

Agency Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	64,445,111	65,890,354	1,445,243	2.24 %
Operating Expenses	59,863,295	59,648,323	(214,972)	(0.36)%
Equipment & Intangible Assets	493,480	203,480	(290,000)	(58.77)%
Grants	3,551,726	1,810,334	(1,741,392)	(49.03)%
Benefits & Claims	0	850,000	850,000	0.00 %
Transfers	6,246,898	6,079,288	(167,610)	(2.68)%
Total Expenditures	\$134,600,510	\$134,481,779	(\$118,731)	(0.09)%
General Fund	10,919,326	15,921,826	5,002,500	45.81 %
State/Other Special Rev. Funds	75,909,279	68,629,291	(7,279,988)	(9.59)%
Federal Spec. Rev. Funds	47,771,905	49,930,662	2,158,757	4.52 %
Total Funds	\$134,600,510	\$134,481,779	(\$118,731)	(0.09)%
Total Ongoing	\$133,600,510	\$134,481,779	\$881,269	0.66 %
Total OTO	\$1,000,000	\$0	(\$1,000,000)	(100.00)%

Agency Biennium Comparison -

The biennium comparison table shows a decrease in total expenditures of 0.1%, ongoing appropriations increase by 0.7%.

Mission Statement

To protect, sustain, and improve a clean and healthful environment to benefit present and future generations.

Agency Highlights

Department of Environmental Quality Major Budget Highlights
<p>Base funding for the agency totals \$67.0 million in each year of the biennium and represents 99.7% of the proposed budget. In addition to base funding the executive proposes a net increase of \$0.4 million as follows:</p> <ul style="list-style-type: none"> • A shift in funding of \$4.5 million from the state special revenue funds to the general fund • Statewide present law adjustments for personal services and operating expense totaling \$1.4 million • Increased appropriation from the orphan share state special revenue fund totaling \$1.1 million • Reducing appropriations from state special revenue accounts to align expenditures with projected revenue by \$2.1 million

The following table compares the last full fiscal year actuals, previous biennium appropriations by year, and current annual biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	365.54	365.54	365.54	365.54
Personal Services	27,471,524	31,986,352	32,458,759	32,896,152	32,994,202
Operating Expenses	19,154,218	29,699,144	30,164,151	29,821,403	29,826,920
Equipment & Intangible Assets	305,139	391,740	101,740	101,740	101,740
Grants	1,616,222	1,775,863	1,775,863	905,073	905,261
Benefits & Claims	0	0	0	425,000	425,000
Transfers	299,584	3,207,254	3,039,644	3,039,644	3,039,644
Total Expenditures	\$48,846,687	\$67,060,353	\$67,540,157	\$67,189,012	\$67,292,767
General Fund	5,405,513	5,433,124	5,486,202	7,953,848	7,967,978
State/Other Special Rev. Funds	27,716,851	37,827,754	38,081,525	34,284,826	34,344,465
Federal Spec. Rev. Funds	15,724,323	23,799,475	23,972,430	24,950,338	24,980,324
Total Funds	\$48,846,687	\$67,060,353	\$67,540,157	\$67,189,012	\$67,292,767
Total Ongoing	\$48,346,687	\$66,560,353	\$67,040,157	\$67,189,012	\$67,292,767
Total OTO	\$500,000	\$500,000	\$500,000	\$0	\$0

Agency Discussion

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Department of Environmental Quality HB 2 modified budget of \$67.0 million was 72.8% expended as of the end of FY 2020 leaving about \$18.2 million in unspent budget authority. The unexpended authority is summarized below:

- Of the \$5.4 million appropriation in general fund the agency expended 99.5%, leaving \$28,000 unexpended. General fund support programs that monitor water resources and drinking water, mine reclamation and operation, solid waste cleanup, environmental remediation, enforcement and attorneys' fees. The general fund expenditures are typically matched with federal and state sources
- Of the \$37.8 million appropriation in state special revenues the agency expended 73.3%, leaving \$10.1 million unexpended. The agency's state special revenue funding is comprised of 40 state special revenue funds. Funds budgeted for monitoring hard rock mining, mine remediation, air quality, Libby cleanup, water pollution control, drinking water, waste and underground tank management account for most of the unexpended funds
- Of the \$23.8 million in appropriations from federal sources the agency expended 66.1%, leaving \$8.1 million unexpended. The agency receives funding from about 50 different federal sources. Most of these federal funds are used to match expenditures from the general fund and state special revenues

Over the previous ten years the agency has on average spent 77.5% of the HB 2 appropriation, primarily due to the fact that the agency can only spend resources once they have received the corresponding fees, and expenses are closely aligned with projects for which those fees are paid.

General fund is on average 97% expended since FY 2020. State special revenues are generated from permits or fee for service supported with federal grants. Over the past five biennia, appropriations from state and federal sources has exceeded actual revenues, resulting in a low expenditure rate compared to appropriations.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Agency Actuals and Budget Comparisons

The total appropriation increased by 0.7% or \$4479,800 in FY 2021 compared to FY 2020. Increases in budget include:

- Personal services increase by 1.5% or \$472,400
- Operating expenses increase by 1.6% or \$465,000

Decreases in the budget include:

- Equipment purchases decrease by 74.0% or \$290,000 for the Hard Rock Mining Bureau
- Transfers decrease by 5.2% or \$167,600 transfers are funded primarily from federal sources

Comparison of FY 2021 Legislative Budget to FY 2021 Base

Figure 1 illustrates the beginning FY 2021 budget as adopted by the 2019 Legislature compared to the finalized FY 2021 base budget, which included modifications as approved by the executive during the interim. The FY 2021 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2023 biennium budgeting process.

Figure 1

FY 2021 Legislative Appropriations - Department of Environmental Quality				
	Legislative Action	Per Statutory	Executive Base	% Change from Legislative Action
10 CENTRAL MANAGEMENT PROGRAM				
61000 Personal Services	1,888,539	-	1,888,539	0.0%
62000 Operating Expenses	2,917,328	-	2,917,328	0.0%
10 CENTRAL MANAGEMENT PROGRAM Total	4,805,867	-	4,805,867	0.0%
20 WATER QUALITY DIVISION				
61000 Personal Services	11,991,532	200,000	12,191,532	1.7%
62000 Operating Expenses	5,832,324	210,000	6,042,324	3.6%
66000 Grants	162,020	90,000	252,020	55.5%
68000 Transfers-out	4,001	-	4,001	0.0%
20 WATER QUALITY DIVISION Total	17,989,877	500,000	18,489,877	2.8%
40 WASTE MGMT & REMEDIATION DIV				
61000 Personal Services	8,434,793	-	8,434,793	0.0%
62000 Operating Expenses	9,759,209	1,200,000	10,959,209	12.3%
66000 Grants	1,523,843	-	1,523,843	0.0%
68000 Transfers-out	2,714,699	-	2,714,699	0.0%
40 WASTE MGMT & REMEDIATION DIV Total	22,432,544	1,200,000	23,632,544	5.3%
50 AIR ENERGY & MINING DIVISION				
61000 Personal Services	9,815,428	(271,742)	9,543,686	-2.8%
62000 Operating Expenses	11,228,903	(1,908,258)	9,320,645	-17.0%
63000 Equipment & Intangible Assets	101,740	-	101,740	0.0%
68000 Transfers-out	13,698	-	13,698	0.0%
50 AIR ENERGY & MINING DIVISION Total	21,159,769	(2,180,000)	18,979,769	-10.3%
80 LIBBY ASBESTOS SF ADVISORY TM				
61000 Personal Services	-	-	-	0.0%
62000 Operating Expenses	-	172,754	172,754	0.0%
68000 Transfers-out	-	307,246	307,246	0.0%
80 LIBBY ASBESTOS SF ADVISORY TM Total	-	480,000	480,000	0.0%
90 PETRO TANK RELEASE COMP BOARD				
61000 Personal Services	400,209	-	400,209	0.0%
62000 Operating Expenses	251,891	-	251,891	0.0%
90 PETRO TANK RELEASE COMP BOARD Total	652,100	-	652,100	0.0%
53010 DEPARTMENT OF ENVIRONMENTAL QUALITY Total	67,040,157	-	67,040,157	0.0%

Legislative action for DEQ includes base appropriations contained in HB 2, plus other appropriations passed by the 2019 Legislature that were designated to be included in the base.

The agency transferred HB 2 authority from program 50, air energy & mining division, to program 80, libby asbestos super fund advisory team. Expenditure authority for the advisory team was established in SB 315 (2017 session) for the 2019 biennium but not the 2021 biennium. The executive approved a transfer of excess HB 2 state special revenue authority in program 50 to the advisory team to cover the activities required under SB 315 in FY 2020.

Other changes moved appropriations from program 50 to other programs: \$500,000 to the water quality division and \$1.2 million to the waste management & remediation division. These same budget modifications move \$397,200 from personal services and operations to grants and transfers.

Executive Request

The executive proposes a decrease of 0.1% or \$118,700 in total expenditures and a 0.7% or \$881,300 increase in ongoing expenditures, including:

- Statewide present law adjustments of \$1.4 million for personal services, fixed costs, and inflation. The proposal funds the adjustments with \$409,400 in general \$2.0 million in federal funds to offset a decrease in state special revenue of \$1.0 million
- A reduction in two state special revenue accounts totaling \$2.1 million. This proposal would align appropriations with anticipated revenues for the universal systems benefits program and the junk vehicle disposal state special revenue accounts. Projected revenues for these accounts are less than base appropriations.
- Increase ongoing appropriations from the state special revenue orphan share account by \$1.1 million over the biennium to allow the agency to evaluate and take remedial actions to respond to a release or threatened release of hazardous substances
- The executive proposes a \$4.5 million funding switch from the state special revenue to the general fund resulting in the general fund share of the budget increasing by 3.8% compared to the previous biennium.

As proposed by the executive, the agency HB 2 appropriation would be funded 51.0% state special revenue, 37.1% federal revenue and 11.9% general fund.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2023 biennium 5% plan submitted for this agency can be found online at the Section C subcommittee page on ["Tab 4 Materials."](#)

The Department of Environmental Quality 5% plan reduces general fund by \$251,986 annually by reducing expenditures for travel, training, personal services, contracted services, and other operating expenses. These reductions would also reduce state special revenue authority by \$725,892.

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 three categories, as follows:

Expected Changes

This category includes those adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs including FY 2021 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.

Personal Services Management Decisions

Any agency management decisions that adjusted employee pay. 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 between programs.

Modifications to the Personal Services Base Budgets

Other modifications to the FY 2021 personal services base like operating plan transfers that occurred during the interim may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Personal Services Present Law DP 1 - FY 2022				
Program	Expected Changes	Management Decisions	Budget Modifications	DP1 SWPL
10 CENTRAL MANAGEMENT PROGRAM	16,337	16,280	-	32,617
20 WATER QUALITY DIVISION	(34,295)	395,893	-	361,598
30 TBD - ENFORCEMENT DIVISION	-	-	-	-
40 WASTE MGMT & REMEDIATION DIV	46,677	93,296	-	139,973
50 AIR ENERGY & MINING DIVISION	302,702	(397,626)	-	(94,924)
80 LIBBY ASBESTOS SF ADVISORY TM	-	-	-	-
90 PETRO TANK RELEASE COMP BOARD	(435)	(1,436)	-	(1,871)
Agency Total	\$ 330,986	\$ 106,407	\$ -	\$ 437,393

In FY 2021 the Department of Environmental Quality was appropriated \$32.5 million to fund 365.54 FTE, the personal services budget represented 48.1% of the total appropriations. The executive proposes to increase personal services by \$437,393 in FY 2022 and \$535,443 in FY 2023. Management decisions include increases in pay beyond the statutory pay plan and movement of FTE between programs. Other changes include changes in pay rates due to turnover.

Statewide present law adjustments for the agency include a funding shift from state special revenue to general fund and federal sources. The \$437,393 increase in personal services is funded as follows:

- Increase in general fund: \$139,361
- Decrease in state special revenue: \$621,935
- Increase from federal sources: \$919,967

The executive proposal includes a 2% reduction for vacancy savings. In FY 2020 the agency utilized 85.7% of the total personal services hours budgeted. At the beginning of FY 2021 vacant positions totaled 48.73 FTE, an increase of 6.5 FTE compared to the beginning of FY 2020.

Funding

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

Total Department of Environmental Quality Funding by Source of Authority 2023 Biennium Budget Request - Department of Environmental Quality						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	15,921,826	0	0	0	15,921,826	9.80 %
State Special Total	68,629,291	0	0	9,980,000	78,609,291	48.40 %
Federal Special Total	49,930,662	0	0	0	49,930,662	30.74 %
Proprietary Total	0	0	17,968,643	0	17,968,643	11.06 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$134,481,779	\$0	\$17,968,643	\$9,980,000	\$162,430,422	
Percent - Total All Sources	82.79 %	0.00 %	11.06 %	6.14 %		

The department's largest source of funding is state special revenue. This revenue is derived from permitting fees, fines, and bond proceeds utilized to support specific department functions such as permitting, enforcement, and remediation. The federal revenue is provided from the U.S. Environmental Protection Agency (EPA) performance partnership grant, the super fund program, and other federal grant resources.

General fund is utilized for personal services, travel, communications, and equipment.

Statutory appropriations are funded by a tax on petroleum-based fuels and are appropriated to the administrative cost of the petroleum tank clean up.

The agency is funded by 40 state special revenue accounts, 56.3% of HB 2 is funded with state special revenue. The 20 funds that make up 91.0% of the agency's state special revenue appropriation are listed in the table below.

Executive Proposal for Major State Special Funds 2021 Biennium (The funds listed below constitute 91.0% of agency state special funding)				
Fund	Beginning ¹	Revenues	Expenditures ²	Ending Balance
	Balance		HB 2 Appropriated	
02201 Air Quality-Operating Fees	\$1,453,316	\$8,372,000	(\$8,364,513)	\$1,460,803
02162 Environmental Quality Protecti	951,069	9,110,400	(7,963,538)	2,097,931
02278 MPDES Permit Program	1,555,141	6,965,000	(7,301,565)	1,218,576
02988 Hard Rock Mining Reclamation	4,554,495	5,018,000	(6,368,629)	3,203,866
02845 Junk Vehicle Disposal	0	3,450,000	(5,741,392)	(2,291,392)
02058 Petroleum Storage Tank Cleanup	2,839,975	15,967,000	(15,569,324)	3,237,651
02576 Natural Resources Operations	150,465	4,390,000	(6,508,208)	(1,967,743)
02472 Orphan Share Fund	495,305	3,501,000	(3,909,694)	86,611
02204 Public Drinking Water	824,643	2,900,036	(2,905,677)	819,002
02418 Subdivision Plat Review	2,578	2,800,000	(2,719,086)	83,492
02542 MT Environ Policy Act Fee	448	2,668,161	(2,668,609)	0
02157 Solid Waste Management Fee	55,366	2,000,000	(2,179,745)	(124,379)
02223 Wastewater SRF Special Admin	3,033,212	2,800,000	(2,317,636)	3,515,576
02036 Opencut permit Fees	210,163	1,634,344	(1,628,741)	215,766
02676 Hard Rock Reclamation	6,849	1,470,000	(1,470,000)	6,849
02428 Major Facility Siting	202	1,470,000	(1,469,294)	908
02070 Hazardous Waste-CERCLA	547,455	1,120,000	(1,327,230)	340,225
02491 Drinking Water Spec Admin Cost	2,278,526	1,500,000	(1,466,142)	2,312,384
02130 Libby Asbestos Cleanup O&M	174	1,160,000	(1,160,000)	174
02955 State Energy conservation ARRA	16,861,651	1,088,500	(1,076,944)	16,873,207
Total funding	\$35,821,033	\$79,384,441	(\$84,115,967)	\$31,089,507

Notes

¹ The beginning balance is calculated using FY 2020 actual revenues and expenditures and FY 2021 forecast revenues and appropriations

² HB 2 appropriated includes appropriations to other agencies and non-HB 2 appropriations

LFD COMMENT

Projected Negative Fund Balances State Special Revenue Accounts

Projected revenues are not enough to cover proposed appropriations for three state special revenue funds: junk vehicle disposal, natural resources operations and the solid waste management fee.

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](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	5,486,202	5,486,202	10,972,404	68.91 %	67,040,157	67,040,157	134,080,314	99.70 %
SWPL Adjustments	200,477	208,944	409,421	2.57 %	631,645	735,212	1,366,857	1.02 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	2,267,169	2,272,832	4,540,001	28.51 %	(482,790)	(482,602)	(965,392)	(0.72)%
Total Budget	\$7,953,848	\$7,967,978	\$15,921,826		\$67,189,012	\$67,292,767	\$134,481,779	

HB 2 Language

The following language is requested to be included in HB 2:

"The department is appropriated up to \$1,000,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2021 biennium for the purpose of paying contract expenses related to the recovery of funds."

"If the Carpenter/Snow and Barker/Hughesville National Priority List (NPL) sites are approved for federal superfund funding by the Environmental Protection Agency, the Department is appropriated \$2.2 million in state special revenue from the CERCLA Bond Proceeds Account."

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