

THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

An Agency Profile Prepared by the
Legislative Fiscal Division

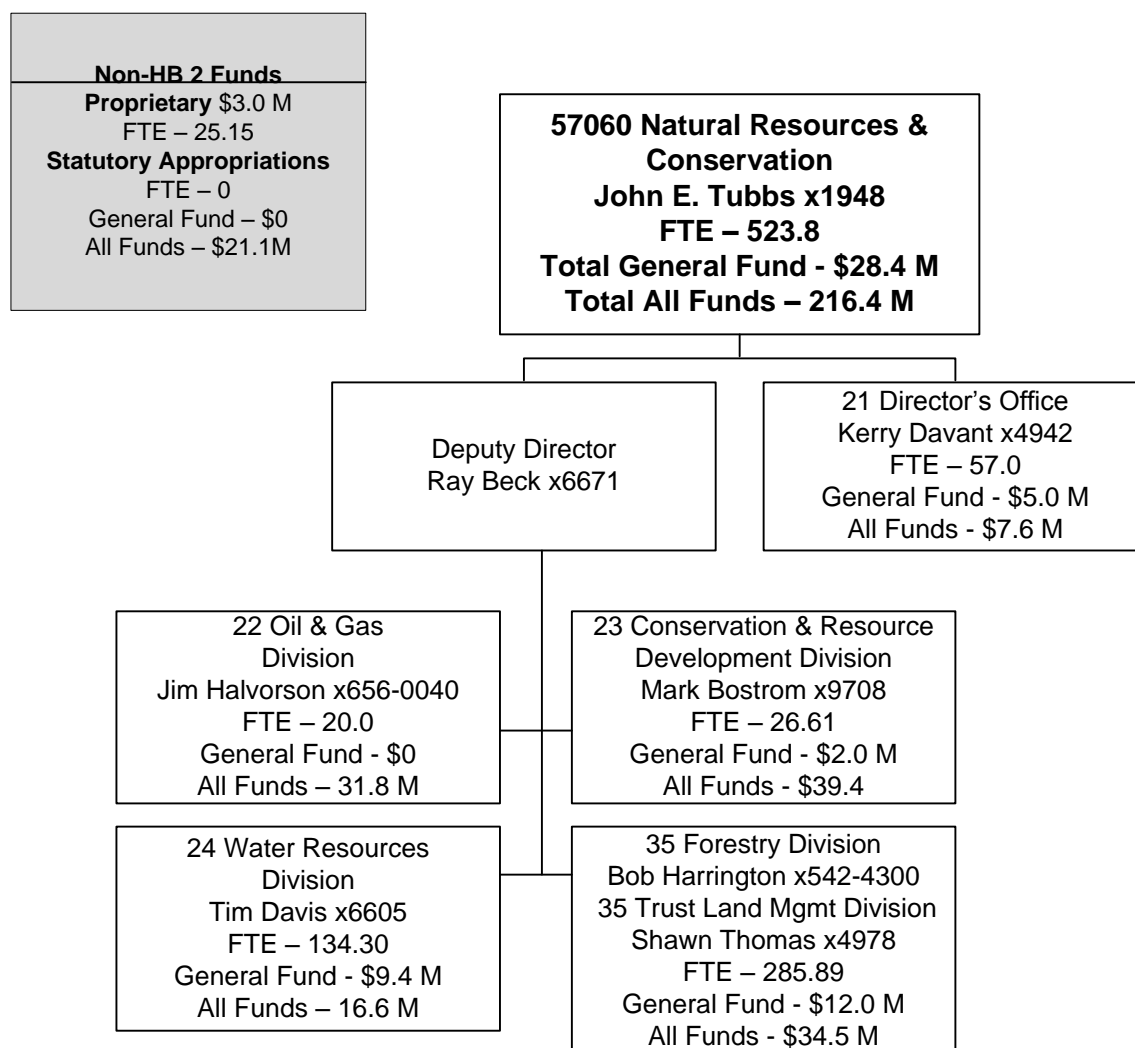
November, 2016



INTRODUCTION

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

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



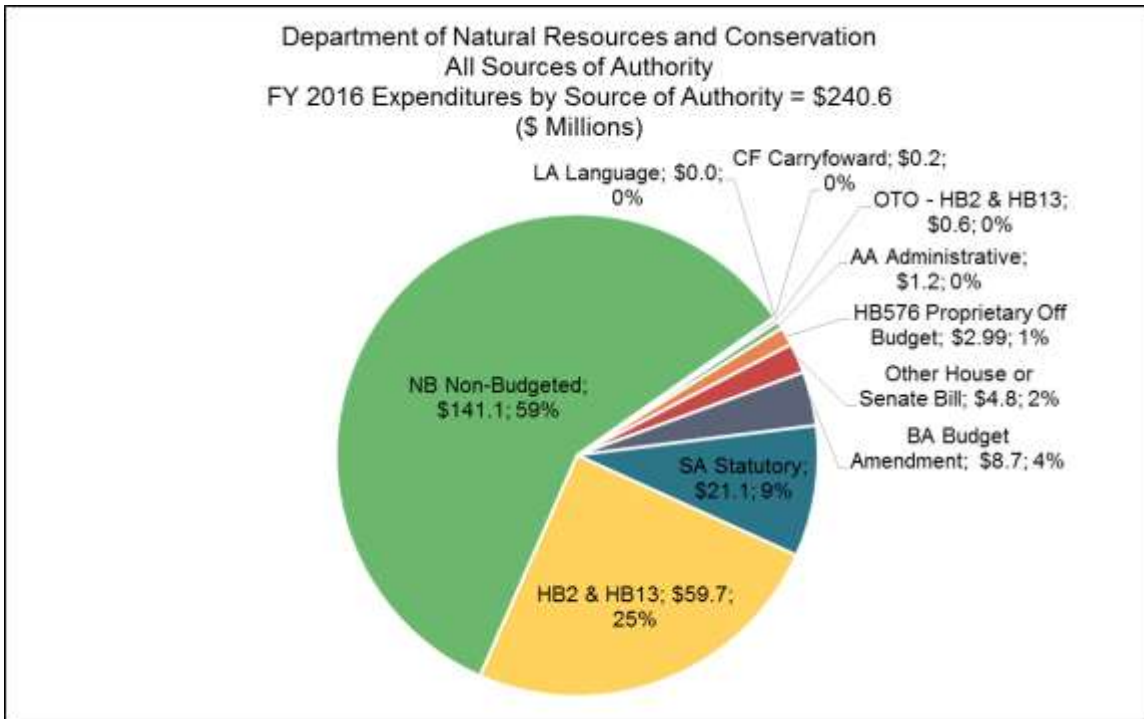
HOW SERVICES ARE PROVIDED

Six divisions form DNRC with the following functions:

- The Director's Office provides managerial and administrative support services to the entire department
- The Oil and Gas Conservation Division supports the Board of Oil and Gas, which issues drilling permits, classifies wells, administers bonds, plugs abandoned wells, and levies civil and criminal fines
- The Conservation and Resource Development Division provides assistance to conservation districts and manages loan and grant programs

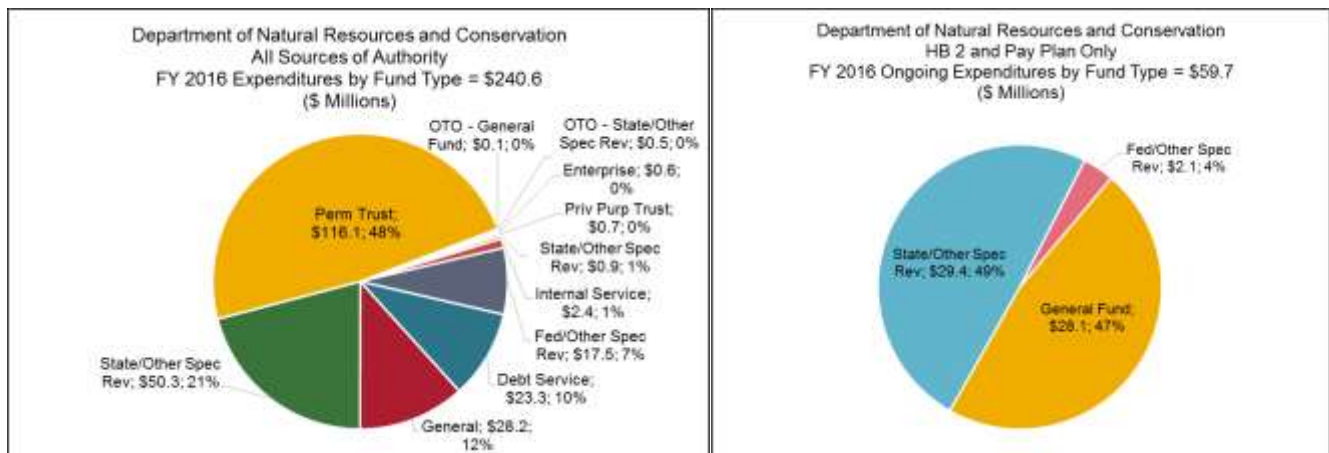
- The Water Resources Division administers programs associated with the uses, development, and conservation of Montana’s water including water rights, state water projects, water planning, dam safety, and floodplain programs
- The Forestry Division is responsible for wildland fire suppression, wildland fire prevention, and the implementation of statewide forestry assistance programs.
- The Trust Land Management Division manages of trust lands granted to the State of Montana

SOURCES OF SPENDING AUTHORITY



The above chart shows the sources of authority for DNRC that were expended in FY 2016.

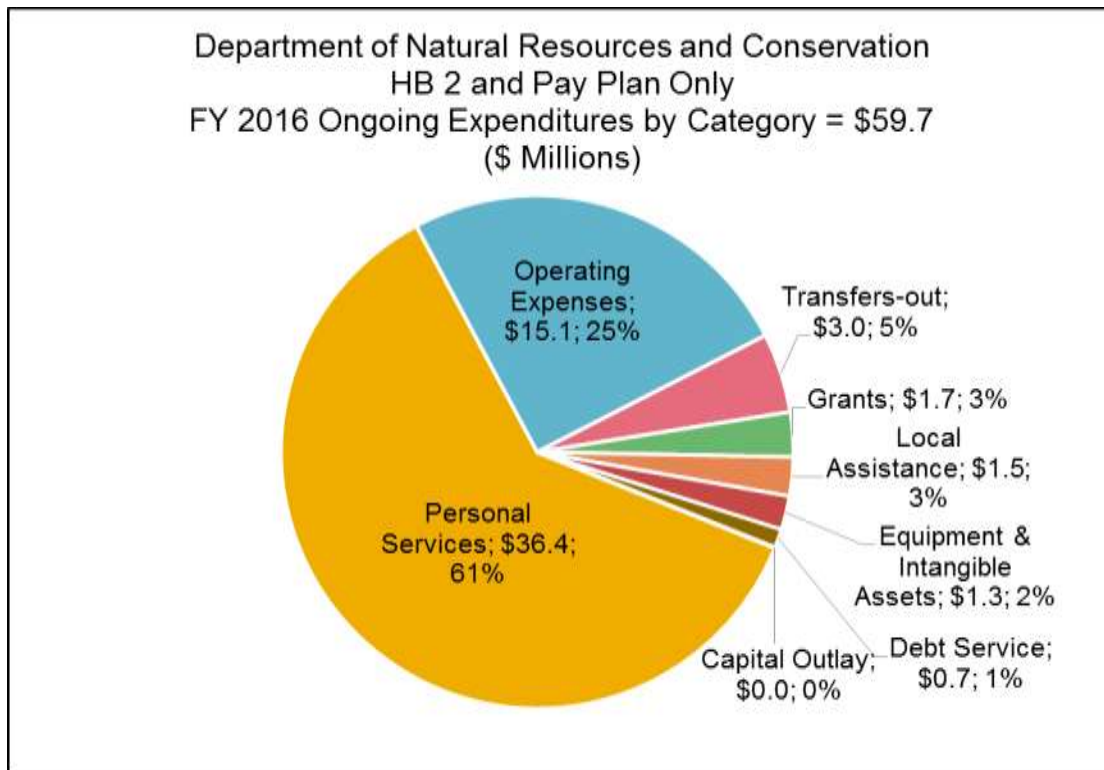
FUNDING



The chart on the left shows the DNRC’s sources of its total funding authority. The chart on the right shows the DNRC’s HB2 and pay plan funding authority by fund type.

EXPENDITURES

The next chart explains how the HB 2 authority is spent.



HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

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

Land Management

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

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

Water Resources

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

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

Loan and Grant Programs

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

- Setting the priorities for loan and grant programs
- Setting the amount for loan and grant programs

- Changing the regulations regarding administration of loan and grant programs

Permitting and Licensing Activities

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

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

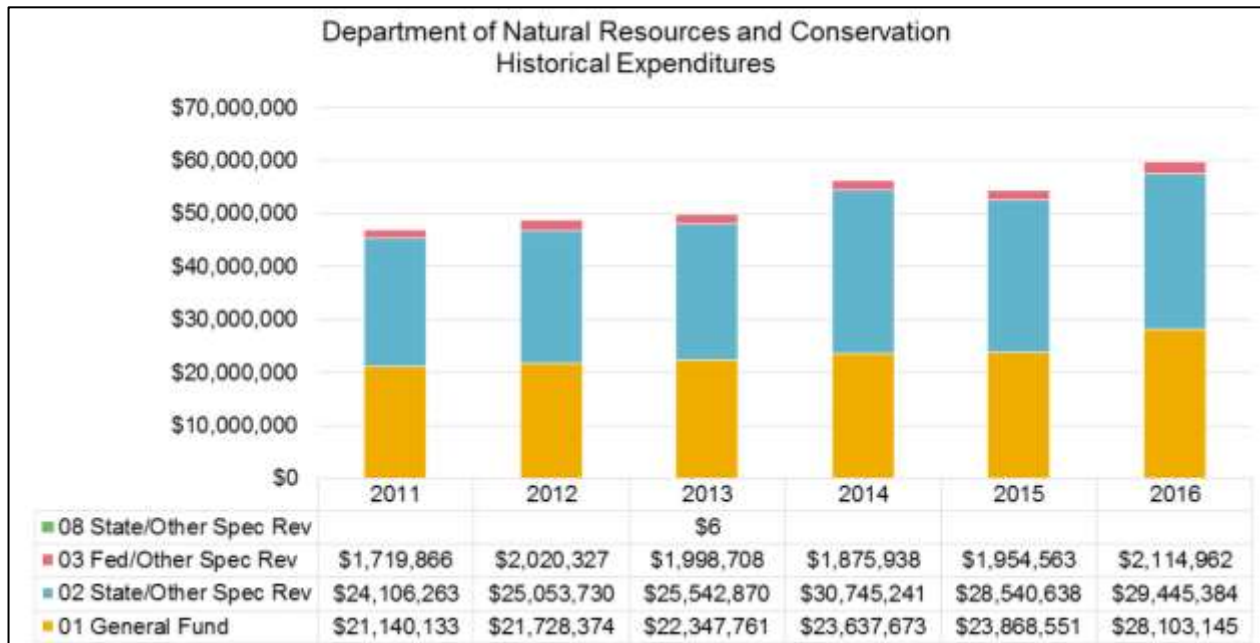
Staffing Levels

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

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

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

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



MAJOR COST DRIVERS

DNRC has a large percentage of its budget devoted to fixed costs, including personal services. To impact this cost driver, the legislature would need to change statute. The table on the following table illustrates some of these cost drivers.

Element	2015	2016	Significance of Data
Value of DNRC loan portfolio	\$749 million	\$770 million	Workload, revenue growth in loan programs
Number of Drinking Water loans closed or increased	31	42	Workload, growth in loan programs
Total revenues generated from Trust Lands	\$109.1 million	\$95.9 million	Revenue transfer to appropriate trusts
Total water right applications received	11,650	11,819	Number of applications received increasing each year
Acres of direct fire protection	5.2 million	5.2 million	Possible changes in direct protection responsibilities

MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2015 Session

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

2013 Session

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

2011 Session

- HB 49 authorized the sale of bonds to fund the Blackfeet water compact. DNRC was allowed to issue and sell \$16.0 million in general obligation bonds to pay the state's costs for water-related infrastructure projects within the Blackfeet Indian reservation
- SB 35 clarified state laws related to the beds of navigable rivers and defined a "navigable river." It provides rulemaking authority to the Board of Land Commissioners to provide for leases, license, or easements to use the beds of navigable rivers and requires authorizations from the Board of Land Commissioners to use the beds of navigable rivers

2009 Session

- HB 645 provided \$35.0 million in funding for development of wastewater and drinking water infrastructure, state and private forestry activities, and funds for the Blackfeet and Fort Belknap water compacts

2007 Session

- HB 3 in the 2007 special session provided for the creation of a fire suppression account, transferred \$40 million general fund to the account, and statutorily appropriated the funds in the account for fire suppression activities beginning in FY 2009
- HB 19 prohibited diversions of Morrill Act Land revenues for administrative costs and provides a statutory appropriation of \$80,000 general fund each biennium to administer the trust
- HB 473 provided for a \$25.0 million transfer from the general fund to the state special revenue fund for water adjudication activities. This legislation eliminated the water adjudication fee passed by the 2005 Legislature

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