

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	86,843,032	90,265,127	3,422,095	3.94 %
Operating Expenses	43,578,461	46,702,972	3,124,511	7.17 %
Equipment & Intangible Assets	2,489,950	2,804,832	314,882	12.65 %
Capital Outlay	43,900	0	(43,900)	(100.00)%
Local Assistance	8,116,180	8,116,180	0	0.00 %
Grants	4,401,428	4,601,428	200,000	4.54 %
Benefits & Claims	800,000	800,000	0	0.00 %
Transfers	3,453,486	3,448,486	(5,000)	(0.14)%
Debt Service	1,396,926	1,570,682	173,756	12.44 %
Total Expenditures	\$151,123,363	\$158,309,707	\$7,186,344	4.76 %
General Fund	62,326,411	73,358,175	11,031,764	17.70 %
State/Other Special Rev. Funds	83,965,661	80,719,957	(3,245,704)	(3.87)%
Federal Spec. Rev. Funds	4,831,294	4,231,575	(599,719)	(12.41)%
Total Funds	\$151,123,366	\$158,309,707	\$7,186,341	4.76 %
Total Ongoing	\$148,852,366	\$158,309,707	\$9,457,341	6.35 %
Total OTO	\$2,271,000	\$0	(\$2,271,000)	(100.00)%

Agency Biennium Comparison -

The biennium comparison table show an increase in total appropriation of 4.8% or \$7.2 million, ongoing appropriations increase by 6.4% or \$9.5 million.

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
<p>The executive proposes increases total in appropriations of 4.8% or \$7.2 million when compared to the 2021 biennium. Proposals include:</p> <ul style="list-style-type: none"> • Funding shift from state special revenue to the general fund: \$7.7 million • Funding shift from federal sources to state special revenue: \$742,400 • Statewide present law adjustments: \$3.6 million • Increase of 5.50 FTE: \$1.5 million • Water projects: \$1.9 million • Sage Grouse Habitat Conservation program: \$1.2 million • Conservation District grants: \$400,000

Agency Actuals and Budget Comparison

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	531.12	531.12	536.62	536.62
Personal Services	41,422,052	43,098,720	43,744,312	45,074,821	45,190,306
Operating Expenses	17,843,810	21,847,768	21,730,693	23,443,782	23,259,190
Equipment & Intangible Assets	1,056,001	1,136,884	1,353,066	1,451,766	1,353,066
Capital Outlay	43,917	43,900	0	0	0
Local Assistance	2,186,870	4,058,090	4,058,090	4,058,090	4,058,090
Grants	2,162,636	2,300,714	2,100,714	2,300,714	2,300,714
Benefits & Claims	0	400,000	400,000	400,000	400,000
Transfers	1,712,837	1,729,243	1,724,243	1,724,243	1,724,243
Debt Service	567,658	611,585	785,341	785,341	785,341
Total Expenditures	\$66,995,781	\$75,226,904	\$75,896,459	\$79,238,757	\$79,070,950
General Fund	29,599,567	31,015,389	31,311,022	36,695,672	36,662,503
State/Other Special Rev. Funds	35,194,175	41,801,123	42,164,538	40,423,362	40,296,595
Federal Spec. Rev. Funds	2,202,039	2,410,395	2,420,899	2,119,723	2,111,852
Total Funds	\$66,995,781	\$75,226,907	\$75,896,459	\$79,238,757	\$79,070,950
Total Ongoing	\$66,042,839	\$74,053,907	\$74,798,459	\$79,238,757	\$79,070,950
Total OTO	\$952,942	\$1,173,000	\$1,098,000	\$0	\$0

Agency Discussion

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The DNRC HB 2 modified budget was 89.1% expended as of the end of FY 2020 leaving about \$8.2 million in unspent budget authority at the end of the fiscal year. The unexpended authority is summarized below:

- Personal services were 96.1% expended leaving \$1.7 million unexpended, primarily general fund
- Unexpended authority for operations totals \$4.0 million, primarily in state special revenue, including:
 - Water projects, \$2.6 million
 - Trust lands management, \$500,000
 - Conservation and resource development \$500,000
 - Oil and gas conservation, \$200,000
 - Federal grants, \$200,000
- Unexpended local assistance totals \$1.9 million budgeted for water development loans
- Unexpended benefits and claims of \$400,000 budgeted for drinking water loan forgiveness
- Other unexpended appropriations total \$200,000

FY 2020 Appropriations Compared to FY 2021 Appropriations

Total appropriations in the second-year increase by 0.9% or \$0.7 million, primarily for personal services.

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 Natural Resources and Conservation				
	Legislative Action	Executive Modifications		% Change from Legislative Action
		Per Statutory Authority	Executive Base	
57060 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION				
21 DIRECTORS OFFICE				
61000 Personal Services	5,174,452	46,290	5,220,742	0.9%
62000 Operating Expenses	2,115,184	-	2,115,184	0.0%
63000 Equipment & Intangible Assets	62,554	-	62,554	0.0%
68000 Transfers-out	500	-	500	0.0%
69000 Debt Service	21,700	-	21,700	0.0%
21 DIRECTORS OFFICE Total	7,374,390	46,290	7,420,680	0.6%
22 OIL & GAS CONSERVATION DIV				
61000 Personal Services	1,650,568	-	1,650,568	0.0%
62000 Operating Expenses	522,119	-	522,119	0.0%
63000 Equipment & Intangible Assets	56,550	-	56,550	0.0%
22 OIL & GAS CONSERVATION DIV Total	2,229,237	-	2,229,237	0.0%
23 CONSERVATION&RESOURCE DEV DIV				
61000 Personal Services	2,611,899	-	2,611,899	0.0%
62000 Operating Expenses	3,066,558	-	3,066,558	0.0%
63000 Equipment & Intangible Assets	43,743	-	43,743	0.0%
65000 Local Assistance	4,058,090	-	4,058,090	0.0%
66000 Grants	1,853,249	-	1,853,249	0.0%
67000 Benefits & Claims	400,000	-	400,000	0.0%
23 CONSERVATION&RESOURCE DEV DIV Total	12,033,539	-	12,033,539	0.0%
24 WATER RESOURCES DIVISION				
61000 Personal Services	11,338,947	(84,686)	11,254,261	-0.7%
62000 Operating Expenses	6,531,585	-	6,531,585	0.0%
63000 Equipment & Intangible Assets	133,499	-	133,499	0.0%
68000 Transfers-out	41,591	-	41,591	0.0%
69000 Debt Service	738,704	-	738,704	0.0%
24 WATER RESOURCES DIVISION Total	18,784,326	(84,686)	18,699,640	-0.5%
35 FORESTRY & TRUST LANDS				
61000 Personal Services	22,490,806	38,396	22,529,202	0.2%
62000 Operating Expenses	8,874,887	-	8,874,887	0.0%
63000 Equipment & Intangible Assets	1,056,720	-	1,056,720	0.0%
66000 Grants	247,465	-	247,465	0.0%
68000 Transfers-out	1,682,152	-	1,682,152	0.0%
69000 Debt Service	24,937	-	24,937	0.0%
35 FORESTRY & TRUST LANDS Total	34,376,967	38,396	34,415,363	0.1%
57060 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION Total	74,798,459	-	74,798,459	0.0%

The legislative budget was modified by a transfer of authority for personal services from the Water Resources Division to the Directors Office and the Forestry and Trust Lands Division.

Executive Request

The executive proposes an increase of 4.8% or \$7.2 million in total expenditures funded with general fund and state special revenue. In addition to present law adjustments, the executive proposes a permanent increase of 5.50 FTE within the within the Directors Office, Forestry & Trust Lands Division, and Water Resources Division.

Funding shift

The executive proposes to shift \$7.7 million in funding from state special revenue to the general fund. Revenues from production of coal, oil, gas, and metals have declined over recent years. This revenue, under current statute, is directed to state special revenue accounts which support natural resource operations and conservation districts. Proposed legislation would redirect the revenues to the general fund. The executive includes proposals to fund natural resource operations and conservation districts from the general fund.

This shift would increase the general fund share of the budget by 5.1% compared to the previous biennium.

Other proposed funding shifts would move \$0.7 million in authority from federal sources to state special revenue to properly record the revenues and expenditures of federal indirect assessments.

New FTE

The executive proposes to add 5.50 FTE increasing the agency to 536.62 FTE in the 2023 biennium. The new FTE would be funded 40.3% general fund, 58.9% state special revenue, and the remainder from federal sources. New FTE include:

- Cyber Security, Director's Office: 1.00 FTE
- Hydroelectric plant operator Water Resources Division: 1.00 FTE
- County Co-op fire protection, Forestry & Trust Lands: 1.50 FTE
- Forest Management, Forestry & Trust Lands: 2.00 FTE

Other proposals include additional funding for sage grouse conservation and water projects.

As proposed, the executive budget would be funded 46.3% general fund, 51.0% state special revenue, and 2.7% federal sources.

COVID-19 Budget Interaction

The Department of Natural Resources and Conservation (DNRC) was tasked with administering the Montana Business Adaptability Grant Program. The program provides Montana business reimbursement for COVID-19 expenses related to keeping staff and customers safe, funds may be used to for a wide range of purposes including the purchase of personal protective equipment and resources needed for staff to work remotely. DNRC started administering the program in late May 2020 and started receiving grant applications starting in June. The grant program will sunset on December 30, 2020. To administer the grant program the agency reassigned existing employees and hired short term workers and either delayed or sacrificed DNRC projects. Some key statistics include:

- Total FTE involved: 95 FTE
- Total hours utilized DNRC employees: 12,605
 - Regular hours: 8,053
 - Overtime hours: 4,552
- Total hours temporary hires: 2,350
 - Regular hours: 2,202
 - Overtime hours: 148
- Total value of grants processed: \$21.5 million

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 2023 biennium 5% plan submitted for this agency can be found online at the Section C subcommittee page on ["Tab 4 Materials"](#).

The department's 5% plan reduces general fund by \$1.4 million and state special revenue by \$1.3 million annually. Reductions include expenditures for Forestry Division Offices, fire protection program and forestry assistance programs, Trust Lands Management, Director's Office, and the Water Resources Division.

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:

1. Expected Changes

Expected changes are calculated independent of agency choices, such as: 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.

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. Budget Modifications

This category includes modifications to the FY 2021 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.

Personal Services Present Law DP 1 - FY 2022				
Program	Expected Changes	Management Decisions	Budget Modifications	DP1 SWPL
21 DIRECTORS OFFICE	36,269	433,187	-	469,456
22 OIL & GAS CONSERVATION DIV	(3,014)	(19,405)	-	(22,419)
23 CONSERVATION & RESOURCE DEV DIV	26,336	133,723	-	160,059
24 WATER RESOURCES DIVISION	23,001	176,846	-	199,847
35 FORESTRY & TRUST LANDS	50,652	502,852	-	553,504
Agency Total	\$ 133,245	\$ 1,227,202	\$ -	\$ 1,360,447

In FY 2021 the of Department of Natural Resources and Conservation was appropriated \$43.7 million to fund 531.12 FTE, and the personal services budget represented 57.6% of the total appropriations. The executive proposes SWPLA that increase personal services by \$1.4 million in FY 2022 and \$1.5 million 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 are funded primarily with general fund and state special revenue. The SWPL adjustments for FY 2022 of \$1,360,447 are funded as follows:

- General fund, \$685,555
- State special revenue, \$648,507
- Federal Sources, \$26,385

The executive proposal includes a 2% reduction for vacancy savings. In FY 2020 the agency utilized 98.9% of the total personal services hours budgeted. At the beginning of FY 2021 vacant positions totaled 40.52 FTE

Funding

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

Total Department of Natural Resources and Conservation Funding by Source of Authority 2023 Biennium Budget Request - Department of Natural Resources and Conservation							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	73,358,175	0	0	0	73,358,175	43.28 %	
State Special Total	80,719,957	0	0	2,355,143	83,075,100	49.01 %	
Federal Special Total	4,231,575	0	0	1,600,000	5,831,575	3.44 %	
Proprietary Total	0	0	7,245,935	0	7,245,935	4.27 %	
Other Total	0	0	0	0	0	0.00 %	
Total All Funds	\$158,309,707	\$0	\$7,245,935	\$3,955,143	\$169,510,785		
Percent - Total All Sources	93.39 %	0.00 %	4.27 %	2.33 %			

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 14 funds that make up 95% 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 95% of agency state special funding)				
	Beginning ¹		Expenditures ²	Ending
	<u>Balance</u>	<u>Revenues</u>	<u>Appropriations</u>	<u>Balance</u> ³
TLMD Trust Administration	\$499,697	\$31,193,419	(31,097,262)	\$595,854
Forestry-Fire Protection Taxes	37,627	8,820,020	(8,719,408)	138,239
RDB PROCEEDS	0	7,966,180	(7,966,180)	0
State Project Hydro Earnings	11,046,483	10,000,000	(6,664,004)	14,382,479
Conservation District Acct	(1,360,988)	3,432,000	(6,208,788)	(4,137,776)
Oil & Gas ERA	3,157,588	4,486,000	(6,134,225)	1,509,363
Water Adjudication	4,788	8,840,000	(8,811,107)	33,681
Forest Resources-Forest Improv	156,443	2,813,112	(707,344)	2,262,211
TSEP Regional Water System	(2,856,613)	5,555,000	(2,018,782)	679,605
Water Right Appropriation	949,701	2,000,100	(1,695,793)	1,254,008
Water Storage St Sp Rev Acct	1,566,668	545,300	(1,519,978)	591,990
Natural Resources Operations	(324,535)	3,607,000	(6,494,336)	(3,211,871)
Broadwater O & M	95,931	1,350,520	(1,410,744)	35,707
Aquatic Invasive Sepcies	<u>4,534,804</u>	<u>14,016,528</u>	<u>(5,831,297)</u>	<u>12,720,035</u>
Total funding	\$17,507,594	\$104,625,179	(\$95,279,248)	\$26,853,525

Notes
¹ The beginning balance is calculated using FY 2020 actual revenues and expenditures and FY 2021 forecast revenues and appropriations
² Appropriations includes appropriations to other agencies
³ The ending balance includes encumbered funds

Statutory Authority

DNRC has multiple statutory appropriations:

Oil and gas production damage mitigation state special revenue fund, (82-11-161, MCA), is statutorily appropriated and under the authority of the Board of Oil and Gas. It receives up to \$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 \$300,000 per year.

The Morrill trust land administration state special revenue fund (77-1-108, MCA) 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 \$34,500 per year.

The wildfire suppression state special revenue fund (73-13-150, MCA) 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 inflation adjusted average for state wildfire costs is \$25.0 million.

The Sage Grouse Stewardship state special revenue account (76-22-109) which is used to maintain, enhance, restore, expand, of benefit sage grouse habitat and populations. For FY 2018 through FY 2021 the fund receives a transfer of \$2.0 million from the general fund, starting in FY 2022 revenue is from compensatory mitigation as established in 76-22-111, MCA and donations.

The Good Neighbor Authority (GNA) state special revenue accounts (76-13-151, MCA) generates revenue from the sale of timber from GNA projects on federal. GNA allows the USDA Forest Service to enter into agreements with state forestry execute management work on federal forests within the state of Montana.

The federal fire reimbursement federal special revenue fund allows DNRC to spend federal fire reimbursements.

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 Summary by Category								
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	30,358,022	30,358,022	60,716,044	82.77 %	74,798,459	74,798,459	149,596,918	94.50 %
SWPL Adjustments	940,949	950,941	1,891,890	2.58 %	1,783,189	1,785,247	3,568,436	2.25 %
PL Adjustments	1,506,278	1,466,750	2,973,028	4.05 %	2,601,096	2,431,231	5,032,327	3.18 %
New Proposals	3,890,423	3,886,790	7,777,213	10.60 %	56,013	56,013	112,026	0.07 %
Total Budget	\$36,695,672	\$36,662,503	\$73,358,175		\$79,238,757	\$79,070,950	\$158,309,707	

HB 2 Language

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

"The department is authorized to decrease federal special revenue in the water 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 2023 biennium, up to \$1 million of funds currently in or to be deposited in the DNRC Indirects special revenue account is appropriated to the department for indirect pool expenditures."

"During the 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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."

"During the 2023 biennium, up to \$200,000 of funds currently in or to be deposited in the Trust Administration account are appropriated to the department for agriculture and grazing management infrastructure on state trust lands unexpected or emergency repair or replacement due to damage from public use, flooding, fire or other natural disasters."

Program 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.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	10,476,824	11,584,586	1,107,762	10.57 %
Operating Expenses	4,742,632	4,915,646	173,014	3.65 %
Equipment & Intangible Assets	125,108	125,108	0	0.00 %
Transfers	1,000	1,000	0	0.00 %
Debt Service	43,400	43,400	0	0.00 %
Total Expenditures	\$15,388,964	\$16,669,740	\$1,280,776	8.32 %
General Fund	8,496,152	10,089,415	1,593,263	18.75 %
State/Other Special Rev. Funds	5,659,448	6,494,534	835,086	14.76 %
Federal Spec. Rev. Funds	1,233,364	85,791	(1,147,573)	(93.04)%
Total Funds	\$15,388,964	\$16,669,740	\$1,280,776	8.32 %
Total Ongoing	\$15,388,964	\$16,669,740	\$1,280,776	8.32 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total growth of 8.3% or \$1.3 million when compared to the 2021 biennium.

Program Description

The Director's Office is comprised of the Director's Office, Legal Services Office, Financial Services Office, Office of Information Technology, Human Resources Office and Office of Administrative Hearings. 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, human resources, financial, information technology, records management, administrative hearings, safety, and communication services to the director and the divisions within the agency.

Program Highlights

Director's Office Major Budget Highlights
<p>The executive proposes an increase of 8.3% or \$1.3 million in total appropriations; general fund increases 18.8% or \$1.6 million when compared to the 2021 biennium:</p> <ul style="list-style-type: none"> • Statewide present law adjustments for personal services, \$1.0 million • Statewide present law adjustments for fixed costs \$618,800 • Increase of 1.00 FTE for an information technology position, \$235,100 • Shifting \$578,700 in appropriation from state special revenue to the general fund • Shifting \$742,400 in appropriation from federal sources to state special revenue

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	59.00	59.00	60.00	60.00
Personal Services	5,165,803	5,256,082	5,220,742	5,783,313	5,801,273
Operating Expenses	2,059,497	2,627,448	2,115,184	2,548,835	2,366,811
Equipment & Intangible Assets	31,069	62,554	62,554	62,554	62,554
Transfers	0	500	500	500	500
Debt Service	3,345	21,700	21,700	21,700	21,700
Total Expenditures	\$7,259,714	\$7,968,284	\$7,420,680	\$8,416,902	\$8,252,838
General Fund	3,636,222	4,300,481	4,195,671	5,094,230	4,995,185
State/Other Special Rev. Funds	2,761,334	2,805,645	2,853,803	3,275,677	3,218,857
Federal Spec. Rev. Funds	862,158	862,158	371,206	46,995	38,796
Total Funds	\$7,259,714	\$7,968,284	\$7,420,680	\$8,416,902	\$8,252,838
Total Ongoing	\$7,259,714	\$7,968,284	\$7,420,680	\$8,416,902	\$8,252,838
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Director's Office expended 91.1% of its \$8.0 million HB 2 modified budget in FY 2020. Unexpended appropriation totaled \$708,600 , primarily general fund. Personal services were 98.3% expended leaving \$90,300 unexpended. Operating expenses totaling \$568,000 budgeted for administrative, ITSD, and legal services were 78.4% expended

FY 2020 Appropriations Compared to FY 2021 Appropriations

Appropriations decrease by 6.9% or \$0.5 million between FY 2020 and FY 2021 primarily due to decreases in appropriations from federal sources for indirect operating expenses.

Executive Request

The total appropriation increases by 7.6% or \$1.2 million. In addition to SWPL adjustments for personal services, fixed costs, and inflation; the executive proposes an increase of 1.00 FT E and \$235,100 in funding for an Information Security Officer for cyber security. Funding in the amount of \$578,800 for natural resource operations and conservation districts would be shifted from the state special revenue to the general fund. The executive also proposes to shift \$742,400 in funding from federal sources to state special revenue to properly account for indirect costs. As proposed by the executive the division is funded 60.5% general fund, 39.0% state special revenue, and 0.5% federal sources.

Personal Services

Personal services appropriations in FY 2021 totaled \$5.2 million or 70.4% of total appropriations. The FY 2021 appropriation funded 59.00 FTE. The Executive proposes SWPL adjustments that increase personal services by \$469,465 in FY 2022 and \$487,347 in FY 2023. All employees received statutory adjustments, 40 positions received market adjustments, and 10 positions had adjustments for longevity. Adjustments are partially offset by employee turnover and retirements.

Fundings

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

Department of 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	10,089,415	0	0	0	10,089,415	60.53 %	
02039 Fire Protection Assessments	816,919	0	0	0	816,919	12.58 %	
02052 Rangeland Improvement Loans	60,461	0	0	0	60,461	0.93 %	
02073 Forestry - Slash Disposal	12,179	0	0	0	12,179	0.19 %	
02104 Miscellaneous State Spec Rev	742,412	0	0	0	742,412	11.43 %	
02145 Broadwater O & M	85,341	0	0	0	85,341	1.31 %	
02223 Wastewater SRF Special Admin	145,180	0	0	0	145,180	2.24 %	
02430 Water Right Appropriation	320,874	0	0	0	320,874	4.94 %	
02431 Water Adjudication	936,853	0	0	0	936,853	14.43 %	
02432 Oil & Gas ERA	412,732	0	0	0	412,732	6.36 %	
02491 Drinking Water Spec Admin Cost	145,180	0	0	0	145,180	2.24 %	
02576 Natural Resources Operations	0	0	0	0	0	0.00 %	
02825 Water Well Contractors	18,796	0	0	0	18,796	0.29 %	
02938 TLMD Trust Administration	2,753,002	0	0	0	2,753,002	42.39 %	
02048 Conservation District Acct	0	0	0	0	0	0.00 %	
02284 Aquatic Invasive Species	44,605	0	0	0	44,605	0.69 %	
State Special Total	\$6,494,534	\$0	\$0	\$0	\$6,494,534	38.96 %	
03255 DO FEDERAL INDIRECT	85,791	0	0	0	85,791	100.00 %	
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %	
Federal Special Total	\$85,791	\$0	\$0	\$0	\$85,791	0.51 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$16,669,740	\$0	\$0	\$0	\$16,669,740		

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](#).

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	4,195,671	4,195,671	8,391,342	83.17 %	7,420,680	7,420,680	14,841,360	89.03 %
SWPL Adjustments	478,882	414,456	893,338	8.85 %	844,479	730,824	1,575,303	9.45 %
PL Adjustments	54,298	25,706	80,004	0.79 %	95,730	45,321	141,051	0.85 %
New Proposals	365,379	359,352	724,731	7.18 %	56,013	56,013	112,026	0.67 %
Total Budget	\$5,094,230	\$4,995,185	\$10,089,415		\$8,416,902	\$8,252,838	\$16,669,740	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	266,264	179,732	23,460	469,456	0.00	276,411	186,580	24,356	487,347
DP 2 - Fixed Costs	0.00	212,804	143,654	18,751	375,209	0.00	138,162	93,259	12,173	243,594
DP 3 - Inflation Deflation	0.00	(186)	0	0	(186)	0.00	(117)	0	0	(117)
DP 2101 - DO OPERATING ADJUSTMENTS	0.00	43,827	29,582	3,861	77,270	0.00	18,372	12,401	1,619	32,392
DP 2102 - DO FUNDING SHIFT	0.00	0	371,206	(371,206)	0	0.00	0	371,206	(371,206)	0
DP 2103 - DO OFFICE OF INFORMATION TECHNOLOGY POSITIONS	1.00	68,239	46,063	6,013	120,315	1.00	65,102	43,944	5,738	114,784
DP 2105 - DO SERVICENOW REDUCTION	0.00	(57,768)	(38,997)	(5,090)	(101,855)	0.00	(57,768)	(38,997)	(5,090)	(101,855)
Grand Total All Present Law Adjustments	1.00	\$533,180	\$731,240	(\$324,211)	\$940,209	1.00	\$440,162	\$668,393	(\$332,410)	\$776,145

*"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
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 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 the following: 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 2101 - DO OPERATING ADJUSTMENTS -

The executive proposes an increase in general fund, state special revenue, and federal funds for various operating adjustments, such as contracted services for a business analysis, office equipment rental, and rent for the DNRC Director's Office portion of the headquarters office located in Helena.

DP 2102 - DO FUNDING SHIFT -

The executive proposes a shift in funding from federal sources to state special revenue. This request is to move funding from the Director's Office indirect assessment on federal special revenue account to a state special revenue account to properly record the revenues and expenditures of those assessments.

DP 2103 - DO OFFICE OF INFORMATION TECHNOLOGY POSITIONS -

The executive proposes an increase of 1.00 FTE and appropriation from the general fund, state special revenue, and federal sources. The appropriation will fund an Information Security Officer for cyber security of the department's data and systems as required by 2-15-114, MCA.

DP 2105 - DO SERVICENOW REDUCTION -

The executive proposes a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The executive is anticipating operating efficiencies and other savings by using ServiceNow.

New Proposals

The New Proposals table shows new changes to spending

New Proposals	Fiscal 2022					Fiscal 2023				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 998 - REFINANCING COAL SEVERANCE TAX ACCOUNT	0.00	17,153	(17,153)	0	0	0.00	16,817	(16,817)	0	0
DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT	0.00	292,213	(292,213)	0	0	0.00	286,522	(286,522)	0	0
DP 2106 - DO OIT NRIS/GIS FIXED COST ADJUSTMENT	0.00	56,013	0	0	56,013	0.00	56,013	0	0	56,013
Total	0.00	\$365,379	(\$309,366)	\$0	\$56,013	0.00	\$359,352	(\$303,339)	\$0	\$56,013

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

DP 998 - REFINANCING COAL SEVERANCE TAX ACCOUNT -

The executive proposes a shift in funding from state special revenue Conservation District Account to the general fund.

DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT -

The executive proposes a shift in funding from state special revenue Natural Resources Operations Account to the general fund.

LFD COMMENT	<p>Proposed legislation redirecting revenue streams from metal mines, oil, and gas.</p> <p>The Natural Resources Operations (NRO) state special revenue account is established in 15-38-301. Revenues for the fund are generated from taxes on metal mines, and oil & gas production. Proposed legislation would eliminate this fund and the revenues would be directed to the general fund. The executive is proposing that the revenue lost due to proposed legislation be replaced with general fund to include base funding and decision packages proposed in the 2021 session. The proposed legislation is:</p> <p>LC851 - Eliminate natural resources operations fund</p> <p>The legislature may wish to consider</p> <ul style="list-style-type: none"> • Including HB 2 language making any general fund appropriation approved by the legislature contingent on the passage of LC0851 • Postponing any executive action on the proposal until positive action by the legislature has been taken LC0851
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DP 2106 - DO OIT NRIS/GIS FIXED COST ADJUSTMENT -

The executive proposes an increase in expenditure for the Montana State Library Natural resource information system and geographic information service.

Program 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.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	3,267,075	3,258,460	(8,615)	(0.26)%
Operating Expenses	1,012,059	1,037,664	25,605	2.53 %
Equipment & Intangible Assets	113,100	113,100	0	0.00 %
Total Expenditures	\$4,392,234	\$4,409,224	\$16,990	0.39 %
State/Other Special Rev. Funds	4,209,850	4,195,840	(14,010)	(0.33)%
Federal Spec. Rev. Funds	182,384	213,384	31,000	17.00 %
Total Funds	\$4,392,234	\$4,409,224	\$16,990	0.39 %
Total Ongoing	\$4,392,234	\$4,409,224	\$16,990	0.39 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total growth of 0.4% when compared with the 2021 biennium.

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>Oil & Gas Conservation Division Major Budget Highlights</p>
<p>The executive proposes an increase of 0.4% or \$17,000 in total appropriation over the 2021 biennium.</p>

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	19.50	19.50	19.50	19.50
Personal Services	1,354,737	1,616,507	1,650,568	1,628,149	1,630,311
Operating Expenses	323,167	489,940	522,119	519,172	518,492
Equipment & Intangible Assets	0	56,550	56,550	56,550	56,550
Total Expenditures	\$1,677,904	\$2,162,997	\$2,229,237	\$2,203,871	\$2,205,353
State/Other Special Rev. Funds	1,602,213	2,087,305	2,122,545	2,097,179	2,098,661
Federal Spec. Rev. Funds	75,691	75,692	106,692	106,692	106,692
Total Funds	\$1,677,904	\$2,162,997	\$2,229,237	\$2,203,871	\$2,205,353
Total Ongoing	\$1,677,904	\$2,162,997	\$2,229,237	\$2,203,871	\$2,205,353
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Oil & Gas Conservation Division expended 77.6% of its \$2.2 million HB 2 modified budget in FY 2020. Unexpended appropriations totaled \$485,100 from state special revenue. Personal services were 83.8% expended leaving \$261,800 unexpended. Unexpended appropriation for operations totaled \$166,800

FY 2020 Appropriations Compared to FY 2021 Appropriations

The FY 2021 appropriations increase by 3.1% or \$66,200 when compared to FY 2020 appropriations. Personal services and operating expenses account for all increases.

Executive Request

Total appropriations increase by 0.4% or \$17,000. The executive proposes only SWPL adjustments for personal services and fixed costs. As proposed by the executive, the division's HB 2 funding is 95.2% state special revenue, and 4.8% federal sources.

Personal Services

Personal services appropriation in FY 2021 totaled \$1.7 million or 74.0% of total appropriations. The FY 2021 appropriation funded 19.5 FTE. The Executive proposes SWPL adjustments that decrease personal services by \$22,419 in FY 2022 and \$20,257 in FY 2023, with no increase in FTE. All employees received statutory adjustments and six positions had adjustments for longevity. Adjustments are partially offset by employee turnover and retirements.

Funding

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

57060 - Department Of Natural Resources And Conservation 22-Oil & Gas Conservation Div.

Department of 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	8.30 %	
02432 Oil & Gas ERA	4,195,840	0	0	0	4,195,840	91.70 %	
State Special Total	\$4,195,840	\$0	\$0	\$380,000	\$4,575,840	95.54 %	
03356 Oil & Gas Federal	213,384	0	0	0	213,384	100.00 %	
Federal Special Total	\$213,384	\$0	\$0	\$0	\$213,384	4.46 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,409,224	\$0	\$0	\$380,000	\$4,789,224		

The division is funded through taxes levied on oil and gas production and fees paid by operators of class II injection wells. Statutory funds are appropriated for oil and gas damage mitigation.

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](#).

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	0	0	0	0.00 %	2,229,237	2,229,237	4,458,474	101.12 %
SWPL Adjustments	0	0	0	0.00 %	(25,366)	(23,884)	(49,250)	(1.12) %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,203,871	\$2,205,353	\$4,409,224	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2022-----					-----Fiscal 2023-----				
	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	(22,419)	0	(22,419)	0.00	0	(20,257)	0	(20,257)
DP 2 - Fixed Costs	0.00	0	(2,947)	0	(2,947)	0.00	0	(3,627)	0	(3,627)
Grand Total All Present Law Adjustments	0.00	\$0	(\$25,366)	\$0	(\$25,366)	0.00	\$0	(\$23,884)	\$0	(\$23,884)

**"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
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 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 the following: 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 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	5,100,810	5,548,897	448,087	8.78 %
Operating Expenses	6,146,233	7,375,969	1,229,736	20.01 %
Equipment & Intangible Assets	111,486	87,486	(24,000)	(21.53)%
Local Assistance	8,116,180	8,116,180	0	0.00 %
Grants	3,806,498	4,106,498	300,000	7.88 %
Benefits & Claims	800,000	800,000	0	0.00 %
Debt Service	732	0	(732)	(100.00)%
Total Expenditures	\$24,081,939	\$26,035,030	\$1,953,091	8.11 %
General Fund	3,436,060	11,499,118	8,063,058	234.66 %
State/Other Special Rev. Funds	20,152,307	13,919,340	(6,232,967)	(30.93)%
Federal Spec. Rev. Funds	493,572	616,572	123,000	24.92 %
Total Funds	\$24,081,939	\$26,035,030	\$1,953,091	8.11 %
Total Ongoing	\$23,891,939	\$26,035,030	\$2,143,091	8.97 %
Total OTO	\$190,000	\$0	(\$190,000)	(100.00)%

Program Biennium Comparison -

The biennium comparison table shows a growth of 8.1% in total appropriations, and 9.0% in ongoing appropriations.

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 and assisting CD's as they administer the Natural Streambed and Land Preservation Act. The division co-administers the State Revolving Fund loan programs with DEQ and provides coal severance tax loans to governmental entities, and private loans. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs. Administratively attached to the division are:

- Flathead Basin Commission
- Upper Columbia Conservation Commission
- Montana Invasive Species Council
- Rangeland Resource Committee
- Grass Conservation Commission, and
- provides provide staff for the Montana Sage Grouse Oversight Team, which is attached to the Governor's office.

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

The executive proposes an increase of 8.1% or \$2.0 million in total appropriations, and ongoing appropriations increase by 9.0% or \$2.1 million. Other highlights include:

- Funding shift from the state special revenue to the general fund, \$6.6 million
- General fund appropriation for sage grouse habitat conservation, \$1.2 million
- Grants for conservation districts, \$400,000
- Statewide present law adjustments for personal services, \$325,100
- Flathead Basin Commission operations, \$80,000

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	30.18	30.18	30.18	30.18
Personal Services	2,354,355	2,488,911	2,611,899	2,771,958	2,776,939
Operating Expenses	2,535,588	3,059,675	3,086,558	3,687,380	3,688,589
Equipment & Intangible Assets	67,944	67,743	43,743	43,743	43,743
Local Assistance	2,186,870	4,058,090	4,058,090	4,058,090	4,058,090
Grants	1,882,893	1,953,249	1,853,249	2,053,249	2,053,249
Benefits & Claims	0	400,000	400,000	400,000	400,000
Debt Service	727	732	0	0	0
Total Expenditures	\$9,028,377	\$12,028,400	\$12,053,539	\$13,014,420	\$13,020,610
General Fund	1,710,586	1,710,734	1,725,326	5,746,986	5,752,132
State/Other Special Rev. Funds	7,112,506	10,112,380	10,039,927	6,959,148	6,960,192
Federal Spec. Rev. Funds	205,285	205,286	288,286	308,286	308,286
Total Funds	\$9,028,377	\$12,028,400	\$12,053,539	\$13,014,420	\$13,020,610
Total Ongoing	\$9,028,377	\$11,858,400	\$12,033,539	\$13,014,420	\$13,020,610
Total OTO	\$0	\$170,000	\$20,000	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2021 Appropriations

The FY 2021 appropriations are \$25,000 or 0.2% higher when compared to FY 2020 appropriations. Increases in personal services and operating expenditures are offset by decreases in grants and equipment.

Executive Request

The executive requests an increase in total appropriations of 8.1% or \$2.0 million. Of the proposed budget, approximately 50.0% of appropriations are for local assistance, grants, and benefits & claims. In addition to SWPL adjustments of \$354,000, the executive proposes a general fund appropriation of \$1.2 million for the sage grouse habitat conservation

program, \$80,000 in state special revenue for the operation of the Flathead Basin Commission, and \$400,000 in grants for conservation districts.

The executive proposes a \$6.6 million funding switch from state special revenue to the general fund for appropriations that support natural resource operations, conservation districts, and the Flathead Basin Commission. The funding shift would increase the general fund share of the budget from 14.3% in the 2021 biennium to 44.2% in the 2023 biennium.

The HB 2 budget, as proposed by the executive is funded with 44.2% general fund, 53.4% state special revenue, and 2.4% from federal sources.

Personal Services

Personal services appropriation in FY 2021 totaled \$2.6 million or 21.7% of total appropriations. The FY 2021 appropriation funded 30.18 F TE. The executive proposes SWPL adjustments that increase personal services by \$160,059 in FY 2022 and \$165,040 in FY 2023 with no increase in F TE. The SWPL adjustments are funded primarily with general fund. Other funding sources include coal tax, sage grouse stewardship and the general fund. All employees received statutory adjustments, three positions received market adjustments, and eight positions had adjustments for longevity. Adjustments are partially offset by employee turnover and retirements.

Funding

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

Department of 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	11,499,118	0	0	0	11,499,118	41.05 %	
02015 TSEP Regional Water System	2,018,782	0	0	0	2,018,782	12.70 %	
02052 Rangeland Improvement Loans	162,412	0	0	0	162,412	1.02 %	
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %	
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	66,680	0	0	0	66,680	0.42 %	
02326 CST 2016E Ban Proceeds (Tax)	0	0	0	0	0	0.00 %	
02432 Oil & Gas ERA	1,525,653	0	0	0	1,525,653	9.60 %	
02433 Grazing District Fees	48,768	0	0	0	48,768	0.31 %	
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	5.03 %	
02532 2016C WW SRF BAN PROCEEDS	0	0	0	0	0	0.00 %	
02576 Natural Resources Operations	0	0	0	0	0	0.00 %	
02577 Natural Resources Projects	0	0	0	0	0	0.00 %	
02619 2019B GO WW SRF BAN Proceeds	0	0	0	0	0	0.00 %	
02625 HB 8 CST Bonds	0	0	0	0	0	0.00 %	
02680 2019A GO DW SRF BAN Proceeds	0	0	0	0	0	0.00 %	
02694 Coal Bed Methane Protection	0	0	0	0	0	0.00 %	
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	50.12 %	
02318 Sage Grouse Stewardship	30,865	0	0	1,975,143	2,006,008	12.62 %	
02048 Conservation District Acct	0	0	0	0	0	0.00 %	
02284 Aquatic Invasive Species	1,300,000	0	0	0	1,300,000	8.18 %	
02682 2017C DW 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 %	
02165 HB0652 SSR - 2021 BIEN	0	0	0	0	0	0.00 %	
02327 CST 2020B Proceeds Taxable	0	0	0	0	0	0.00 %	
02539 2019D GO DW SRF BAN PROCEEDS	0	0	0	0	0	0.00 %	
State Special Total	\$13,919,340	\$0	\$0	\$1,975,143	\$15,894,483	56.75 %	
03149 WPC17 SRF Grant	0	0	0	0	0	0.00 %	
03152 DW14 SRF Grant	0	0	0	0	0	0.00 %	
03178 Res Dev & Cons - Fed	0	0	0	0	0	0.00 %	
03245 WPC19 SRF Grant	0	0	0	0	0	0.00 %	
03409 WPC18 SRF Grant	0	0	0	0	0	0.00 %	
03457 WPC20 SRF Grant	0	0	0	0	0	0.00 %	
03812 DW 18 SRF Grant	0	0	0	0	0	0.00 %	
03813 DW19 SRF Grant	0	0	0	0	0	0.00 %	
03815 DW20 SRF Grant	0	0	0	0	0	0.00 %	
03818 DW21 SRF Grant	170,474	0	0	0	170,474	27.65 %	
03953 DW17 SRF Grant	0	0	0	0	0	0.00 %	
03384 Aquatic Invasive Species	0	0	0	0	0	0.00 %	
03608 WPC21 SRF GRANT	137,812	0	0	0	137,812	22.35 %	
03716 WPC22 SRF GRANT	137,812	0	0	0	137,812	22.35 %	
03817 DW22 SRF GRANT	170,474	0	0	0	170,474	27.65 %	
Federal Special Total	\$616,572	\$0	\$0	\$0	\$616,572	2.20 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$26,035,030	\$0	\$0	\$1,975,143	\$28,010,173		

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, fees assessed on hydroelectric facilities, and production taxes on oil and gas. Statutory appropriations for sage grouse habitat are funded by mitigation fees from land developers and donations and transfers from the general fund.

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](#).

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	1,725,326	1,725,326	3,450,652	30.01 %	12,033,539	12,033,539	24,067,078	92.44 %
SWPL Adjustments	22,749	25,501	48,250	0.42 %	173,881	180,071	353,952	1.36 %
PL Adjustments	695,000	695,000	1,390,000	12.09 %	807,000	807,000	1,614,000	6.20 %
New Proposals	3,303,911	3,306,305	6,610,216	57.48 %	0	0	0	0.00 %
Total Budget	\$5,746,986	\$5,752,132	\$11,499,118		\$13,014,420	\$13,020,610	\$26,035,030	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	19,025	141,034	0	160,059	0.00	21,366	143,674	0	165,040
DP 2 - Fixed Costs	0.00	3,724	10,098	0	13,822	0.00	4,135	10,896	0	15,031
DP 2301 - CARDD & RANGELAND OPERATING ADJUSTMENTS	0.00	55,000	67,000	20,000	142,000	0.00	55,000	67,000	20,000	142,000
DP 2302 - CARDD CONSERVATION DISTRICT GRANTS	0.00	40,000	160,000	0	200,000	0.00	40,000	160,000	0	200,000
DP 2304 - CARDD FLATHEAD BASIN COMMISSION OPERATING	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 2306 - SAGE GROUSE HABITAT CONSERVATION PROGRAM	0.00	600,000	0	0	600,000	0.00	600,000	0	0	600,000
DP 2311 - CARDD FEDERAL FUNDS UPDATE	0.00	0	0	0	0	0.00	0	0	0	0
DP 2312 - CARDD-CBM REDUCTION	0.00	0	(175,000)	0	(175,000)	0.00	0	(175,000)	0	(175,000)
Grand Total All Present Law Adjustments	0.00	\$717,749	\$243,132	\$20,000	\$980,881	0.00	\$720,501	\$246,570	\$20,000	\$987,071

**"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
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 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 the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 2301 - CARDD & RANGELAND OPERATING ADJUSTMENTS -

The executive proposes an increase for operations expenses such as travel, insurance, and contracted services for the conservation district and resource development bureaus as well as operations expenses for the Wastewater and Drinking water program of the Resource Development Bureau.

DP 2302 - CARDD CONSERVATION DISTRICT GRANTS -

The executive proposes an increase in state special revenue from the conservation districts account to carry out locally led natural resource conservation projects related to soil health, flooding, forest fires, and the mitigation of these natural resource events.

DP 2304 - CARDD FLATHEAD BASIN COMMISSION OPERATING -

The executive proposes an increase in appropriation for operation of the Flathead Basin Commission.

DP 2306 - SAGE GROUSE HABITAT CONSERVATION PROGRAM -

The executive proposes a general fund appropriation from the general fund to fund the sage grouse habitat conservation program.

LFD COMMENT	<p>Statutory funding for sage grouse habitat conservation.</p> <p>The Sage Grouse Stewardship state special revenue account received a statutory transfer of \$2.0 million from the general fund for FY 2018 through FY 2021 (76-22-109, MCA, 15-1-122, MCA). This decision package would replace a portion of this general fund transfer after the statute sunsets in FY 2021. As proposed, this would become part of the base funding for the agency in future biennia.</p> <p>The ending fund balance in the Sage Grouse Stewardship state special revenue account in FY 2020 was \$2.9 million.</p>
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DP 2311 - CARDD FEDERAL FUNDS UPDATE -

The executive proposes a transfer of budget authority between federal funding sources that support the State Revolving Fund program. This decision package has no impact on the overall budget.

DP 2312 - CARDD-CBM REDUCTION -

The executive proposes a reduction from the state special revenue Coal Bed Methane account. Existing authority exceeds current revenues for this account.

LFD COMMENT	<p>Coal Bed Methane Protection account declining fund balance</p> <p>The ending fund balance in the Coal Bed Methane Protection account has decreased by 25.7% annually between FY 2012 and FY 2020. Current revenues are interest earned on the fund balance. The fund balance is used to compensate landowners or water right holder adversely affected by the extraction of coal bed methane.</p> <p>The table below show revenues, disbursements, and ending fund balance from FY 2012 through FY 2020.</p>
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<u>Coal Bed Methane Protection Account</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Beginning Fund Balance	\$933,929	\$712,602	\$373,163	\$319,822	\$200,787
Revenues	3,751	195,874	8,165	9,414	3,579
Expenditures	(225,078)	(535,313)	(61,506)	(128,449)	13,291
Ending Fund Balance	\$712,602	\$373,163	\$319,822	\$200,787	\$217,657

New Proposals

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 998 - REFINANCING COAL SEVERANCE TAX ACCOUNT	0.00	3,086,212	(3,086,212)	0	0	0.00	3,088,606	(3,088,606)	0	0
DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT	0.00	217,699	(217,699)	0	0	0.00	217,699	(217,699)	0	0
Total	0.00	\$3,303,911	(\$3,303,911)	\$0	\$0	0.00	\$3,306,305	(\$3,306,305)	\$0	\$0

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

DP 998 - REFINANCING COAL SEVERANCE TAX ACCOUNT -

The executive proposes a shift in funding from state special revenue Conservation District Account to the general fund.

LFD COMMENT	<p>Proposed legislation redirecting revenue streams from the Coal Tax account to the general fund.</p> <p>The Conservation Districts state special revenue account is established in 15-35-108, MCA to be administered by the department to provide funding for the 58 conservation districts in Montana. Revenue for the fund is from coal severance taxes and are established in 15-35-108, MCA. Proposed legislation, LC0943 - Eliminate Coal Severance Tax SSR accounts, would eliminate this source of funding. The executive is proposing that the revenue lost due to proposed legislation be replaced with general fund to include base funding and decision packages propose in the 2021 session.</p> <p>The legislature may wish to consider:</p> <ul style="list-style-type: none"> • Including HB 2 language making any general fund appropriation approved by the legislature contingent on the passage of LC0943 • Postponing any executive action on the proposal until positive action by the legislature has been taken on LC0943
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DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT -

The executive proposes a shift in funding from state special revenue Natural Resources Operations Account to the general fund.

LFD COMMENT	<p>Proposed legislation redirecting revenue streams from metal mines, oil, and gas.</p> <p>The Natural Resources Operations (NRO) state special revenue account is established in 15-38-301. Revenues for the fund are generated from taxes on metal mines, and oil & gas production. Proposed legislation would</p>
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eliminate this fund and the revenues would be directed to the general fund. The executive is proposing that the revenue lost due to proposed legislation be replaced with general fund to include base funding and decision packages propose in the 2021 session. The proposed legislation is:

LC851 - Eliminate natural resources operations fund

The legislature may wish to consider:

- Including HB 2 language that would make any general fund appropriation approved by the legislature contingent on the passage of LC0851
- Postponing any executive action on the proposal until positive action by the legislature has been taken LC0851

Program 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.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	22,365,803	23,156,340	790,537	3.53 %
Operating Expenses	13,363,944	14,930,980	1,567,036	11.73 %
Equipment & Intangible Assets	272,998	365,698	92,700	33.96 %
Transfers	83,182	83,182	0	0.00 %
Debt Service	1,299,232	1,477,408	178,176	13.71 %
Total Expenditures	\$37,385,159	\$40,013,608	\$2,628,449	7.03 %
General Fund	21,079,711	22,715,412	1,635,701	7.76 %
State/Other Special Rev. Funds	15,824,298	16,734,192	909,894	5.75 %
Federal Spec. Rev. Funds	481,150	564,004	82,854	17.22 %
Total Funds	\$37,385,159	\$40,013,608	\$2,628,449	7.03 %
Total Ongoing	\$37,120,159	\$40,013,608	\$2,893,449	7.79 %
Total OTO	\$265,000	\$0	(\$265,000)	(100.00)%

Program Biennium Comparison -

The biennium comparison table shows a growth of 7.0% in total appropriations, and a 7.8% increase in ongoing appropriations.

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 six bureaus:

- Water Management Bureau
- Water Adjudication Bureau
- Water Rights Bureau
- Water Management Bureau
- State Water Projects Bureau
- Water Operations Bureau
- Compact Implementation Program

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, and water measurement
- To implement 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 7.0% or \$2.6 million increase in total appropriation, including new funding as follows:</p> <ul style="list-style-type: none"> • General fund, \$1.0 million to support operations of regional offices • State Special revenue, \$898,700 for state water projects • Statewide present law adjustments, \$526,200 funded from general fund, state special revenue, and federal sources • State special revenue, \$219,200 to fund 1.00 FTE • Fund shift from state special revenue to the general fund, \$255,100

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	132.26	132.26	133.26	133.26
Personal Services	10,372,877	11,111,542	11,254,261	11,561,490	11,594,850
Operating Expenses	4,404,797	6,637,359	6,726,585	7,463,203	7,467,777
Equipment & Intangible Assets	143,676	139,499	133,499	232,199	133,499
Transfers	19,995	41,591	41,591	41,591	41,591
Debt Service	546,901	560,528	738,704	738,704	738,704
Total Expenditures	\$15,488,246	\$18,490,519	\$18,894,640	\$20,037,187	\$19,976,421
General Fund	9,754,591	10,456,261	10,623,450	11,340,611	11,374,801
State/Other Special Rev. Funds	5,535,231	7,831,911	7,992,387	8,414,738	8,319,454
Federal Spec. Rev. Funds	198,424	202,347	278,803	281,838	282,166
Total Funds	\$15,488,246	\$18,490,519	\$18,894,640	\$20,037,187	\$19,976,421
Total Ongoing	\$15,418,303	\$18,420,519	\$18,699,640	\$20,037,187	\$19,976,421
Total OTO	\$69,943	\$70,000	\$195,000	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Water Resources Division expended 83.3% of the \$18.5 million HB 2 appropriation. Unexpended appropriations total \$3.0 million. Personal services vacancy savings account for about \$738,700. The unexpended appropriation for operations totaled \$2.2 million in state special revenue budgeted for various water projects.

FY 2020 Appropriations Compared to FY 2021 Appropriations

The FY 2021 appropriations are \$359,100 or 2.2% higher than FY 2020 appropriations. Increases in appropriation are funded primarily from general fund and state special revenues. Personal services increase by 1.3% or \$142,700,

operations increase by 1.3% or \$89,200 and debt service increases by 31.8% or \$178,200.

Executive Request

The total appropriation increases by 7.0% or \$2.6 million.

The executive proposes increases in general fund of \$1.4 million which includes \$1.0 million to support operations of the eight regional Water Resources Division offices in Billings, Bozeman, Glasgow, Haver, Helena, Kalispell, Lewistown, and Missoula. Other general fund increases include a statewide present law adjustment of \$310,600 for personal services, and \$71,300 for fixed costs.

The executive proposes \$1.2 million in state special revenue, including \$219,200 in state special revenue to add 1.00 FTE as a hydroelectric plant operator for the Broadwater Power Project, where the position would be funded from revenues generated from the sale of electricity. There is also \$898,700 in appropriations for state water projects including final design and construction documents for the rehabilitation of the East Fork Dam, and equipment to measure water flow. Other appropriations from state special revenue total \$136,600 for statewide present law adjustments for personal services, fixed costs and inflation.

The executive proposes a funding switch of approximately \$255,000 from state special revenue to the general fund for appropriations that support Water Management Bureau. The funding shift would increase the general fund share of the budget from 14.3% in the 2021 biennium to 44.2% in the 2023 biennium.

The HB 2 budget, as proposed by the executive is funded with 56.8% general fund, 41.8% state special revenue, and 1.4% from federal sources.

Personal Services

Personal services appropriations in FY 2021 totaled \$11.3 million or 59.6% of total appropriations. The FY 2021 appropriation funded 132.26 FTE. The executive proposes SWPL adjustments that increase personal services by \$199,847 in FY 2022 and \$233,129 in FY 2023. In addition to SWPL the executive proposes an increase of 1.00 FTE. The SWPL adjustments are funded primarily from the general fund, other sources include water adjudication fees. All employees received statutory adjustments, 20 market adjustments, and 32 positions had adjustments for longevity. Adjustments are partially offset by employee turnover and retirements.

Funding

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

Department of 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	22,715,412	0	0	0	22,715,412	56.77 %	
02104 Miscellaneous State Spec Rev	0	0	0	0	0	0.00 %	
02145 Broadwater O & M	1,325,404	0	0	0	1,325,404	7.92 %	
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	1,519,978	0	0	0	1,519,978	9.08 %	
02306 Blackfeet Infrastructure	0	0	0	0	0	0.00 %	
02351 Water Project Lands Lease Acct	119,686	0	0	0	119,686	0.72 %	
02404 Water Project Loans	616,956	0	0	0	616,956	3.69 %	
02430 Water Right Appropriation	1,374,919	0	0	0	1,374,919	8.22 %	
02431 Water Adjudication	4,885,821	0	0	0	4,885,821	29.20 %	
02470 State Project Hydro Earnings	6,664,004	0	0	0	6,664,004	39.82 %	
02576 Natural Resources Operations	0	0	0	0	0	0.00 %	
02825 Water Well Contractors	227,424	0	0	0	227,424	1.36 %	
02307 Blackfeet Birch CK Agmt-Escrow	0	0	0	0	0	0.00 %	
State Special Total	\$16,734,192	\$0	\$0	\$0	\$16,734,192	41.82 %	
03034 Yellowstone Groundwater NPS	43,658	0	0	0	43,658	7.74 %	
03094 FEMA Federal Grants	520,346	0	0	0	520,346	92.26 %	
03308 Water Resources - Federal	0	0	0	0	0	0.00 %	
03724 AA Miscellaneous Federal	0	0	0	0	0	0.00 %	
Federal Special Total	\$564,004	\$0	\$0	\$0	\$564,004	1.41 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$40,013,608	\$0	\$0	\$0	\$40,013,608		

The Water Resources Division is predominantly funded with general fund and state special revenue. Revenue is primarily generated from the sale of electricity at the state owned Toston dam in Broadwater County. Revenues generated from fees include water rights filing fees and water adjudication fees. The division also receives revenue from taxes on metal mines, oil, and gas production.

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](#).

Budget Summary by Category								
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	10,553,450	10,553,450	21,106,900	92.92 %	18,699,640	18,699,640	37,399,280	93.47 %
SWPL Adjustments	159,600	193,790	353,390	1.56 %	227,865	268,521	496,386	1.24 %
PL Adjustments	500,000	500,000	1,000,000	4.40 %	1,109,682	1,008,260	2,117,942	5.29 %
New Proposals	127,561	127,561	255,122	1.12 %	0	0	0	0.00 %
Total Budget	\$11,340,611	\$11,374,801	\$22,715,412		\$20,037,187	\$19,976,421	\$40,013,608	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	141,623	55,299	2,925	199,847	0.00	168,958	60,926	3,245	233,129
DP 2 - Fixed Costs	0.00	35,463	10,760	110	46,333	0.00	35,799	10,962	118	46,879
DP 3 - Inflation Deflation	0.00	(17,486)	(829)	0	(18,315)	0.00	(10,967)	(520)	0	(11,487)
DP 2401 - WRD ESSENTIAL OPERATING FUNDS	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 2402 - WRD EAST FORK FINAL DESIGN	0.00	0	400,000	0	400,000	0.00	0	400,000	0	400,000
DP 2404 - WRD FLOW MEASUREMENT EQUIPMENT PURCHASE	0.00	0	98,700	0	98,700	0.00	0	0	0	0
DP 2414 - WRD HYDROELECTRIC PLANT OPERATOR FTE	1.00	0	110,982	0	110,982	1.00	0	108,260	0	108,260
Grand Total All Present Law Adjustments	1.00	\$659,600	\$674,912	\$3,035	\$1,337,547	1.00	\$693,790	\$579,628	\$3,363	\$1,276,781

*"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
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 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 the following: 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 2401 - WRD ESSENTIAL OPERATING FUNDS -

The executive proposes an increase in general fund to support the eight Water Resources Division regional offices in Billings, Bozeman, Glasgow, Havre, Helena, Kalispell, Lewistown, and Missoula.

DP 2402 - WRD EAST FORK FINAL DESIGN -

The executive proposes an increase in state special revenue for the final design and construction documents for the rehabilitation of the East Fork Dam near Lewistown. Rehabilitation will include a new spillway and seepage mitigation measures.

DP 2404 - WRD FLOW MEASUREMENT EQUIPMENT PURCHASE -

The executive proposes an increase in state special revenue to purchase equipment to measure flows into reservoirs and canals.

LFD COMMENT

Expenditure for equipment is proposed as an ongoing expenditure.

As proposed, this decision package would be considered an ongoing expenditure in future biennia. Purchase of equipment are not typically considered an ongoing expense.

. The legislature may wish to consider this proposal as a one-time-only appropriation.

DP 2414 - WRD HYDROELECTRIC PLANT OPERATOR FTE -

The executive proposes an increase in state special revenue to support an increase of 1.00 FTE at the Broadwater Power Project. The funding will support a hydroelectric plant operator.

New Proposals

The New Proposals table shows new changes to spending

	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT	0.00	127,561	(127,561)	0	0	0.00	127,561	(127,561)	0	0
Total	0.00	\$127,561	(\$127,561)	\$0	\$0	0.00	\$127,561	(\$127,561)	\$0	\$0

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

DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT -

The executive proposes a shift in funding from state special revenue Natural Resources Operations Account to the general fund.

LFD COMMENT

Proposed legislation redirecting revenue streams from metal mines, oil, and gas.

The Natural Resources Operations (NRO) state special revenue account is established in 15-38-301. Revenues for the fund are generated from taxes on metal mines, and oil & gas production. Proposed legislation would eliminate this fund and the revenues would be directed to the general fund. The executive is proposing that the revenue lost due to proposed legislation be replaced with general fund to include base funding and decision packages propose in the 2021 session. The proposed legislation is:

LC851 - Eliminate natural resources operations fund

The legislature may wish to consider:

- Including HB 2 language that would make any general fund appropriation approved by the legislature contingent on the passage of LC0851
- Postponing any executive action on the proposal until positive action by the legislature has been taken LC0851

Program 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.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	45,632,520	46,716,844	1,084,324	2.38 %
Operating Expenses	18,313,593	18,442,713	129,120	0.71 %
Equipment & Intangible Assets	1,867,258	2,113,440	246,182	13.18 %
Capital Outlay	43,900	0	(43,900)	(100.00)%
Grants	594,930	494,930	(100,000)	(16.81)%
Transfers	3,369,304	3,364,304	(5,000)	(0.15)%
Debt Service	53,562	49,874	(3,688)	(6.89)%
Total Expenditures	\$69,875,067	\$71,182,105	\$1,307,038	1.87 %
General Fund	29,314,488	29,054,230	(260,258)	(0.89)%
State/Other Special Rev. Funds	38,119,758	39,376,051	1,256,293	3.30 %
Federal Spec. Rev. Funds	2,440,824	2,751,824	311,000	12.74 %
Total Funds	\$69,875,070	\$71,182,105	\$1,307,035	1.87 %
Total Ongoing	\$68,059,070	\$71,182,105	\$3,123,035	4.59 %
Total OTO	\$1,816,000	\$0	(\$1,816,000)	(100.00)%

Program Biennium Comparison -

The biennium comparison table shows a total growth of 1.9% when compared to the 2021 biennium.

Program Description

The Forestry Division is responsible for planning and implementing forestry programs statewide. Division responsibilities include protecting natural resources from wildfire, regulating forest practices, providing a variety of services to private forest landowners, implementing cross boundary projects to build resilient forests, sustainable economies and fire adapted communities, increasing forest restoration, management and health on federal lands and growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

- Fire Protection Program: Protects, lives, property and natural resources from wildfire by providing safe and effective services to Montana’s citizens as well as leadership, coordination and resources to the State’s wildfire organizations. To the extent possible, the bureau embraces effective wildfire response, fire adapted communities, and resilient landscapes.
- Forestry Assistance Program: Promotes the implementation of the Montana Forest Action Plan: working across boundaries building resilient forests, sustainable economies and fire-adapted communities. This program also connects landowners with technical guidance and cost-share programs to actively manage forests, provides seedlings for conservation projects statewide, and is responsible for ensuring compliance with the Streamside Management Zone Law, Timber Slash and Debris Law, and the Forest Practice Notification Law on non-federal lands.
- Good Neighbor Authority Program: This program is organized around the existing federal Good Neighbor Authority, to increase forest restoration and management, and address forest health and resiliency, wildfire risk, and insect and disease infected forests through active management. This is accomplished through partnerships with federal land management agencies, conservation organizations and collaboratives. In addition to improving forest health and reducing wildfire risk, these efforts provide a consistent commercial timber volume, retain forest industry jobs, and improve wildlife habit, and recreation opportunities on federal lands.
- Shared Stewardship Program: This program engages with a diverse group of partners to respond to the United States Forest Service Shared Stewardship Strategy, which calls for the state to take a lead role in convening stakeholders to set priorities across broad forested landscapes.

The Trust Lands Management Division administers and manages the state trust timber, recreational, 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 60 million board feet of timber through timber sales and permits. Forest Management also performs over \$1 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

Forestry & Trust Lands Major Budget Highlights
<p>The executive proposes a 1.9% or \$1.3 million increase in total appropriations, ongoing appropriations increase by 4.6% or \$3.1 million. Proposals include:</p> <ul style="list-style-type: none"> • Fund shift from state special revenue to the general fund, \$187,100 • Increase of 3.50 FTE for county co-op fire protection and forest management, \$1.0 million • Statewide present law adjustments for personal services, \$1.2 million • Other adjustments for operating expenses, \$128,100

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	290.18	290.18	293.68	293.68
Personal Services	22,174,280	22,625,678	23,006,842	23,329,911	23,386,933
Operating Expenses	8,520,761	9,033,346	9,280,247	9,225,192	9,217,521
Equipment & Intangible Assets	813,312	810,538	1,056,720	1,056,720	1,056,720
Capital Outlay	43,917	43,900	0	0	0
Grants	279,743	347,465	247,465	247,465	247,465
Transfers	1,692,842	1,687,152	1,682,152	1,682,152	1,682,152
Debt Service	16,685	28,625	24,937	24,937	24,937
Total Expenditures	\$33,541,540	\$34,576,704	\$35,298,363	\$35,566,377	\$35,615,728
General Fund	14,498,168	14,547,913	14,766,575	14,513,845	14,540,385
State/Other Special Rev. Funds	18,182,891	18,963,882	19,155,876	19,676,620	19,699,431
Federal Spec. Rev. Funds	860,481	1,064,912	1,375,912	1,375,912	1,375,912
Total Funds	\$33,541,540	\$34,576,707	\$35,298,363	\$35,566,377	\$35,615,728
Total Ongoing	\$32,658,541	\$33,643,707	\$34,415,363	\$35,566,377	\$35,615,728
Total OTO	\$882,999	\$933,000	\$883,000	\$0	\$0

Program Discussion -

The Forestry and Trust Lands Division expended 97.0% of the \$34.0 million HB 2 appropriation. Unexpended appropriations total \$1.0 million. Personal services vacancy savings total \$451,400. Unexpended appropriation for operations totaled \$512,600 in state special revenue budgeted for land banking activities, forest improvement, and trust land administration.

FY 2020 Appropriations Compared to FY 2021 Appropriations

The FY 2021 appropriations are \$721,700 or 2.1% higher than FY 2020 appropriations. Personal services increase by 1.7% or \$381,200; operations increase by 2.7% or \$246,900. Increases in appropriation for equipment increase by \$246,200 and is funded from federal sources. Grants decrease by \$100,000, other categories decrease by \$52,600

Executive Request

The executive proposes an increase in total appropriations of 1.9% or \$1.3 million over the previous biennium. General fund appropriations decrease by \$260,300 due in part to \$1.8 million in one-time-only general fund appropriations not renewed for the 2023 biennium. In addition to statewide present law adjustments the executive proposes 3.50 FTE funded with general fund and state special revenue; 1.50 FTE would support the County Co-op fire protection program and 2.00 FTE would support additional timber sale in the Forest Management Program.

The executive proposes a \$187,100 funding switch from state special revenue to the general fund for appropriations that support forestry programs.

As proposed by the executive the budget would be funded 40.8% with general fund, 55.3% with state special revenue, and 3.9% from federal sources.

Funding

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

Department of Natural Resources and Conservation, 35-Forestry & Trust Lands						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	29,054,230	0	0	0	29,054,230	36.31 %
02031 LAND BANKING PRVT CLOSNG COSTS	540,784	0	0	0	540,784	1.37 %
02039 Fire Protection Assessments	7,902,488	0	0	0	7,902,488	20.07 %
02073 Forestry - Slash Disposal	153,514	0	0	0	153,514	0.39 %
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 %
02297 Morrill Trust Land Admin	0	0	0	0	0	0.00 %
02449 Forest Resources-Forest Improv	2,707,344	0	0	0	2,707,344	6.88 %
02576 Natural Resources Operations	0	0	0	0	0	0.00 %
02623 Contract Timber Harvesting	0	0	0	0	0	0.00 %
02681 Historic Right-of-Way Acct	21,136	0	0	0	21,136	0.05 %
02912 TLMD Land Exchange Admin	100,000	0	0	0	100,000	0.25 %
02938 TLMD Trust Administration	27,950,785	0	0	0	27,950,785	70.98 %
02048 Conservation District Acct	0	0	0	0	0	0.00 %
02500 GNA STATE SPECIAL REVENUE	0	0	0	0	0	0.00 %
State Special Total	\$39,376,051	\$0	\$0	\$0	\$39,376,051	49.20 %
03049 Consolidated Grant FY20	0	0	0	0	0	0.00 %
03050 Non-Consolidated Grant FY20	0	0	0	0	0	0.00 %
03264 NON-CONSOLIDATED GRANT-FY23	300,407	0	0	0	300,407	6.90 %
03283 Consolidated Grant - FY21	0	0	0	0	0	0.00 %
03284 Non-Consolidated Grant - FY21	0	0	0	0	0	0.00 %
03472 NON-CONSOLIDATED GRANT FY14	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-FY 16	0	0	0	0	0	0.00 %
03567 CONSOLIDATED GRANT-FY 17	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 %
03805 CONSOLIDATED GRANT-FY23	1,075,505	0	0	0	1,075,505	24.71 %
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	0	0	0	0	0	0.00 %
03494 Non-Consolidated Grant FY19	0	0	0	0	0	0.00 %
03500 GNA FEDERAL SPECIAL REVENUE	0	0	0	1,600,000	1,600,000	36.77 %
03638 GNA BLM MONTANA	0	0	0	0	0	0.00 %
03211 NON-CONSOLIDATED GRANT-FY22	300,407	0	0	0	300,407	6.90 %
03213 CONSOLIDATED GRANT-FY22	1,075,505	0	0	0	1,075,505	24.71 %
Federal Special Total	\$2,751,824	\$0	\$0	\$1,600,000	\$4,351,824	5.44 %
06003 State Nursery Enterprise Fund	0	0	1,647,481	0	1,647,481	22.74 %
06538 Air Operations Internal Svc.	0	0	5,598,454	0	5,598,454	77.26 %
Proprietary Total	\$0	\$0	\$7,245,935	\$0	\$7,245,935	9.05 %
Total All Funds	\$71,182,105	\$0	\$7,245,935	\$1,600,000	\$80,028,040	

General fund provides general division support as well as the fixed costs of the Fire protection program. Approximately 49.2% 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. Statutory appropriation are federal reimbursement for forestry management performed by the state on federal lands. Proprietary revenues are generated from the sale of state nursery products, and fees charged other agencies for aircraft services.

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.

Budget Summary by Category								
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	13,883,575	13,883,575	27,767,150	95.57 %	34,415,363	34,415,363	68,830,726	96.70 %
SWPL Adjustments	279,718	317,194	596,912	2.05 %	562,330	629,715	1,192,045	1.67 %
PL Adjustments	256,980	246,044	503,024	1.73 %	588,684	570,650	1,159,334	1.63 %
New Proposals	93,572	93,572	187,144	0.64 %	0	0	0	0.00 %
Total Budget	\$14,513,845	\$14,540,385	\$29,054,230		\$35,566,377	\$35,615,728	\$71,182,105	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	258,643	294,861	0	553,504	0.00	285,190	325,184	0	610,374
DP 2 - Fixed Costs	0.00	28,329	(1,348)	0	26,981	0.00	36,553	(5,827)	0	30,726
DP 3 - Inflation Deflation	0.00	(7,254)	(10,901)	0	(18,155)	0.00	(4,549)	(6,836)	0	(11,385)
DP 35101 - FD FIRE PROTECTION & COUNTY CO-OP RESOURCES	1.50	238,123	117,283	0	355,406	1.50	226,769	111,692	0	338,461
DP 35103 - FD FEDERAL FUNDS UPDATE	0.00	0	0	0	0	0.00	0	0	0	0
DP 35201 - TLMD FORESTER FTE for FOREST MANAGEMENT	2.00	0	171,398	0	171,398	2.00	0	165,896	0	165,896
DP 35202 - TLMD & FORESTRY - OPERATING ADJUSTMENTS	0.00	18,857	43,023	0	61,880	0.00	19,275	47,018	0	66,293
Grand Total All Present Law Adjustments	3.50	\$536,698	\$614,316	\$0	\$1,151,014	3.50	\$563,238	\$637,127	\$0	\$1,200,365

***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
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 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 the following: 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 35101 - FD FIRE PROTECTION & COUNTY CO-OP RESOURCES -

The Executive proposes an increase of 1.50 FTE funded with general fund and state special revenue. The positions will support County Co-op fire protection program capacity and modernize resources to meet current and expected needs related to aviation, communications, and operational support.

DP 35103 - FD FEDERAL FUNDS UPDATE -

The executive proposes shifting federal appropriation authority between several federal funds, this decision package does not affect the overall budget.

DP 35201 - TLMD FORESTER FTE for FOREST MANAGEMENT -

The executive proposes an increase of 2.00 FTE funded with state special revenue and related operating expenses. The positions will provide additional timber sale capacity for the Forest Management Program.

DP 35202 - TLMD & FORESTRY - OPERATING ADJUSTMENTS -

The executive proposes an increase in general fund and state special revenue appropriation for operating cost at the field offices for Northwestern, Central, Northeastern Land Offices and the Trust Lands headquarters.

New Proposals

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT	0.00	93,572	(93,572)	0	0	0.00	93,572	(93,572)	0	0
Total	0.00	\$93,572	(\$93,572)	\$0	\$0	0.00	\$93,572	(\$93,572)	\$0	\$0

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

DP 999 - REFINANCING NATURAL RESOURCES OPERATIONS ACCOUNT -

The executive proposes a shift in funding from state special revenue Natural Resources Operations Account to the general fund.

LFD COMMENT	<p>Proposed legislation redirecting revenue streams from metal mines, oil, and gas.</p> <p>The Natural Resources Operations (NRO) state special revenue account is established in 15-38-301. Revenues for the fund are generated from taxes on metal mines, and oil & gas production. Proposed legislation would eliminate this fund and the revenues would be directed to the general fund. The executive is proposing that the revenue lost due to proposed legislation be replaced with general fund to include base funding and decision packages propose in the 2021 session. The proposed legislation is:</p> <p>LC851 - Eliminate natural resources operations fund</p> <p>The legislature may wish to consider</p>
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- Including HB 2 language making any general fund appropriation approved by the legislature contingent on the passage of LC0851
- Postponing any executive action on the proposal until positive action by the legislature has been taken LC0851

Other Issues -

Fund 06003 - State Nursery Enterprise Fund

Program Description

The Montana State Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization and restoration, and other conservation uses. The nursery grows an average of 900,000 seedlings annually on 87 acres of state land and in 17,760 square feet of greenhouse space. The nursery program is funded solely from the nursery proprietary account. Statutory authority for the program is in 77-5-404, MCA.

Revenues and Expenses

The primary source of revenue is seedling sales. Other revenue sources are such services as seed collection, cleaning, and storage and selling products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, Department of Environmental Quality, Montana Natural Resource Damage Program, the Conservation Reserve Program (CRP), Native American Tribal Governments, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the two to three year production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement or for unforeseen expenses such as weather-related crop losses. Since the nursery is funded primarily by seedling sales, all personal services, operating, and capital equipment costs are included when setting prices.

Rate(s) and Rate Explanation

The price of each seedling type is set at the end of the previous fiscal year. Prices are based on the actual production costs for each seedling type. The variables involved in seedling production include seedling stock type (bareroot vs. container), seed cost, propagation difficulty, cull rates, seedling age class, quantity produced, equipment costs, labor costs, and overhead charges. Given these variables, each of the 125-plus seedling types can have a different price, and the price must be adjusted annually to account for changes in fixed and variable costs.

2023 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands			
	Fund	Fund Name					
	06003	State Nursery Enterprise Fund					
		Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		518,950	494,228	572,675	600,000	800,000	800,000
Total Operating Revenues							
		518,950	494,228	572,675	600,000	800,000	800,000
Expenses:							
Personal Services							
		428,258	384,986	397,428	651,943	636,084	636,882
Other Operating Expenses							
		102,293	109,784	112,684	128,714	129,764	129,751
Expense B							
		6,436	-	-	57,500	57,500	57,500
Total Operating Expenses							
		536,987	494,770	510,112	838,157	823,348	824,133
Operating Income (Loss)							
		(18,037)	(542)	62,563	(238,157)	(23,348)	(24,133)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		(18,037)	(542)	62,563	(238,157)	(23,348)	(24,133)
Change in Net Position							
		(18,037)	(542)	62,563	(238,157)	(23,348)	(24,133)
Beginning Net Position - July 1							
		256,965	238,928	238,386	300,949	62,792	39,444
Change in Net Position							
		(18,037)	(542)	62,563	(238,157)	(23,348)	(24,133)
Ending Net Position - June 30							
		238,928	238,386	300,949	62,792	39,444	15,311
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)							
		240,131	239,589	302,152	63,995	40,647	16,514

Fund 06538 - Air Operations Internal Svc*Program Description*

The air operations program in the Forestry Division is funded by revenue generated by the aircraft rates and the general fund and fire protection tax revenues for fixed costs. The program operates five medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. The aircraft are primarily used for fire detection, support, and suppression of wildfires, as well as reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and the fire protection tax revenues. Fixed costs include hangar rent, insurance, and personnel costs (14.23 FTE). The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft.

Users of the aircraft include DNRC, other state agencies, local government, and federal agencies. This revenue is deposited in the proprietary account. Statutory authority for the program is found in 77-5-103, MCA.

Revenues and Expenses

All revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. Current rates are:

UH-1H \$1,650/hr.

Jet Ranger \$515/hr.

Cessna \$175/ hr.

The primary source of revenue is the collection of aircraft flight charges. Additional transfer-in revenue is received from HB 2 transfers of fixed costs from the general fund and the fire protection tax revenues. The department has limited cooperative agreements to assist federal agencies (U.S. Forest Service, BLM, USFWS, BIA, & NPS) and counties with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state and private landowners within Montana through initial attack of fires under state direct protection, assistance with fires on county protection, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility and county assistance fires paid by the fire suppression fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue).

The cost drivers for the aircraft rates are to recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wildfires on state, private, and federal ownership. This includes all costs associated with the maintenance and operation of the aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft incidents resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs.

Charges for services do not support any FTE for the aviation section. All FTE are supported by the general fund and fire protection tax transfers.

Rate(s) and Rate Explanation

The reimbursement rates for the operation of the department aircraft are based on 5,000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5,000 hours, all parts should have been replaced and a new maintenance/operation cycle started.

Rates are set to recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready. This includes all costs associated with the maintenance and operation of the aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer repair and maintenance directives, aircraft incidents resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Average fire season and routine maintenance of aircraft are used to determine the anticipated future costs.

Charges for services do not support any FTE for the aviation section. All FTE are supported by the general fund and fire protection tax transfers.

Changes in Level of Fees and Charges

No changes in fees or charge are requested

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to increase gradually over the next three fiscal years.

Working Capital and Fees Commensurate Analysis

Working Capital is estimated to be in excess of the 60 days of cash required to fund operations by approximately \$33,000 in FY 2022 and by \$33,000 in FY 2023.

2023 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry & Trust Lands			
	Fund	Fund Name					
	06538	Air Operations Internal Svc.					
		Actual FY18	Actual FY19	Actual FY20	Budgeted FY21	Budgeted FY22	Budgeted FY23
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,367,685	591,195	510,015	1,210,000	1,210,000	1,210,000
Fee Revenue B		11,279	3,399	3,811	35,000	35,000	35,000
Fee Revenue C		69,738	34,318	38,675	5,000	5,000	5,000
Total Operating Revenues		1,448,702	628,912	552,501	1,250,000	1,250,000	1,250,000
Expenses:							
Personal Services							
Other Operating Expenses		1,363,653	1,525,052	1,461,832	1,439,962	1,421,684	1,425,289
Expense B		1,199,413	852,406	859,906	1,312,845	1,378,586	1,372,895
		16,993	-	8,950	-	-	-
Total Operating Expenses		2,580,059	2,377,458	2,330,688	2,752,807	2,800,270	2,798,184
Operating Income (Loss)		(1,131,357)	(1,748,546)	(1,778,187)	(1,502,807)	(1,550,270)	(1,548,184)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(1,131,357)	(1,748,546)	(1,778,187)	(1,502,807)	(1,550,270)	(1,548,184)
Transfers In		1,664,652	1,664,652	1,664,652	1,664,652	1,664,652	1,664,652
Change in Net Position		533,295	(83,894)	(113,535)	161,845	114,382	116,468
Beginning Net Position - July 1		(110,177)	424,077	340,183	226,648	388,493	502,875
Prior Period Adjustments		959	-	-	-	-	-
Change in Net Position		533,295	(83,894)	(113,535)	161,845	114,382	116,468
Ending Net Position - June 30		424,077	340,183	226,648	388,493	502,875	619,343
Net Position (Fund Balance) Analysis							