65,280,397	65,280,397	130,560,794	87.55 %
SWPL Adjustments	2,461,457	2,389,451	4,850,908	7.77 %	4,218,629	4,206,922	8,425,551	5.65 %
PL Adjustments	112,752	112,752	225,504	0.36 %	1,506,264	1,506,264	3,012,528	2.02 %
New Proposals	1,732,984	1,751,720	3,484,704	5.58 %	3,182,984	3,951,720	7,134,704	4.78 %
<b>Total Budget</b>	<b>\$31,228,017</b>	<b>\$31,174,747</b>	<b>\$62,402,764</b>		<b>\$74,188,274</b>	<b>\$74,945,303</b>	<b>\$149,133,577</b>	

**Language and Statutory Authority -**

The following language is recommended for HB 2:

"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 2021 biennium, up to \$600,000 from the loan loss reserve account of the private loan program established in 85-1-603 is appropriated to the department for the purchase of prior liens on property held as loan security as provided in 85-1-615."

"During the 2021 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 2021 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 2021 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."

"During the 2021 biennium, up to \$1 million of funds currently in or to be deposited in the Contract Timber Harvest account is appropriated to the department for contract harvesting, a tool to improve forest health and generate revenue for trust beneficiaries."

"During the 2021 biennium, up to \$500,000 of funds from the Trust Administration and/or Forest Improvement accounts are appropriated to the department for unexpected or emergency road system maintenance and/or repairs due to damage from erosion, public use, flooding, fire or other natural disasters. This appropriation would be limited to earthwork, gravel replacement, emergency repair or replacement of stream crossing structures such as culverts and bridges.."

"During the 2021 biennium, up to \$500,000 of funds in the Trust Administration and Forest Improvement accounts are appropriated to the department for road maintenance on state trust lands due to damage from erosion, public use, flooding and/or post fire or other natural disaster restoration."



### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	9,460,028	10,134,775	674,747	7.13 %
Operating Expenses	2,650,270	4,260,446	1,610,176	60.76 %
Equipment & Intangible Assets	62,554	125,108	62,554	100.00 %
Transfers	1,000	1,000	0	0.00 %
Debt Service	27,184	43,400	16,216	59.65 %
<b>Total Expenditures</b>	<b>\$12,201,036</b>	<b>\$14,564,729</b>	<b>\$2,363,693</b>	<b>19.37 %</b>
General Fund	7,126,922	8,583,175	1,456,253	20.43 %
State/Other Special Rev. Funds	4,329,143	5,256,684	927,541	21.43 %
Federal Spec. Rev. Funds	744,971	724,870	(20,101)	(2.70)%
<b>Total Funds</b>	<b>\$12,201,036</b>	<b>\$14,564,729</b>	<b>\$2,363,693</b>	<b>19.37 %</b>
<b>Total Ongoing</b>	<b>\$12,201,036</b>	<b>\$14,564,729</b>	<b>\$2,363,693</b>	<b>19.37 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 19.4%, which for the program is minimally influenced by the FY 2018 appropriations reductions. Compared to the FY 2019 base appropriation, the growth is 19.9%.

### Program Description

The Director's Office 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 Director's Office provide legal, personnel, financial, budgetary, procurement and contracting, information technology, and communications services to the director and the divisions within the agency.

### Program Highlights

<b>Director's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The executive proposes an increase of 19.4% or \$2.4 million in total appropriations when compared to the 2019 biennium, general fund increases 20.4% or \$1.5 million</li> <li>• The executive proposes present law adjustments for rent increases for the director's office</li> </ul>

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	57.00	57.00	57.00	57.00
Personal Services	4,613,583	4,747,780	4,712,248	5,069,805	5,064,970
Operating Expenses	1,374,661	1,373,313	1,276,957	2,147,084	2,113,362
Equipment & Intangible Assets	0	0	62,554	62,554	62,554
Transfers	95	500	500	500	500
Debt Service	5,483	5,484	21,700	21,700	21,700
<b>Total Expenditures</b>	<b>\$5,993,822</b>	<b>\$6,127,077</b>	<b>\$6,073,959</b>	<b>\$7,301,643</b>	<b>\$7,263,086</b>
General Fund	3,412,082	3,545,336	3,581,586	4,333,080	4,250,095
State/Other Special Rev. Funds	2,138,966	2,138,967	2,190,176	2,608,823	2,647,861
Federal Spec. Rev. Funds	442,774	442,774	302,197	359,740	365,130
<b>Total Funds</b>	<b>\$5,993,822</b>	<b>\$6,127,077</b>	<b>\$6,073,959</b>	<b>\$7,301,643</b>	<b>\$7,263,086</b>
<b>Total Ongoing</b>	<b>\$5,993,822</b>	<b>\$6,127,077</b>	<b>\$6,073,959</b>	<b>\$7,301,643</b>	<b>\$7,263,086</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The agency expended 97.8% of the total FY 2018 appropriation. The agency is funded primarily with general fund and state special revenue which combined constitute 92.8% of the total budget. General fund was 96.2% expended and state special revenue was 100.0% expended. Personal service and operating expenditure comprise 99.9% of the total budget. Personal services were 97.2% expended and operating expenses 100.1% expended.

#### *FY 2018 Appropriations Compared to FY 2019 Appropriations*

Total FY 2019 appropriations are \$53,000 or less than 1.0% lower than the FY 2018 total appropriations due to:

- November 2017 Special Session reductions in both fiscal year that were subsequently restored by SB 9 for FY 2019, in the amount of \$361,000
- SB 294 pay plan increase in FY 2019 of \$25,000
- Audit fees budgeted in FY 2018 but not in FY 2019, \$132,000
- Program transfers decreased \$300,000 in FY 2019
- Other budget amendments of \$307,000 in FY 2019

#### *Executive Request*

Total appropriation increases by 19.4% or \$2.4 million. In addition to SWPL adjustments for personal services, fixed costs, and inflation, the executive proposes an increase in appropriation for rent. DNRC office space is a commercial lease, as a result SWPL adjustments do not capture increases in rent for the agency. As proposed by the executive the division is funded 58.9% general fund, 36.1% state special revenue, and 5.0% federal sources.

#### *Personal Services*

Personal services comprise 69.6% of the budget for the division. The agency experienced a vacancy saving rate of 0.6% in hours expended compared to hours budgeted. The executive has included a 2% vacancy savings reduction to all positions in its budget submission for the 2021 biennium. At the end of FY 2018 the division had vacant positions totaling 4.00 FTE.

### Funding

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

Natural Resources and Conservation, 21-Director's Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	8,583,175	0	0	0	8,583,175	58.93 %	
02039 Forestry-Fire Protection Taxes	549,021	0	0	0	549,021	10.44 %	
02052 Rangeland Improvement Loans	55,016	0	0	0	55,016	1.05 %	
02073 Forestry - Slash Disposal	11,154	0	0	0	11,154	0.21 %	
02145 Broadwater O & M	57,383	0	0	0	57,383	1.09 %	
02216 Water Storage St Sp Rev Acct	0	0	0	0	0	0.00 %	
02223 Wastewater SRF Special Admin	119,929	0	0	0	119,929	2.28 %	
03255 CSD Federal Indirect	0	0	0	0	0	0.00 %	
02430 Water Right Appropriation	238,854	0	0	0	238,854	4.54 %	
02431 Water Adjudication	822,438	0	0	0	822,438	15.65 %	
02432 Oil & Gas ERA	355,383	0	0	0	355,383	6.76 %	
02470 State Project Hydro Earnings	0	0	0	0	0	0.00 %	
02491 Drinking Water Spec Admin Cost	119,928	0	0	0	119,928	2.28 %	
02576 Natural Resources Operations	415,431	0	0	0	415,431	7.90 %	
02825 Water Well Contractors	17,127	0	0	0	17,127	0.33 %	
02938 TLMD Trust Administration	2,464,049	0	0	0	2,464,049	46.87 %	
02048 Conservation District Acct	30,971	0	0	0	30,971	0.59 %	
02284 Aquatic Invasive Species	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$5,256,684</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,256,684</b>	<b>36.09 %</b>	
03255 CSD Federal Indirect	724,870	0	0	0	724,870	100.00 %	
<b>Federal Special Total</b>	<b>\$724,870</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$724,870</b>	<b>4.98 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$14,564,729</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,564,729</b>		

The Director's Office is funded mostly with general fund and state special revenue generated from timber sales, taxes on oil and gas, fire protection taxes, and other taxes and fees. State special revenue is used to cover the costs of services provided to other programs in the department. The remaining federal revenue is a portion of the federal funds provided for overhead costs.

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	3,581,586	3,581,586	7,163,172	83.46 %	6,073,959	6,073,959	12,147,918	83.41 %
SWPL Adjustments	638,742	555,757	1,194,499	13.92 %	1,027,684	989,127	2,016,811	13.85 %
PL Adjustments	112,752	112,752	225,504	2.63 %	200,000	200,000	400,000	2.75 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$4,333,080</b>	<b>\$4,250,095</b>	<b>\$8,583,175</b>		<b>\$7,301,643</b>	<b>\$7,263,086</b>	<b>\$14,564,729</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	202,144	136,570	18,843	357,557	0.00	198,891	135,178	18,653	352,722
DP 2 - Fixed Costs	0.00	436,492	205,345	28,111	669,948	0.00	356,735	245,759	33,689	636,183
DP 3 - Inflation Deflation	0.00	106	62	11	179	0.00	131	78	13	222
DP 211002 - DO-Rent Adjustment	0.00	112,752	76,670	10,578	200,000	0.00	112,752	76,670	10,578	200,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$751,494</b>	<b>\$418,647</b>	<b>\$57,543</b>	<b>\$1,227,684</b>	<b>0.00</b>	<b>\$668,509</b>	<b>\$457,685</b>	<b>\$62,933</b>	<b>\$1,189,127</b>

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 211002 - DO-Rent Adjustment -

The executive proposes an increase in general fund, state special revenue, and federal funds for rent on the DNRC Director's Office portion of the headquarters office located in Helena.

**Program Biennium Comparison**

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	3,052,977	3,227,738	174,761	5.72 %
Operating Expenses	1,034,401	1,039,479	5,078	0.49 %
Equipment & Intangible Assets	113,100	113,100	0	0.00 %
<b>Total Expenditures</b>	<b>\$4,200,478</b>	<b>\$4,380,317</b>	<b>\$179,839</b>	<b>4.28 %</b>
State/Other Special Rev. Funds	3,997,376	4,166,953	169,577	4.24 %
Federal Spec. Rev. Funds	203,102	213,364	10,262	5.05 %
<b>Total Funds</b>	<b>\$4,200,478</b>	<b>\$4,380,317</b>	<b>\$179,839</b>	<b>4.28 %</b>
<b>Total Ongoing</b>	<b>\$4,200,478</b>	<b>\$4,380,317</b>	<b>\$179,839</b>	<b>4.28 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Biennium Comparison -**

The biennium comparison table shows a total growth of 4.3%, which for the program is influenced by the FY 2018 appropriations reductions. Compared to the FY 2019 base appropriation, the growth is 2.2%.

**Program Description**

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

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

**Program Highlights**

<p><b>Oil &amp; Gas Conservation Division Major Budget Highlights</b></p>
<ul style="list-style-type: none"> <li>• The executive proposes an increase of 4.3% or \$180,000 in total appropriations when compared to the 2019 biennium</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	19.50	19.50	19.50	19.50
Personal Services	1,296,134	1,484,322	1,568,655	1,614,141	1,613,597
Operating Expenses	362,011	516,931	517,470	519,321	520,158
Equipment & Intangible Assets	29,850	56,550	56,550	56,550	56,550
<b>Total Expenditures</b>	<b>\$1,687,995</b>	<b>\$2,057,803</b>	<b>\$2,142,675</b>	<b>\$2,190,012</b>	<b>\$2,190,305</b>
State/Other Special Rev. Funds	1,633,143	1,961,383	2,035,993	2,083,330	2,083,623
Federal Spec. Rev. Funds	54,852	96,420	106,682	106,682	106,682
<b>Total Funds</b>	<b>\$1,687,995</b>	<b>\$2,057,803</b>	<b>\$2,142,675</b>	<b>\$2,190,012</b>	<b>\$2,190,305</b>
<b>Total Ongoing</b>	<b>\$1,687,995</b>	<b>\$2,057,803</b>	<b>\$2,142,675</b>	<b>\$2,190,012</b>	<b>\$2,190,305</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -***FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The program expended 82.0% of the total FY 2018 appropriation. The program is funded primarily with state special revenue which constitute 95.3% of the total fund and was 83.3% expended, federal revenue was 56.9% expended. The program has no general fund appropriation. Personal services and appropriated operating expense constitute 97.3% of budgeted expenditures and combined were 82.9% expended.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

Total appropriations are \$85,000 or 4.1% higher than the FY 2018 total appropriations due to:

- Legislative appropriations \$72,000 higher in FY 2019
- Other budget amendments \$13,000 higher in FY 2019

*Executive Request*

Total appropriations increase by 4.3% or \$180,000. The executive proposes only SWPL adjustments for personal services and fixed costs. As proposed by the executive, the division's HB 2 funding is 95.1% state special revenue, and 4.9% federal sources.

*Personal Services*

Personal services comprise 73.7% of the budget for the division. The agency experienced a vacancy saving rate of 4.3% in hours expended compared to hours budgeted. The executive has included a 2% vacancy savings reduction to all positions in its budget submission for the 2021 biennium. At the end of FY 2018 the division had vacant positions totaling 3.50 FTE.

**Funding**

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

Natural Resources and Conservation, 22-Oil & Gas Conservation Div.							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02010 Oil & Gas Damage Mitigation	0	0	0	380,000	380,000	8.36 %	
02432 Oil & Gas ERA	4,166,953	0	0	0	4,166,953	91.64 %	
<b>State Special Total</b>	<b>\$4,166,953</b>	<b>\$0</b>	<b>\$0</b>	<b>\$380,000</b>	<b>\$4,546,953</b>	<b>95.52 %</b>	
03356 Oil & Gas Federal	213,364	0	0	0	213,364	100.00 %	
<b>Federal Special Total</b>	<b>\$213,364</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$213,364</b>	<b>4.48 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$4,380,317</b>	<b>\$0</b>	<b>\$0</b>	<b>\$380,000</b>	<b>\$4,760,317</b>		

The division is funded through taxes levied on oil and gas production and fees paid by operators of class II injection wells.

**Program Budget Summary by Category**

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

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	0	0	0	0.00 %	2,142,675	2,142,675	4,285,350	97.83 %	
SWPL Adjustments	0	0	0	0.00 %	47,337	47,630	94,967	2.17 %	
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,190,012</b>	<b>\$2,190,305</b>	<b>\$4,380,317</b>		

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	45,486	0	45,486	0.00	0	44,942	0	44,942
DP 2 - Fixed Costs	0.00	0	1,851	0	1,851	0.00	0	2,688	0	2,688
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$47,337</b>	<b>\$0</b>	<b>\$47,337</b>	<b>0.00</b>	<b>\$0</b>	<b>\$47,630</b>	<b>\$0</b>	<b>\$47,630</b>

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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



### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	4,523,515	4,781,878	258,363	5.71 %
Operating Expenses	5,692,389	5,707,379	14,990	0.26 %
Equipment & Intangible Assets	87,486	87,486	0	0.00 %
Local Assistance	8,096,180	8,116,180	20,000	0.25 %
Grants	2,331,383	2,449,338	117,955	5.06 %
Benefits & Claims	400,000	800,000	400,000	100.00 %
Transfers	1,325	0	(1,325)	(100.00)%
<b>Total Expenditures</b>	<b>\$21,132,278</b>	<b>\$21,942,261</b>	<b>\$809,983</b>	<b>3.83 %</b>
General Fund	3,256,235	3,414,550	158,315	4.86 %
State/Other Special Rev. Funds	17,160,386	17,949,875	789,489	4.60 %
Federal Spec. Rev. Funds	715,657	577,836	(137,821)	(19.26)%
<b>Total Funds</b>	<b>\$21,132,278</b>	<b>\$21,942,261</b>	<b>\$809,983</b>	<b>3.83 %</b>
<b>Total Ongoing</b>	<b>\$19,730,994</b>	<b>\$21,942,261</b>	<b>\$2,211,267</b>	<b>11.21 %</b>
<b>Total OTO</b>	<b>\$1,401,284</b>	<b>\$0</b>	<b>(\$1,401,284)</b>	<b>(100.00)%</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 3.8%, which for the program is influenced by the FY 2018 appropriations reductions. Compared to the FY 2019 base appropriation, the growth is 3.2%.

### 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 2018 included \$853 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$20 million, and private loans for \$10 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs. Administratively attached to the division are the Montana Sage Grouse Program, Flathead Basin Commission, Upper Columbia Conservation Commission, and the Montana Invasive Species Council which work to protect Montana's natural resources.

### Program Highlights

**Conservation & Resource Development Division  
Major Budget Highlights**

- The executive proposes an increase of 3.8% or \$0.8 million in total appropriations when compared to the 2019 biennium
- The executive proposes present law adjustments totaling \$2.0 million
  - Increase in funding water projects such as
    - Montana rural water
    - Regional water administration
    - Drinking water loan forgiveness
  - Soil conservation salinity control projects
  - Increase in operating expense for conservation district and resource development bureaus

### Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	27.17	27.17	27.17	27.17
Personal Services	2,150,154	2,260,689	2,262,826	2,388,484	2,393,394
Operating Expenses	2,540,561	2,791,511	2,900,878	2,853,786	2,853,593
Equipment & Intangible Assets	0	43,743	43,743	43,743	43,743
Local Assistance	1,437,875	4,038,090	4,058,090	4,058,090	4,058,090
Grants	1,241,049	1,171,714	1,159,669	1,224,669	1,224,669
Benefits & Claims	0	200,000	200,000	400,000	400,000
Transfers	1,324	1,325	0	0	0
<b>Total Expenditures</b>	<b>\$7,370,963</b>	<b>\$10,507,072</b>	<b>\$10,625,206</b>	<b>\$10,968,772</b>	<b>\$10,973,489</b>
General Fund	1,519,135	1,528,342	1,727,893	1,706,745	1,707,805
State/Other Special Rev. Funds	5,582,909	8,709,812	8,450,574	8,973,109	8,976,766
Federal Spec. Rev. Funds	268,919	268,918	446,739	288,918	288,918
<b>Total Funds</b>	<b>\$7,370,963</b>	<b>\$10,507,072</b>	<b>\$10,625,206</b>	<b>\$10,968,772</b>	<b>\$10,973,489</b>
<b>Total Ongoing</b>	<b>\$6,620,339</b>	<b>\$9,756,430</b>	<b>\$9,974,564</b>	<b>\$10,968,772</b>	<b>\$10,973,489</b>
<b>Total OTO</b>	<b>\$750,624</b>	<b>\$750,642</b>	<b>\$650,642</b>	<b>\$0</b>	<b>\$0</b>

### Program Discussion -

#### *FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The program expended 70.2% of the total FY 2018 appropriation. The program is funded primarily with state special revenue, which constitutes 82.9% of the total funding and was 64.1% expended. General fund was 99.4% expended and federal funding was 100.0% expended. Of the \$4.0 million in state special revenue budgeted for local assistance, \$2.6 million or 64.4% was unexpended. The program provides local assistance for irrigation improvement projects, and demand for assistance on this type of project varies widely from year to year.

#### *FY 2018 Appropriations Compared to FY 2019 Appropriations*

Total appropriations are \$118,000 or 1.1% higher than the FY 2018 total appropriations due to:

- November 2017 Special Session reductions in both fiscal year that were subsequently restored by SB 9 for FY 2019, in the amount of \$172,000

- SB 294 pay plan increase in FY 2019 of \$15,000
- Program transfers decreased \$79,000 in FY 2019
- Other budget amendments were \$10,000 higher in FY 2019

#### *Executive Request*

Total appropriations increase by 3.8% or \$0.8 million. Of the proposed budget, 51.8% are for local assistance, grants, and benefits & claims. In addition to SWPL adjustments of \$0.7 million, the executive proposes present law adjustments totaling \$1.3 million to support increases in operations and several loan and grant programs. Present law adjustments are funded 96.9% with state special revenue from interest and earnings from the resource indemnity trust, resource indemnity tax distributions, bond proceeds, and production taxes on oil and gas. The remaining funds are from federal sources. The HB 2 budget, as proposed by the executive is funded with 15.6% general fund, 81.8% state special revenue, and 2.6% from federal sources.

#### *Personal Services*

Personal services comprise 21.8% of the budget for the division. The agency experienced a vacancy saving rate of 2.3% in hours expended compared to hours budgeted. The executive has included a 2% vacancy savings reduction to all positions in its budget submission for the 2021 biennium.

#### **Funding**

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

Natural Resources and Conservation, 23-Conservation & Resource Dev Div						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,414,550	0	0	0	3,414,550	13.32 %
02015 TSEP Regional Water System	2,017,876	0	0	0	2,017,876	9.33 %
02052 Rangeland Improvement Loans	162,188	0	0	0	162,188	0.75 %
02152 Wtr Pol. Ctrl Revolv Loan Acct	0	0	0	0	0	0.00 %
02224 SRF Wastewater Investment Acct	0	0	0	0	0	0.00 %
02255 SRF Principal Sub Account	0	0	0	0	0	0.00 %
02316 SRF Bonds State Administration	65,014	0	0	0	65,014	0.30 %
02326 CST 10C PROCEEDS (TAXABLE)	0	0	0	0	0	0.00 %
02340 Coal Sev. Tax Shared SSR	0	0	0	0	0	0.00 %
02432 Oil & Gas ERA	1,292,171	0	0	0	1,292,171	5.97 %
02433 Grazing District Fees	48,700	0	0	0	48,700	0.23 %
02488 Drinking Water Loan Account	0	0	0	0	0	0.00 %
02489 Drinking Water Principal Acct	0	0	0	0	0	0.00 %
02490 Drinking Water Investment	800,000	0	0	0	800,000	3.70 %
02532 WW RAN Proceeds	0	0	0	0	0	0.00 %
02576 Natural Resources Operations	237,806	0	0	0	237,806	1.10 %
02577 Natural Resources Projects	0	0	0	0	0	0.00 %
02620 2015B DW SRF BAN Proceeds	0	0	0	0	0	0.00 %
02684 GO2015C WW SRF Proceeds	0	0	0	0	0	0.00 %
02694 Coal Bed Methane Protection	350,000	0	0	0	350,000	1.62 %
02967 GO 2013D Bond Proceeds Taxable	0	0	0	0	0	0.00 %
02971 RDB PROCEEDS	7,966,180	0	0	0	7,966,180	36.82 %
02845 Junk Vehicle Disposal	0	0	0	0	0	0.00 %
02318 Sage Grouse Stewardship	0	0	0	3,684,616	3,684,616	17.03 %
02048 Conservation District Acct	5,009,940	0	0	0	5,009,940	23.16 %
02284 Aquatic Invasive Species	0	0	0	0	0	0.00 %
02682 2017C CW SRF GO BAN PROCEEDS	0	0	0	0	0	0.00 %
02951 2017B WW SRF GO BAN PROCEEDS	0	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$17,949,875</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,684,616</b>	<b>\$21,634,491</b>	<b>84.42 %</b>
03149 WPC SRF FY09 GRANT	128,556	0	0	0	128,556	22.25 %
03152 DW14 SRF Grant	0	0	0	0	0	0.00 %
03178 Res Dev & Cons - Fed	0	0	0	0	0	0.00 %
03245 WPC15 SRF Grant	0	0	0	0	0	0.00 %
03409 WPC14 SRF Grant	0	0	0	0	0	0.00 %
03457 WPC SRF FY13 Grant	128,556	0	0	0	128,556	22.25 %
03687 DW15 SRF Grant	0	0	0	0	0	0.00 %
03812 DW SRF 07 Grant	0	0	0	0	0	0.00 %
03815 DW SRF FY09 GRANT	160,362	0	0	0	160,362	27.75 %
03818 DW SRF FY10 GRANT	160,362	0	0	0	160,362	27.75 %
03952 DW16 SRF Grant	0	0	0	0	0	0.00 %
03953 DW17 SRF Grant	0	0	0	0	0	0.00 %
03384 Aquatic Invasive Species	0	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$577,836</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$577,836</b>	<b>2.25 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$21,942,261</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,684,616</b>	<b>\$25,626,877</b>	

State special revenue is used to fund the Conservation Districts Bureau, Resources Development Bureau, and sage grouse conservation programs. Sources of revenue include interest and earnings from the resource indemnity trust, resource indemnity tax distributions, bond proceeds, and production taxes on oil and gas.

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,612,893	1,612,893	3,225,786	94.47 %	9,974,564	9,974,564	19,949,128	90.92 %
SWPL Adjustments	93,852	94,912	188,764	5.53 %	349,208	353,925	703,133	3.20 %
PL Adjustments	0	0	0	0.00 %	645,000	645,000	1,290,000	5.88 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$1,706,745</b>	<b>\$1,707,805</b>	<b>\$3,414,550</b>		<b>\$10,968,772</b>	<b>\$10,973,489</b>	<b>\$21,942,261</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	85,639	240,019	0	325,658	0.00	86,761	243,807	0	330,568
DP 2 - Fixed Costs	0.00	7,876	14,710	0	22,586	0.00	7,732	14,428	0	22,160
DP 3 - Inflation Deflation	0.00	337	627	0	964	0.00	419	778	0	1,197
DP 231001 - CARDD-Operating Adjustments-	0.00	0	15,000	20,000	35,000	0.00	0	15,000	20,000	35,000
DP 231003 - CARDD-CD Administration	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 231004 - CARDD 223 Program	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 231005 - CARDD-Salinity Control	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 231006 - CARDD-Montana Rural Water	0.00	0	180,000	0	180,000	0.00	0	180,000	0	180,000
DP 231007 - CARDD-Drinking Water Loan Forgiveness	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 231009 - CARDD-Regional Water Administration	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$93,852</b>	<b>\$880,356</b>	<b>\$20,000</b>	<b>\$994,208</b>	<b>0.00</b>	<b>\$94,912</b>	<b>\$884,013</b>	<b>\$20,000</b>	<b>\$998,925</b>

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 231001 - CARDD-Operating Adjustments--

The executive proposes increases in state special and federal revenue for operating expenses for the conservation district and resource development bureaus. This will be used to cover contracted service expenses that are expected to increase over the biennium.

DP 231003 - CARDD-CD Administration -

The executive proposes an increase in state special revenue to fund grants to conservation districts to assist with expenses related to the operation of the district.

DP 231004 - CARDD 223 Program -

The executive proposes an increase in state special revenue to support the Conservation District Grant 223 program. Additional funding is proposed to respond to flooding, forest fires, and the mitigation of these natural resource events.

DP 231005 - CARDD-Salinity Control -

The executive proposes an increase in state special revenue to assist the Conservation District Bureaus in the abatement of the statewide saline seep and to reclaim land affected by elevated groundwater levels.

DP 231006 - CARDD-Montana Rural Water -

The executive proposes an increase in state special revenue to support training and operating expenses of the Montana Rural Water staff. Montana Rural Water Systems staff provide training and technical assistance to insure rural communities operating drinking water and waste water systems comply with federal regulations.

DP 231007 - CARDD-Drinking Water Loan Forgiveness -

The executive proposes an increase in state special revenue in the form of loan forgiveness. This change package allows the state to provide local assistance to borrowers in the form of loan forgiveness. This is provided for in federal legislation.

DP 231009 - CARDD-Regional Water Administration -

The executive proposes to increase state special revenue appropriation for the Regional Water Systems. This is to pay for operating expenses associated with the communication, travel, and other expenses of the Regional Water Board and state staff.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	19,950,796	22,156,281	2,205,485	11.05 %
Operating Expenses	9,137,465	13,662,590	4,525,125	49.52 %
Equipment & Intangible Assets	165,439	266,998	101,559	61.39 %
Transfers	65,057	83,182	18,125	27.86 %
Debt Service	1,387,808	1,477,408	89,600	6.46 %
<b>Total Expenditures</b>	<b>\$30,706,565</b>	<b>\$37,646,459</b>	<b>\$6,939,894</b>	<b>22.60 %</b>
General Fund	17,079,059	21,427,134	4,348,075	25.46 %
State/Other Special Rev. Funds	13,243,876	15,665,939	2,422,063	18.29 %
Federal Spec. Rev. Funds	383,630	553,386	169,756	44.25 %
<b>Total Funds</b>	<b>\$30,706,565</b>	<b>\$37,646,459</b>	<b>\$6,939,894</b>	<b>22.60 %</b>
<b>Total Ongoing</b>	<b>\$30,706,565</b>	<b>\$37,206,459</b>	<b>\$6,499,894</b>	<b>21.17 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$440,000</b>	<b>\$440,000</b>	<b>100.00 %</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 22.6%, which for the program is influenced by the FY 2018 appropriations reductions. Compared to the FY 2019 base appropriation, the growth is 17.3%.

### Program Description

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

The division consists of an administration unit and five bureaus:

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

Responsibilities of the division include:

- To manage and maintain the state-owned dams, reservoirs, and canals
- To develop and recommend in-state, interstate, and international water policy to the director, Governor, and legislature
- To administer the Dam Safety, Floodplain Management, and Water Management programs
- To conduct coordinated water resource planning, hydrologic assessments, water measurement and implementation of federal and tribal water compacts.
- To provide support to the Board of Water Well Contractors
- To assist the Water Court with the adjudication of pre-July 1, 1973, water rights
- To administer applications for new water rights, changes in historic water rights, and ownership updates
- To maintain centralized water rights records

Program Highlights

Water Resources Division Major Budget Highlights
<p>The executive proposes a 22.6% or \$6.9 million increase in total appropriation. The increase is funded with \$4.3 million general fund, \$2.4 million in state special revenue and \$170,000 in federal revenue. New proposals include:</p> <ul style="list-style-type: none"> <li>• General fund appropriations totaling \$1.3 million for:                             <ul style="list-style-type: none"> <li>◦ Water Rights Compacts Implementation</li> <li>◦ Cost share for USGS cooperative stream gauge program</li> <li>◦ Montana drought mitigation, response, and recovery plan</li> <li>◦ External engineering review of dam design</li> </ul> </li> <li>• State special revenue totaling \$2.2 million for                             <ul style="list-style-type: none"> <li>◦ Contracted services to conduct condition assessment on state owned water storage and irrigation systems</li> <li>◦ Dam rehabilitation and improvement projects</li> </ul> </li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	133.76	133.76	133.76	133.76
Personal Services	9,279,190	9,833,025	10,117,771	11,076,569	11,079,712
Operating Expenses	3,966,790	4,118,167	5,019,298	6,694,437	6,968,153
Equipment & Intangible Assets	31,191	31,940	133,499	133,499	133,499
Transfers	17,136	23,466	41,591	41,591	41,591
Debt Service	673,580	649,104	738,704	738,704	738,704
<b>Total Expenditures</b>	<b>\$13,967,887</b>	<b>\$14,655,702</b>	<b>\$16,050,863</b>	<b>\$18,684,800</b>	<b>\$18,961,659</b>
General Fund	7,830,224	7,949,644	9,129,415	10,702,101	10,725,033
State/Other Special Rev. Funds	6,023,176	6,590,306	6,653,570	7,705,963	7,959,976
Federal Spec. Rev. Funds	114,487	115,752	267,878	276,736	276,650
<b>Total Funds</b>	<b>\$13,967,887</b>	<b>\$14,655,702</b>	<b>\$16,050,863</b>	<b>\$18,684,800</b>	<b>\$18,961,659</b>
<b>Total Ongoing</b>	<b>\$13,967,887</b>	<b>\$14,655,702</b>	<b>\$16,050,863</b>	<b>\$18,589,800</b>	<b>\$18,616,659</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$95,000</b>	<b>\$345,000</b>

Program Discussion -

*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The program expended 95.3% of total appropriation. The program is funded primarily with general fund and state special which combined constitute 99.2% of total funding and were 95.3% expended. Personal services were 94.4% expended.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

Total appropriations are \$1.4 million or 9.5% higher than the FY 2018 total appropriations due to:

- November 2017 Special Session reductions in both fiscal year that were subsequently restored by SB 9 for FY 2019, in the amount of \$0.9 million



- SB 294 pay plan increase in FY 2019 of \$52,000
- Program transfers increased \$0.2 million in FY 2019
- Legislative appropriations \$0.3 million higher in FY 2019

### *Executive Request*

Total appropriation increase by 22.6% or \$6.9 million. New proposals totaling \$3.4 million are discussed below.

The executive proposes \$0.4 million in general fund for the Water Resources Division/Water Management Bureau base budget to support fulfilling the state's responsibilities in Federal Reserved Water Rights Compact implementation. Montana's water compact's found under MCA Title 85 Chapter 20, obligate the State to implement them. The majority of these compacts have a variety of implementation obligations, some obligations are more explicit than others. Eighteen reserved water right compacts have been negotiated and ratified by the Montana Legislature.

The executive proposes general fund appropriation of \$0.7 million for the biennium to the Water Resources Division/Water Management Bureau (WMB) base budget to fund its participation in the USGS Cooperative Stream Gauge Program. Water Resources Division/Water Management Bureau partners with the U.S. Geological Survey (USGS) to operate and maintain a network of 42 stream gauges, across Montana through the USGS Cooperative Stream Gauge Program. Funding for the WMB's participation in the program was eliminated at the start of the 2019 biennium.

The executive proposes \$150,000 one-time-only general fund appropriation to update the Montana State Drought Mitigation, Response, and Recovery Plan. The current plan was last updated in 1995. Funds will be used to secure the contracted services necessary to develop a comprehensive State Drought Mitigation, Response, and Recovery Plan. Elements of the plan would include a vulnerability assessment, review and identification of appropriate drought monitoring and evaluation metrics, alternatives for drought mitigation, a response plan in the event of drought, and recovery measures to address ongoing and post-drought conditions.

The executive proposes a \$40,000 general fund increase in base annual funding for external engineering reviews for large and/or complex dam rehab designs.

The executive proposes a one-time-only state special revenue appropriation for contracted services of \$250,000 to conduct full inventory, condition assessment, preliminary cost estimates to repair, rehabilitate, and/or provide necessary alterations, and economic analysis of 18 active state-owned water storage projects consisting of 23 dams, 2 dikes, and approximately 250 miles of supply and delivery canals. In order to provide a priority list of projects for rehabilitation efforts and identify those state-owned projects with minimal benefit to the state.

The executive proposes \$1.9 million in state special revenue to develop environmental compliance plans as well as maintenance and improvements on the Painted Rocks Dam and the East Fork Dam.

As proposed by the executive, the divisions HB 2 funding is 56.9% general fund, 41.6% state special revenue, and 1.5% from federal sources.

### *Personal Services*

Personal services comprise 58.9% of the budget for the division. The agency experienced a vacancy saving rate of 7.0% in hours expended compared to hours budgeted. The executive has included a 2% vacancy savings reduction to all positions in its budget submission for the 2021 biennium.

### **Funding**

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

Natural Resources and Conservation, 24-Water Resources Division							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	21,237,134	190,000	0	0	21,427,134	56.92 %	
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %	
02145 Broadwater O & M	1,059,532	0	0	0	1,059,532	6.76 %	
02146 Broadwater Irrigation	0	0	0	0	0	0.00 %	
02147 Broadwater R & R	0	0	0	0	0	0.00 %	
02216 Water Storage St Sp Rev Acct	1,519,518	250,000	0	0	1,769,518	11.30 %	
02305 Blackfeet Mitigation	0	0	0	0	0	0.00 %	
02351 Water Project Lands Lease Acct	119,578	0	0	0	119,578	0.76 %	
02404 Water Project Loans	616,410	0	0	0	616,410	3.93 %	
02430 Water Right Appropriation	1,351,692	0	0	0	1,351,692	8.63 %	
02431 Water Adjudication	4,518,587	0	0	0	4,518,587	28.84 %	
02470 State Project Hydro Earnings	5,760,998	0	0	0	5,760,998	36.77 %	
02576 Natural Resources Operations	252,023	0	0	0	252,023	1.61 %	
02825 Water Well Contractors	217,601	0	0	0	217,601	1.39 %	
02307 Blackfeet Birch CK Agmt-Escrow	0	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$15,415,939</b>	<b>\$250,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,665,939</b>	<b>41.61 %</b>	
03034 Yellowstone Groundwater NPS	43,590	0	0	0	43,590	7.88 %	
03094 FEMA Federal Grants	509,796	0	0	0	509,796	92.12 %	
03308 Water Resources - Federal	0	0	0	0	0	0.00 %	
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$553,386</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$553,386</b>	<b>1.47 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$37,206,459</b>	<b>\$440,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,646,459</b>		

The Water Resources Division is predominantly funded with general fund and state special revenue. Most of the state special revenue comes from state owned hydroelectric projects for the repair and rehabilitation of state owned water projects. Other state special revenue come from funds set aside for water adjudication.

**Program Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	9,129,415	9,129,415	18,258,830	85.21 %	16,050,863	16,050,863	32,101,726	85.27 %
SWPL Adjustments	934,702	938,898	1,873,600	8.74 %	1,045,953	1,054,076	2,100,029	5.58 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	637,984	656,720	1,294,704	6.04 %	1,587,984	1,856,720	3,444,704	9.15 %
<b>Total Budget</b>	<b>\$10,702,101</b>	<b>\$10,725,033</b>	<b>\$21,427,134</b>		<b>\$18,684,800</b>	<b>\$18,961,659</b>	<b>\$37,646,459</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	850,445	99,495	8,858	958,798	0.00	849,766	103,403	8,772	961,941
DP 2 - Fixed Costs	0.00	67,276	2,275	0	69,551	0.00	68,013	2,275	0	70,288
DP 3 - Inflation Deflation	0.00	16,981	623	0	17,604	0.00	21,119	728	0	21,847
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$934,702</b>	<b>\$102,393</b>	<b>\$8,858</b>	<b>\$1,045,953</b>	<b>0.00</b>	<b>\$938,898</b>	<b>\$106,406</b>	<b>\$8,772</b>	<b>\$1,054,076</b>

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others. .

**New Proposals**

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 241003 - WRD-Reserved Water Right Compacts Implementation Funding	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 241004 - WRD-Cost Share Support for USGS Coop Stream Gage Program	0.00	342,984	0	0	342,984	0.00	361,720	0	0	361,720
DP 241006 - WRD-Update The MT State Drought Mitigation, Response and R	0.00	75,000	0	0	75,000	0.00	75,000	0	0	75,000
DP 241007 - WRD-External Engineering Review - Dam Designs	0.00	20,000	0	0	20,000	0.00	20,000	0	0	20,000
DP 241008 - WRD-State Water Projects Planning Document (OTO)	0.00	0	0	0	0	0.00	0	250,000	0	250,000
DP 241009 - WRD-State Water Projects-Painted Rocks Dam Rehab Environme	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 241010 - WRD-E. Fork Dam Rehabilitation Environmental Planning	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 241011 - WRD-Painted Rocks Dam Access Road and Bridge	0.00	0	450,000	0	450,000	0.00	0	450,000	0	450,000
<b>Total</b>	<b>0.00</b>	<b>\$637,984</b>	<b>\$950,000</b>	<b>\$0</b>	<b>\$1,587,984</b>	<b>0.00</b>	<b>\$656,720</b>	<b>\$1,200,000</b>	<b>\$0</b>	<b>\$1,856,720</b>

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

DP 241003 - WRD-Reserved Water Right Compacts Implementation Funding -

The executive proposes to increase the general fund appropriation of the Water Resources Division/Water Management Bureau. Funding would support the state’s responsibilities in implementing the eighteen reserved water right compacts ratified by the Montana Legislature.

DP 241004 - WRD-Cost Share Support for USGS Coop Stream Gage Program -

The executive proposes an increase in general fund appropriation to the Water Resources Division/Water Management Bureau to fund its participation in the USGS Cooperative Stream Gage Program. The funding would meet the state’s financial obligation to operate and maintain a network of 42 stream gages across Montana through the USGS Cooperative Stream Gage Program.

DP 241006 - WRD-Update The MT State Drought Mitigation, Response and R -

The executive proposes a one-time-only appropriation of general fund to update the Montana State Drought Mitigation, Response and Recovery Plan. Funds will be used to secure the contracted services necessary to develop a comprehensive State Drought Mitigation, Response and Recovery Plan. The current plan was last updated in 1995.

DP 241007 - WRD-External Engineering Review - Dam Designs -

The executive proposes an increase in general fund appropriation to contract for the review of large and/or complex dam rehab designs. The complexity of many designs requires expert peer review that exceeds the in-house knowledge and experience of program staff.

DP 241008 - WRD-State Water Projects Planning Document (OTO) -

The executive proposes a one-time-only appropriation of general fund to contract for a full inventory, condition assessment, repair cost estimates, and economic analysis of state owned water storage projects. Deliverables would include a priority list of projects for rehabilitation and identification of state-owned projects with minimal benefit to the state.

DP 241009 - WRD-State Water Projects-Painted Rocks Dam Rehab Environme -

The executive proposes an increase of state special revenue authority to complete environmental compliance documents for the rehabilitation of Painted Rocks Dam. A feasibility study is currently in progress and scheduled for completion in 2019. To implement recommendations from the feasibility study, an environmental assessment or environmental impact statement is required.

DP 241010 - WRD-E. Fork Dam Rehabilitation Environmental Planning -

The executive propose an increase of state special revenue appropriation to complete required environmental assessment or environmental impact statement prior to completing rehabilitation of the dam.

DP 241011 - WRD-Painted Rocks Dam Access Road and Bridge -

The executive proposes an increase in state special revenue appropriation for the construction of an access road and bridge to the downstream toe of the Painted Rocks Dam. The road will provide year-round access to facilitate maintenance, repair, and inspection of the dam.

### Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	39,038,663	44,903,641	5,864,978	15.02 %
Operating Expenses	17,698,679	19,673,622	1,974,943	11.16 %
Equipment & Intangible Assets	2,093,454	2,113,440	19,986	0.95 %
Capital Outlay	40,000	0	(40,000)	(100.00)%
Grants	386,916	494,930	108,014	27.92 %
Transfers	3,344,304	3,364,304	20,000	0.60 %
Debt Service	49,874	49,874	0	0.00 %
<b>Total Expenditures</b>	<b>\$62,651,890</b>	<b>\$70,599,811</b>	<b>\$7,947,921</b>	<b>12.69 %</b>
General Fund	24,646,902	28,977,905	4,331,003	17.57 %
State/Other Special Rev. Funds	35,281,034	37,372,314	2,091,280	5.93 %
Federal Spec. Rev. Funds	2,723,954	4,249,592	1,525,638	56.01 %
<b>Total Funds</b>	<b>\$62,651,890</b>	<b>\$70,599,811</b>	<b>\$7,947,921</b>	<b>12.69 %</b>
<b>Total Ongoing</b>	<b>\$60,645,362</b>	<b>\$68,833,811</b>	<b>\$8,188,449</b>	<b>13.50 %</b>
<b>Total OTO</b>	<b>\$2,006,528</b>	<b>\$1,766,000</b>	<b>(\$240,528)</b>	<b>(11.99)%</b>

### Program Biennium Comparison -

The biennium comparison table shows a total growth of 12.7%, which for the program is influenced by the FY 2018 appropriations reductions. Compared to the FY 2019 base appropriation, the growth is 10.2%.

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

- Forest Management: Responsible for the preparation, sale, and administration of 56.9 million board feet of timber through timber sales and permits. Forest Management also performs over \$1.0 million per year in forest improvement work, such as planting, thinning, and road maintenance activities on over 700,000 acres of classified forest land
- Real Estate Management: Responsible for commercial and residential land leases, rights-of-way grants and acquisitions, land sales, land acquisitions, and land exchanges
- Minerals Management: Responsible for oil and gas, coal, and other mineral leasing activities
- Agriculture and Grazing Management: Responsible for overseeing agricultural and grazing activities on 4.7 million acres. There are approximately 8,900 agreements to lease land for grazing and crop production. The Agriculture and Grazing Bureau also manages the Recreational Use Program on trust lands

**Program Highlights**

<b>Forestry and Trust Lands Division Major Budget Highlights</b>	
<p>The executive proposes a 12.7% or \$7.9 million increase in total appropriation. The increase is funded with \$4.3 million general fund, \$2.1 million in state special revenue and, \$1.5 million in federal revenue. Executive proposals include:</p> <ul style="list-style-type: none"> <li>• Increase of 8.50 FTE for:                             <ul style="list-style-type: none"> <li>◦ 2.00 FTE to act as federal liaison in implementing the Good Neighbor Authority project</li> <li>◦ 6.50 FTE one-time-only to expand the Good Neighbor Authority program to all seven national forests</li> </ul> </li> <li>• Increase in federal authority for revenue earned through the Good Neighbor Authority project sale of federal timber</li> </ul>	

**Program Actuals and Budget Comparison**

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	287.68	287.68	296.18	296.18
Personal Services	18,676,950	18,876,105	20,162,558	22,399,081	22,504,560
Operating Expenses	8,273,065	8,841,911	8,856,768	9,632,692	10,040,930
Equipment & Intangible Assets	752,672	1,000,734	1,092,720	1,056,720	1,056,720
Capital Outlay	11,067	40,000	0	0	0
Grants	169,965	164,451	222,465	247,465	247,465
Transfers	1,747,301	1,662,152	1,682,152	1,682,152	1,682,152
Debt Service	0	24,937	24,937	24,937	24,937
<b>Total Expenditures</b>	<b>\$29,631,020</b>	<b>\$30,610,290</b>	<b>\$32,041,600</b>	<b>\$35,043,047</b>	<b>\$35,556,764</b>
General Fund	11,948,501	11,957,972	12,688,930	14,486,091	14,491,814
State/Other Special Rev. Funds	16,369,121	17,296,160	17,984,874	18,682,160	18,690,154
Federal Spec. Rev. Funds	1,313,398	1,356,158	1,367,796	1,874,796	2,374,796
<b>Total Funds</b>	<b>\$29,631,020</b>	<b>\$30,610,290</b>	<b>\$32,041,600</b>	<b>\$35,043,047</b>	<b>\$35,556,764</b>
<b>Total Ongoing</b>	<b>\$28,867,762</b>	<b>\$29,607,026</b>	<b>\$31,038,336</b>	<b>\$34,160,047</b>	<b>\$34,673,764</b>
<b>Total OTO</b>	<b>\$763,258</b>	<b>\$1,003,264</b>	<b>\$1,003,264</b>	<b>\$883,000</b>	<b>\$883,000</b>

**Program Discussion -***FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The program expended 96.8% of total appropriation. The program is funded primarily with state special which constitute 56.5% of total funding, general fund makes up 39.1% and federal revenue 4.4% of total funding. General fund was 99.9% expended, state special and federal revenue were 94.6% expended. Personal services and operating expense comprise 90.6% of the budget and combined were 97.2% expended.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

Total appropriations are \$1.4 million or 4.7% higher than the FY 2018 total appropriations due to:

- November 2017 Special Session reductions in both fiscal year that were subsequently restored by SB 9 for FY 2019, in the amount of \$16,000
- SB 294 pay plan increase in FY 2019 of \$80,000
- Legislative appropriations \$0.9 million higher in FY 2019
- Other budget modification \$0.4 million higher in FY 2019

*Executive Request*

Total appropriation increase by 12.7% or \$7.9 million.

The executive requests \$1.3 million from the Trust Lands Administration (02938) state special revenue account be restored to the base budget. Funding was removed as part of global reductions in the 2017 regular session but later reinstated as one-time-only. The Trust Administration Account is the primary funding source which accounts for 70.7% of the state special revenue for the division and is derived from a portion of the revenue stream generated from land management activities on behalf of the trust beneficiaries. These funds are used in the area field offices and bureaus for projects related to putting up timber sales, forest inventory and sustainable yield data collection, weed control projects, water rights adjudication on trust lands, land acquisition/sales, and cabin site sales. Costs include contracted services, including weed spraying, appraisals, surveying, temporary services and work study contracts for interns.

The executive proposes one-time-only appropriation from the general fund of \$1.8 million and one-time-only increase of 6.50 FTE. The appropriation would fund the expansion of the Good Neighbor Authority (GNA) projects to all seven national forests in Montana, bridging the funding for until the program generates enough income to cover the costs of those positions. Additionally, the executive propose the permanent increase of \$0.4 million general fund for 2.00 FTE to support the GNA, 1.00 FTE as a liaison with the USFS and 1.00 FTE would be a forest advisor to local government. To fund the program in the future the executive proposes to increase federal authority for the revenue generated by timber sales on federal land. This spending authority would allow the DNRC to utilize revenue earned from the sale of federal timber under Good Neighbor Authority (GNA) in the following ways: remit payment to the US Forest Service for the value of the forest products sold, pay employees and/or contractors to accomplish GNA goals and objectives -- primarily activities to restore forest, rangeland, and watershed health, treat insect and disease infested trees, reduce hazardous fuels, and improve fish and wildlife habitat.

*Personal Services*

Personal services comprise 63.6% of the budget for the division. The agency experienced a vacancy saving rate of 7.5% in hours expended compared to hours budgeted. The executive has included a 2% vacancy savings reduction to all positions in its budget submission for the 2021 biennium.

**Funding**

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



Natural Resources and Conservation, 35-Forestry & Trust Lands Division						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	27,211,905	1,766,000	0	0	28,977,905	37.30 %
02031 LAND BANKING PRVT CLOSNG COSTS	540,784	0	0	0	540,784	1.45 %
02039 Forestry-Fire Protection Taxes	7,273,356	0	0	0	7,273,356	19.46 %
02073 Forestry - Slash Disposal	113,514	0	0	0	113,514	0.30 %
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %
02119 Non Land Grant Income - NB	0	0	0	0	0	0.00 %
02173 FORESTRY-SLASH FORFEITED BONDS	0	0	0	0	0	0.00 %
02297 Morrill Trust Land Admin	0	0	0	0	0	0.00 %
02449 Forest Resources-Forest Improv	2,707,298	0	0	0	2,707,298	7.24 %
02576 Natural Resources Operations	187,144	0	0	0	187,144	0.50 %
02623 Contract Timber Harvesting	0	0	0	0	0	0.00 %
02681 Historic Right-of-Way Acct	23,758	0	0	0	23,758	0.06 %
02847 Fire Suppression Fund	0	0	0	0	0	0.00 %
02912 TLMD LAND EXCHANGE ADMIN	100,000	0	0	0	100,000	0.27 %
02938 TLMD Trust Administration	26,426,460	0	0	0	26,426,460	70.71 %
<b>State Special Total</b>	<b>\$37,372,314</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,372,314</b>	<b>48.11 %</b>
03049 Consolidated Grant FY20	7,000	0	0	0	7,000	0.16 %
03050 Non-Consolidated Grant FY20	0	0	0	0	0	0.00 %
03283 Consolidated Grant - FY21	7,000	0	0	0	7,000	0.16 %
03284 Non-Consolidated Grant - FY21	0	0	0	0	0	0.00 %
03471 Consolidated Grant FY14	0	0	0	0	0	0.00 %
03472 Non-Consolidated Grant FY14	0	0	0	0	0	0.00 %
03483 Consolidated Grant FY15	0	0	0	0	0	0.00 %
03484 Non-Consolidated Grant FY15	0	0	0	0	0	0.00 %
03564 CONSOLIDATED GRANT-FY 16	0	0	0	0	0	0.00 %
03565 NON-CONSOLIDATED GRANT FY16	0	0	0	0	0	0.00 %
03567 CONSOLIDATED GRANT-FY17	0	0	0	0	0	0.00 %
03568 NON-CONSOLIDATED GRANT-FY 17	0	0	0	0	0	0.00 %
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %
03809 CONSOLIDATED GRANT-FY13	0	0	0	0	0	0.00 %
03810 NON-CONSOLIDATED GRANT-FY13	0	0	0	0	0	0.00 %
03971 Trust Land Division - Federal	0	0	0	0	0	0.00 %
03469 CONSOLIDATED GRANT-FY18	0	0	0	0	0	0.00 %
03470 NON-CONSOLIDATED GRANT-FY18	0	0	0	0	0	0.00 %
03493 CONSOLIDATED GRANT-FY19	2,135,592	0	0	0	2,135,592	50.25 %
03494 NON-CONSOLIDATED GRANT-FY19	600,000	0	0	0	600,000	14.12 %
03500 GNA FEDERAL SPECIAL REVENUE	1,500,000	0	0	0	1,500,000	35.30 %
<b>Federal Special Total</b>	<b>\$4,249,592</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,249,592</b>	<b>5.47 %</b>
06003 State Nursery Enterprise Fund	0	0	1,635,254	0	1,635,254	23.07 %
06538 Air Operations Internal Svc.	0	0	5,453,187	0	5,453,187	76.93 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,088,441</b>	<b>\$0</b>	<b>\$7,088,441</b>	<b>9.12 %</b>
<b>Total All Funds</b>	<b>\$68,833,811</b>	<b>\$1,766,000</b>	<b>\$7,088,441</b>	<b>\$0</b>	<b>\$77,688,252</b>	

General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. Approximately 48.1% of all funding is from state special revenue. The primary source of state special funding comes from the fire protection taxes fund and the timber sales, forest resources fees, and Trust Lands Management Division (TLMD) administration fund revenue.

**Program Budget Summary by Category**

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	12,596,930	12,596,930	25,193,860	86.94 %	31,038,336	31,038,336	62,076,672	87.93 %
SWPL Adjustments	794,161	799,884	1,594,045	5.50 %	1,748,447	1,762,164	3,510,611	4.97 %
PL Adjustments	0	0	0	0.00 %	661,264	661,264	1,322,528	1.87 %
New Proposals	1,095,000	1,095,000	2,190,000	7.56 %	1,595,000	2,095,000	3,690,000	5.23 %
<b>Total Budget</b>	<b>\$14,486,091</b>	<b>\$14,491,814</b>	<b>\$28,977,905</b>		<b>\$35,043,047</b>	<b>\$35,556,764</b>	<b>\$70,599,811</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	716,040	845,675	7,000	1,568,715	0.00	714,221	853,126	7,000	1,574,347
DP 2 - Fixed Costs	0.00	71,646	90,636	0	162,282	0.00	77,626	88,534	0	166,160
DP 3 - Inflation Deflation	0.00	6,475	10,975	0	17,450	0.00	8,037	13,620	0	21,657
DP 352001 - TL-Restoration of Trust Administration Appropriation	0.00	0	661,264	0	661,264	0.00	0	661,264	0	661,264
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$794,161</b>	<b>\$1,608,550</b>	<b>\$7,000</b>	<b>\$2,409,711</b>	<b>0.00</b>	<b>\$799,884</b>	<b>\$1,616,544</b>	<b>\$7,000</b>	<b>\$2,423,428</b>

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

DP 1 - Personal Services -

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

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 352001 - TL-Restoration of Trust Administration Appropriation -

The executive proposes an increase in state special revenue for the Trust Lands Management Division. The Trust Administration Account supports projects related to timber sales, forest inventory, sustainable yield data collection, weed control projects, water rights adjudication on trust lands, land acquisition/sales, and cabin site sales.

**LFD COMMENT** This funding was initially removed from the division in the 5% global reduction plan in the 2017 regular session, but reinstated later in session as one-time-only.

**New Proposals**

The “New Proposals” table shows new changes to spending.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 351001 - FD-GNA Federal Engagement	2.00	212,000	0	0	212,000	2.00	212,000	0	0	212,000
DP 351002 - FD-GNA - OTO	6.50	883,000	0	0	883,000	6.50	883,000	0	0	883,000
DP 351003 - FD-GNA Program Income	0.00	0	0	500,000	500,000	0.00	0	0	1,000,000	1,000,000
<b>Total</b>	<b>8.50</b>	<b>\$1,095,000</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$1,595,000</b>	<b>8.50</b>	<b>\$1,095,000</b>	<b>\$0</b>	<b>\$1,000,000</b>	<b>\$2,095,000</b>

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

DP 351001 - FD-GNA Federal Engagement -

The executive proposes to increase general fund to support the addition of 2.00 FTE, USFS Liaison position (1.00 FTE) Local Government Forest Advisor position (1.00 FTE) along with their associated operating and grants budgets. These two positions serve as the state’s primary liaisons to federal and local government in coordinating and implementing Good Neighbor Authority (GNA) projects. The grants budget is used to assist local government entities with covering costs of engaging in federal forest management projects in their areas.

**LFD COMMENT** The positions proposed in this decision package are currently funded by an OTO appropriation approved by the 2017 legislature.

The legislature may wish to consider:

- Continuing the appropriation as OTO allowing future legislatures to the opportunity to evaluate the benefits of this appropriation
- Approve the executive proposal, in the future this appropriation would be included in the base budget

DP 351002 - FD-GNA - OTO -

The executive proposes a one-time-only increase of 6.50 FTE funded with general fund. The funding would support the expansion of the Good Neighbor Authority (GNA) projects to all seven national forests in Montana. The agency anticipates that future program revenue will support these position beyond the 2021 biennium.

DP 351003 - FD-GNA Program Income -

The executive proposes an increase in federal appropriation to utilize revenue generated through the Good Neighbor Authority (GNA) program.

**LFD  
COMMENT**

Proposed legislation, LC 0425 "Create a statutory appropriation for Good Neighbor Authority agreement income", would create a statutory appropriation for the same purpose as this decision package. The legislature may wish to consider including language in HB 2 that would void the proposed appropriation should LC 0245 be approved and signed into law.