

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Fish, Wildlife and Parks

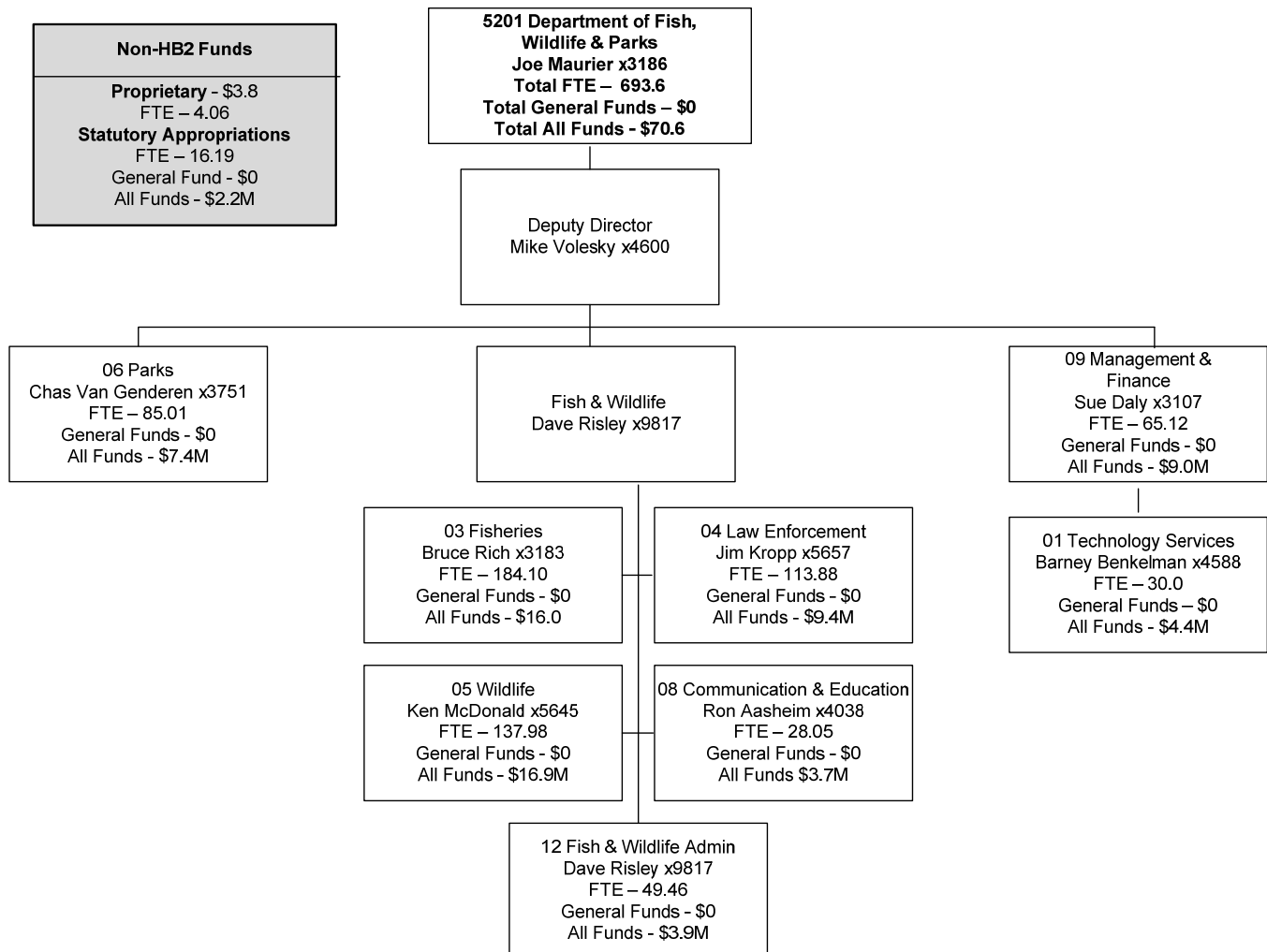
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Updated December 2012

Agency Description

Definition of Terms

Fish, Wildlife, and Parks is responsible for the management of Montana’s fish, wildlife and recreational resources, development of recreational opportunities, and operation of the state park system. A five-member Governor-appointed commission provides direction on specific issues provided in statute. This guidance includes land usage, preservation and management of wildlife, establishment of license and permit fees, and the creation of hunting and fishing seasons.

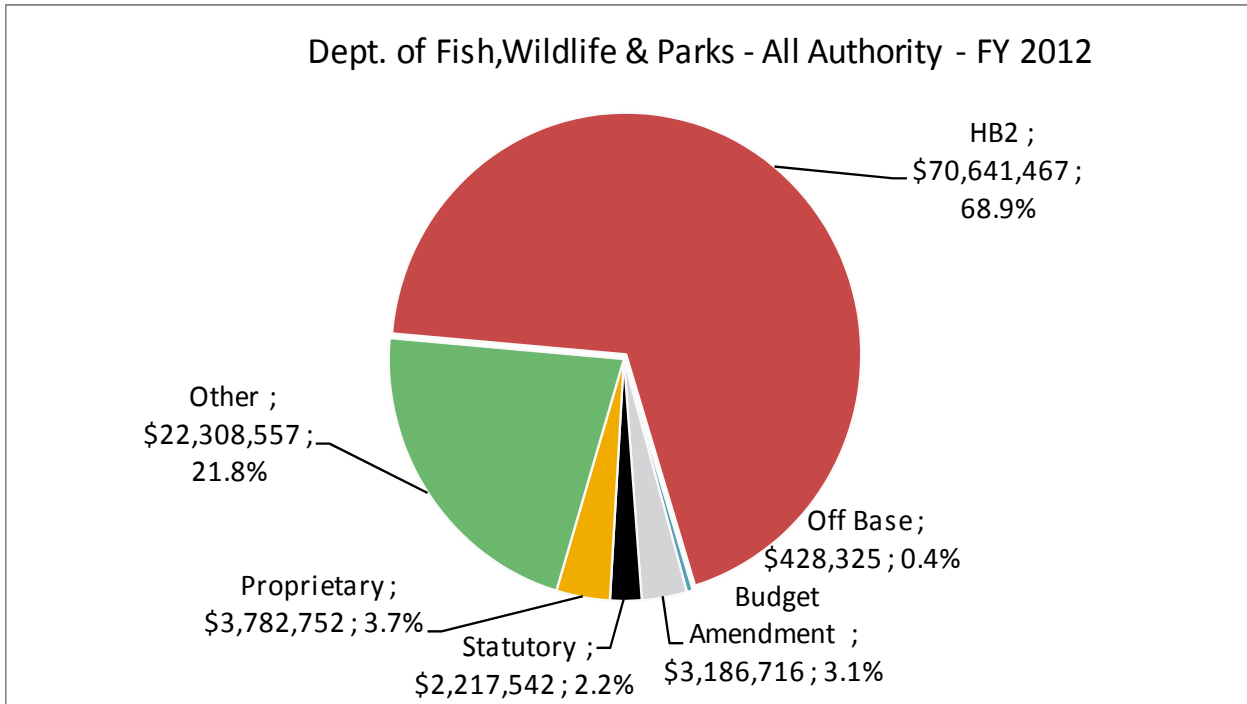


How Services are Provided

The department consists of eight divisions with the following functions:

- The **Information Services Division** provides information technology and information management services to the department, including network creation and administration, hardware and off-the-shelf software procurement and configuration, support of automated license sales and drawings, intranet and internet communications, software development, deployment and support, and all database management.
- The **Fisheries Division** is for preserving and perpetuating aquatic species and their ecosystems and for meeting public demand for fishing opportunities and aquatic wildlife stewardship.
- The **Enforcement Division** is responsible for ensuring compliance with laws and regulations pertaining to the protection and preservation of big game animals, fur-bearing animals, fish, game birds, and other protected wildlife species.
- The **Wildlife Division** is responsible for the department's statewide Wildlife Management Program, which enhances the use of Montana's renewable wildlife resources for public benefit. The program manages animals legislatively categorized as big game, nongame wildlife, game birds, furbearers, and threatened and endangered species. The bureau is divided into four program areas: habitat conservation, hunting access, wildlife conflict, and wildlife management.
- The **Parks Division** is responsible for conserving the scenic, historic, archaeological, scientific, and recreational resources of the state, and for providing for their use and enjoyment.
- The **Communication and Education Division** is the information and education branch of the department. The division coordinates the department's information and education programs as well as the department's planning efforts.
- The **Management & Finance Division** is made of up two sections. The management section is responsible for overall department direction regarding policy, planning, program development, guidelines, budgets, decision-making for key resource activities, and supervision of the seven divisions. Legal services and human resources management for the department are also in this division. The finance section provides for department-wide support for accounting; fiscal management; purchasing; property management; federal aid administration; and the sale of hunting, fishing, and other recreational licenses.
- The **Fish and Wildlife Administration Division** provides oversight of the Enforcement, Wildlife, Fisheries, and Communication and Education bureaus and the seven regional offices that are responsible for program implementation.

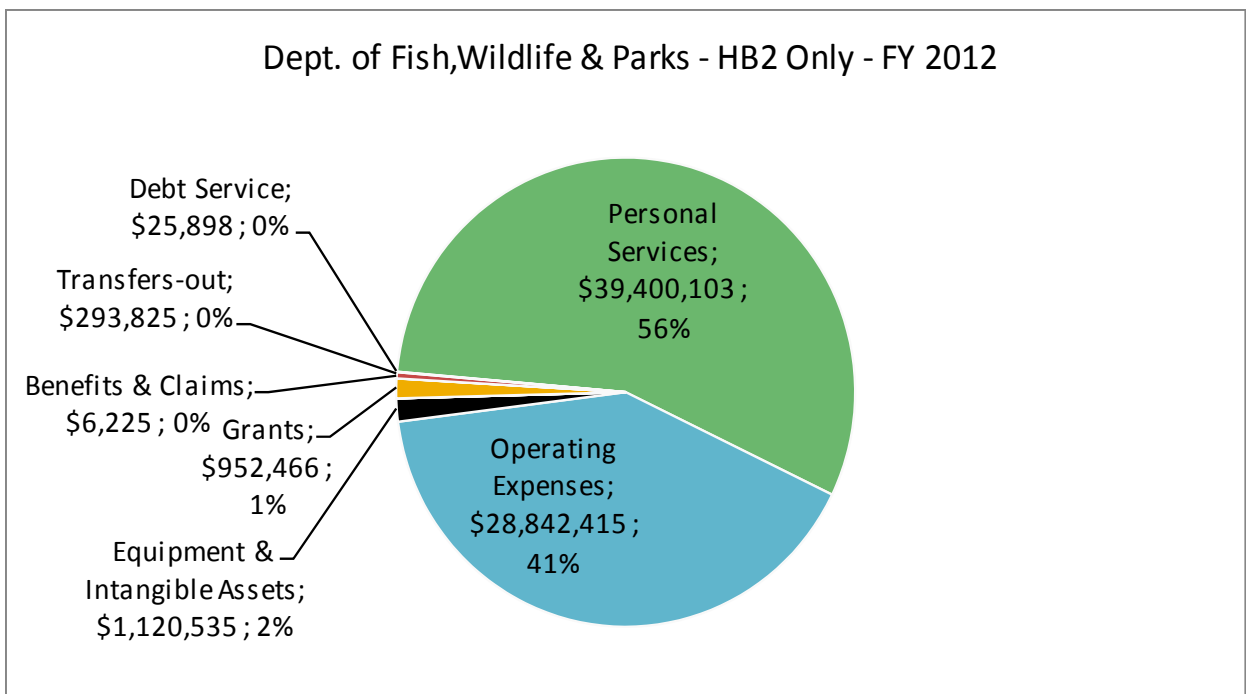
Sources of Spending Authority



The above chart shows the sources of authority for the Department of Fish, Wildlife, and Parks. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

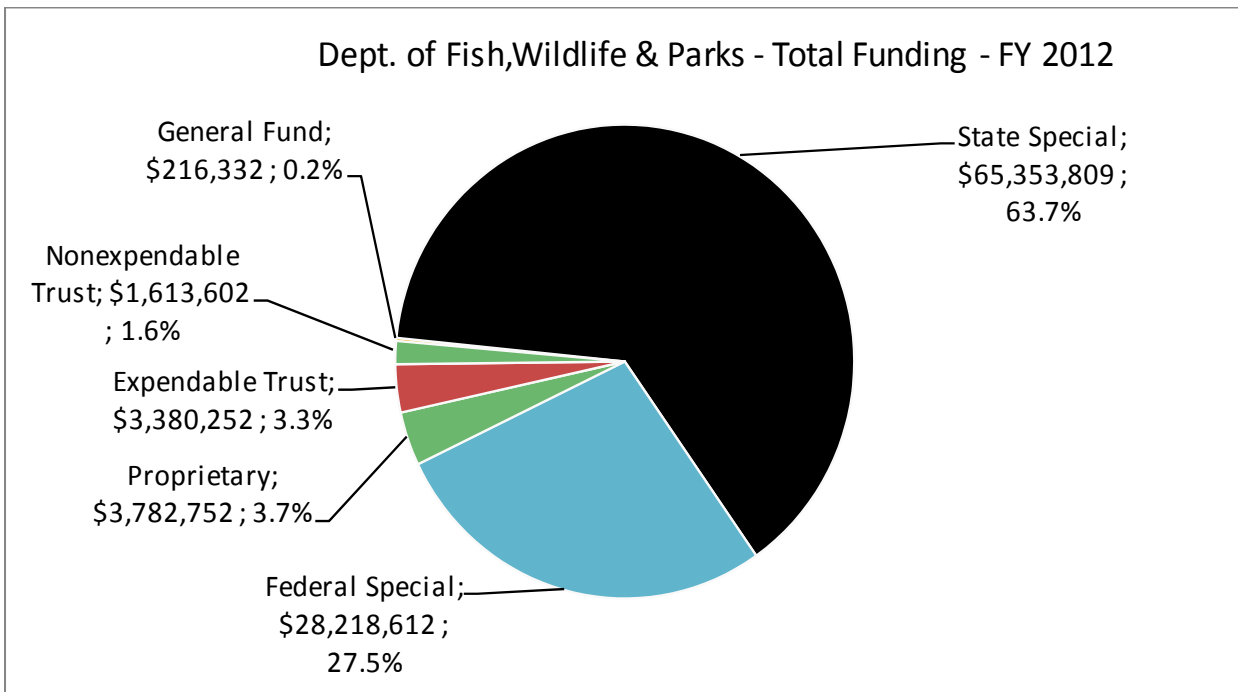
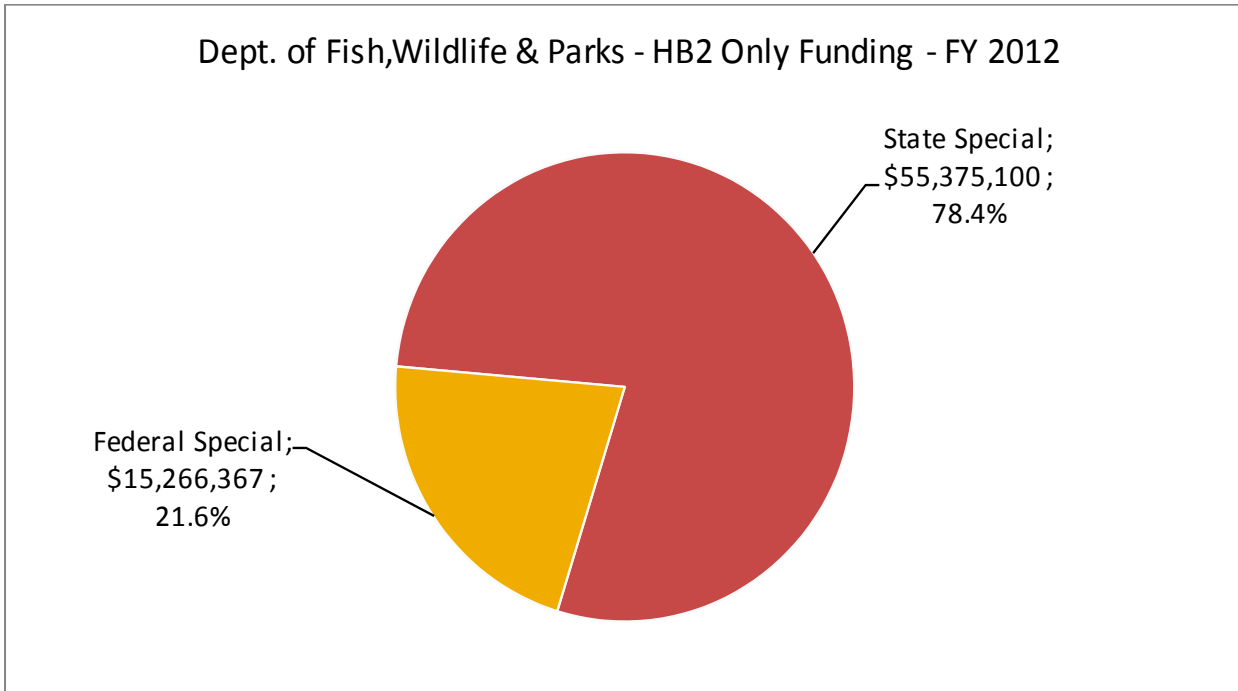
Expenditures

This chart explains how the HB 2 authority is spent.



Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



How the 2013 Legislature Can Effect Change

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

Financial Management

Seventy percent of the department's funding comes from state special revenue. This revenue is derived from the sale of sportsman licenses, permits, and other fees, such as park entrance fees, campsite rental and the like. Department expenditures and activities can be affected through:

- Selecting the services and activities to be subject to fees
- Determining the amount to charge for licenses, permits, and fees
- Formation of the types and combination of licenses to be made available
- Designating fees, or portions of fees, for a particular use or project
- Establishing guidelines for charging fees or imposing fines

Species Management

The department is charged with protection, preservation, and management of all fish and game, fur-bearing animals, waterfowl, and nongame birds.

The costs of this function can be affected by:

- Determining which species will require protection
- Guiding the degree of protection to be offered
- Evaluating the types of protection options
- The ability to access federal funding
- Urban sprawl or land development patterns

Access

The department may implement voluntary programs to expand hunting access on private lands. Currently, the department has achieved access to 6.4 million acres of enrolled land, and 336 fishing access sites. The cost of this program can be controlled by:

- Determining the number of acres and fishing access sites to be made available
- Establishing the number of landowners for participation
- Regulating the number of hunter days per site
- Defining the degree of department enforcement available on this acreage

How the 2013 Legislature Can Effect Change, cont.

Park Management

The diversity of Montana's 54 parks provide an abundance of recreational opportunities. The costs to operate the parks can be controlled through:

- Setting the number of parks under department management
- Establishing land size requirements for parks
- Determining the seasonal length of time the parks are open
- Authorizing the amount and scope of services available at the parks
- Guiding the scheduling and defining of maintenance activities

Enforcement

The enforcement of laws and rules pertaining to department activities is a main function of the department. The ability to effect change in this area can be done by:

- Defining the scope of enforcement activities
- Mandating the number of wardens in the enforcement workforce
- Establishing enforcement priorities
- The authorization and subsequent disposition of penalties and fines

Land Management

The department, through multiple divisions, holds fee title to land and conservation easements for many purposes. Land transactions, for the most part, are approved by the Board of Land Commissioners. The amount and type of land procured can be influenced by:

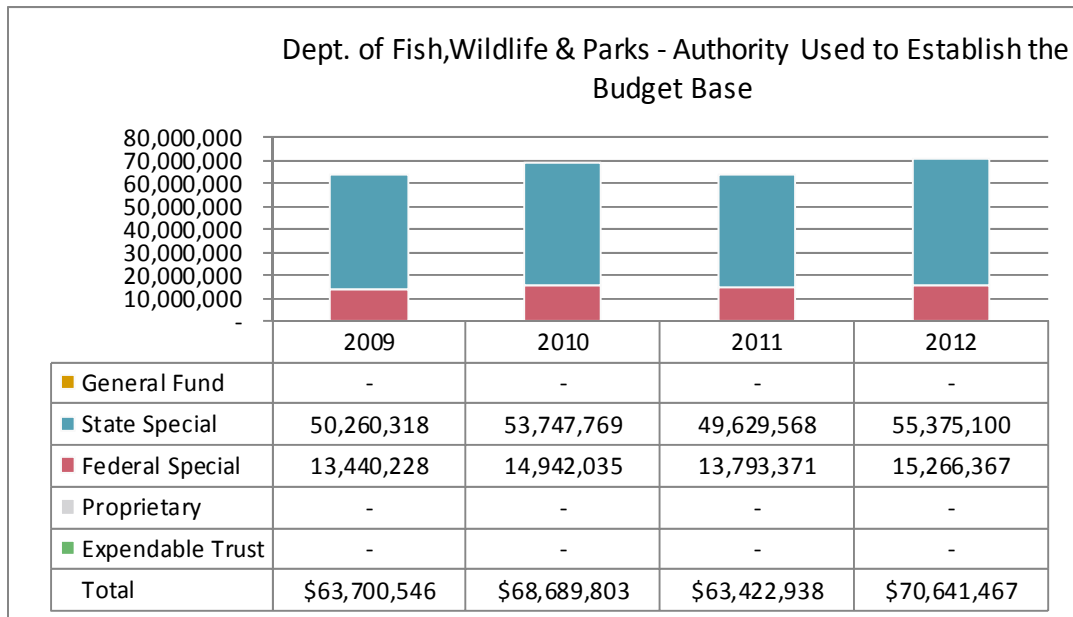
- Mandating that all land transactions go through the Board of Land Commissioners
- Clarifying the use of conservation easements as a land management tool
- Establishing guidelines to ensure maximum public access to lands purchased or otherwise acquired with public funds
- Requiring development plans prior to land acquisitions

Major Cost Drivers

<i>Element</i>	<i>2010</i>	<i>2012</i>	<i>Significance of Data</i>
Number of resident sportsman w/o bear licenses sold	19,635	19,782	Revenue, workload
Cost of resident sportsman w/o bear license	\$70	\$70	Fee per license
Amount of license commission paid to vendors	\$614,868	\$564,902	Fees paid to vendors
Acres of private land enrolled in block management program	7.2 million	6.4 million	Access to hunting land, program change
Tip Montana Calls	2190	2390	Workload, public participation

Funding/Expenditure History

The table shows the historical changes in the department's base budget authority.



Major Legislative Changes in the Last Ten Years

2011 Session HB 370 increased the optional motor vehicle registration fee from \$4 to \$6 for operations and maintenance at state parks and Virginia and Nevada Cities.

2011 Session HB 621 revised the Montana Aquatic Invasive Species Act in which FWP is a participating agency, provided an appropriation, and authorized the establishment of quarantine measures through rulemaking, including mandatory inspections of interior portions of boats that contain water.

2007 Session SB 205 eliminated vacancy savings application to game wardens.

2007 Session SB 243 provided free sportsman licenses to certain military personnel.

2005 Session SB 461 directed the department to collar one wolf in packs that are near livestock or population centers for the purpose of tracking and directs that only federal dollars be expended. The legislature appropriated \$25,000 per year for this purpose.

For additional information, please contact the agency at:

Fish, Wildlife and Parks

1420 East Sixth Ave.

P.O. Box 200701

Helena, MT 59620-0701

Phone: (406) 444-2535 Webpage: <http://fwp.mt.gov>

Agency Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	693.60	693.60	705.03	706.78	693.60	706.78	13.18	1.90%
Personal Services	39,400,159	40,915,669	43,432,931	43,571,406	80,315,828	87,004,337	6,688,509	8.33%
Operating Expenses	28,842,673	29,571,626	29,935,183	29,969,082	58,414,299	59,904,265	1,489,966	2.55%
Equipment & Intangible Assets	1,120,538	661,995	1,156,038	1,156,038	1,782,533	2,312,076	529,543	29.71%
Capital Outlay	0	0	0	0	0	0	0	n/a
Grants	952,466	941,468	952,466	952,466	1,893,934	1,904,932	10,998	0.58%
Benefits & Claims	6,225	4,823	6,225	6,225	11,048	12,450	1,402	12.69%
Transfers	293,826	274,580	337,626	337,626	568,406	675,252	106,846	18.80%
Debt Service	25,898	15,300	27,698	27,698	41,198	55,396	14,198	34.46%
Total Costs	\$70,641,785	\$72,385,461	\$75,848,167	\$76,020,541	\$143,027,246	\$151,868,708	\$8,841,462	6.18%
General Fund	0	0	309,125	309,125	0	618,250	618,250	n/a
State Special	55,375,319	56,522,854	56,618,647	56,772,323	111,898,173	113,390,970	1,492,797	1.33%
Federal Special	15,266,466	15,862,607	18,920,395	18,939,093	31,129,073	37,859,488	6,730,415	21.62%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$70,641,785	\$72,385,461	\$75,848,167	\$76,020,541	\$143,027,246	\$151,868,708	\$8,841,462	6.18%

Agency Description

Agency Mission: Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana, while contributing to the quality of life for present and future generations.

Additional information is included in the agency profile.

Agency Highlights

Department of Fish, Wildlife and Parks Major Budget Highlights
<p>The primary initiatives in the proposed budget include:</p> <ul style="list-style-type: none"> ◆ An additional 6.50 FTE for the wolf management program ◆ An additional 2.53 FTE for parks maintenance and operations ◆ Funding switches from state special revenue to federal funds in several areas ◆ Continuance and full-year funding of the general pay increase provided to staff partway through FY 2012 (\$2.5 million) ◆ Continuance of funding for aquatic invasive species detection and containment activities (\$0.6 million general fund) ◆ Developing and maintaining property managed for wildlife habitat
Legislative Action Issues
<ul style="list-style-type: none"> ◆ The general license account is projected to go negative in FY 2017

Agency Discussion

Agency Personal Services

The following detail some of the factors impacting personal services for the agency.

- FWP had a vacancy rate of 9.7% when comparing budgeted to utilized hours. This compares to a legislatively established rate of 4% for most positions (game wardens are statutorily exempt from imposition of vacancy savings)
- The department provided broad-based pay increases partway through FY 2012 that focused on internal equity and external competitiveness. The total cost in the 2015 biennium is about \$4.9 million
- The department does not attempt to hire at a percentage of market, but rather on a rate that is identified based on a competitive rate established prior to the job being announced
- About 24.4% of FWP staff are eligible for full or early retirement. The agency did not request funding for retirement payouts in the 2015 biennium

As stated, the department provided salary increases that focused on internal equity and external competitiveness ranging from .03% to 34.9%. The pay plan was implemented partway through FY 2012 and so expenditures reflect only a portion of the total year cost, estimated at \$1.8 million from state special funds and \$594,000 federal funds each year.

The table below shows the funding sources for the pay increase for the department.

Fish, Wildlife, and Parks									
Pay Increases estimated for One (1) Full Fiscal Year*									
Programs	General	Other		Federal	Admin	Non-		Proprietary	Grand Total
	License Fund	License Funds	Other Special Revenue	Funds	Appropriation	General Fund	Budgeted		
Information Services	\$152,644	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$152,644
Fisheries	234,785	18,585	5,245	297,569	4,530	1,049	6,566	0	568,329
Enforcement	275,934	17,496	11,816	12,509	0	0	0	0	317,755
Wildlife	195,501	60,532	177	236,721	0	0	19,414	0	512,345
Parks	0	0	405,896	8,031	10,488	0	2,529	0	426,944
Communications and Education	101,406	0	0	14,499	0	0	296	0	116,201
Management and Finance	162,378	0	0	2,284	0	0	0	9,367	174,029
Fish and Wildlife Admin	179,839	0	0	22,220	0	0	0	0	202,059
Total	\$1,302,487	\$96,613	\$423,134	\$593,833	\$15,018	\$1,049	\$28,805	\$9,367	\$2,470,306

*Pay increases were implemented mid-FY 2012. The full amount shown represents the estimate for FY 2013.

LFD COMMENT	The pay increases implemented in the 2013 biennium has a significant long-term impact to the General License Account. The fund will begin to have a declining ending balance and is expecting to become negative in FY 2017, as shown in the following section.
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5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- o Current plans to address obsolescence
- o Costs to replace the system
- o Costs of maintaining the current system
- o Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$618,250	\$0	\$0	\$618,250	0.4%
State Special Total	113,390,970	-	2,919,009	116,309,979	71.5%
Federal Special Total	37,859,488	-	344,146	38,203,634	23.5%
Proprietary Total	-	7,459,513	-	7,459,513	4.6%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$151,868,708</u>	<u>\$7,459,513</u>	<u>\$3,263,155</u>	<u>\$162,591,376</u>	
Percent - Total All Sources	93.4%	4.6%	2.0%		

The department is funded with state special and federal special revenue. The department is requesting general fund in the 2015 biennium for continuance of Aquatic Invasive Species (AIS) program activities. The most prominent funding source is the general license account (GLA), where the license and fee revenue from hunting and fishing is maintained. The state has assented to federal law to utilize these funds only for the operation of the state fish and wildlife agency. Any diversion of the funds from this purpose would result in the loss of federal excise tax funds.

The following table provides revenues, expenditures and estimated ending fund balance for the general license account.

FWP General License Account -- Estimate Available Fund Balance				
	Actual Fiscal 2012	Appropriated Fiscal 2013	Executive request Fiscal 2014	
Beginning Balance	\$33,186,061	\$29,450,091	\$20,223,750	\$17,211,229
License Revenue	32,445,894	33,727,400	34,255,000	34,800,000
Other Revenue	<u>7,036,443</u>	<u>5,510,000</u>	<u>5,673,270</u>	<u>5,572,000</u>
Total Funds Available	72,490,257	68,687,491	60,152,020	57,583,229
Disbursements				
Program Expenditures	40,684,695	43,964,224	41,894,109	41,875,734
Statutory Appropriations	773,215	363,281	473,215	473,215
Cat & Dog Bills	0	274,000	0	0
Continuing Capital Costs	1,760,397	3,862,236	0	0
LRB Projects	0	0	0	0
Proposed Executive Pay Plan	0	0	1,558,633	1,636,565
Budget Proposals (PL & NP)	0	0	(985,166)	(985,348)
Total Disbursements	<u>43,218,307</u>	<u>48,463,741</u>	<u>42,940,791</u>	<u>43,000,166</u>
Adjustments (Prior Year Revenue)	178,141	0	0	0
Available Ending Balance	<u>\$29,450,091</u>	<u>\$20,223,750</u>	<u>\$17,211,229</u>	<u>\$14,583,063</u>

Structural Balance

The revenues to the general license account are based on fees set by the legislature. Historically, fees have been set at a stable level for a period of eight to ten years. Early in the cycle, the increased fees generate more income than the revenue needed to meet expenses, creating a surplus of funds in the general license account, which is utilized when expenses begin to exceed revenues. During the later period, the balance in the GLA declines as expenditures exceed revenues. When the balance is projected to reach a certain point, the executive proposes a fee increase. The department considers a fund balance of \$6.0 million to be the critical point when fee increases are necessary to support department activities.

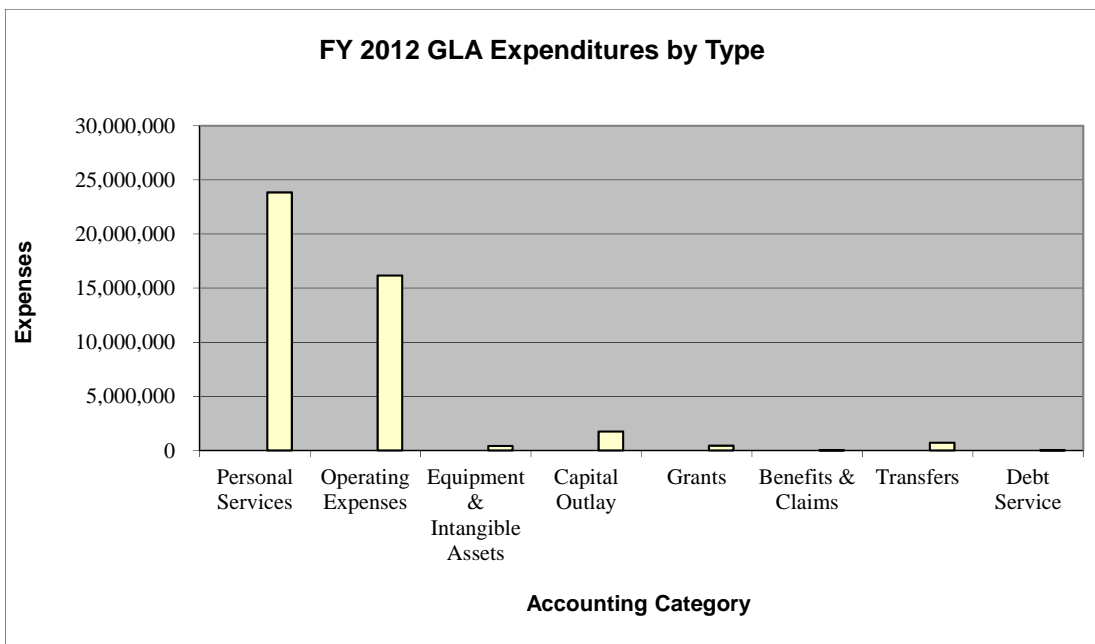
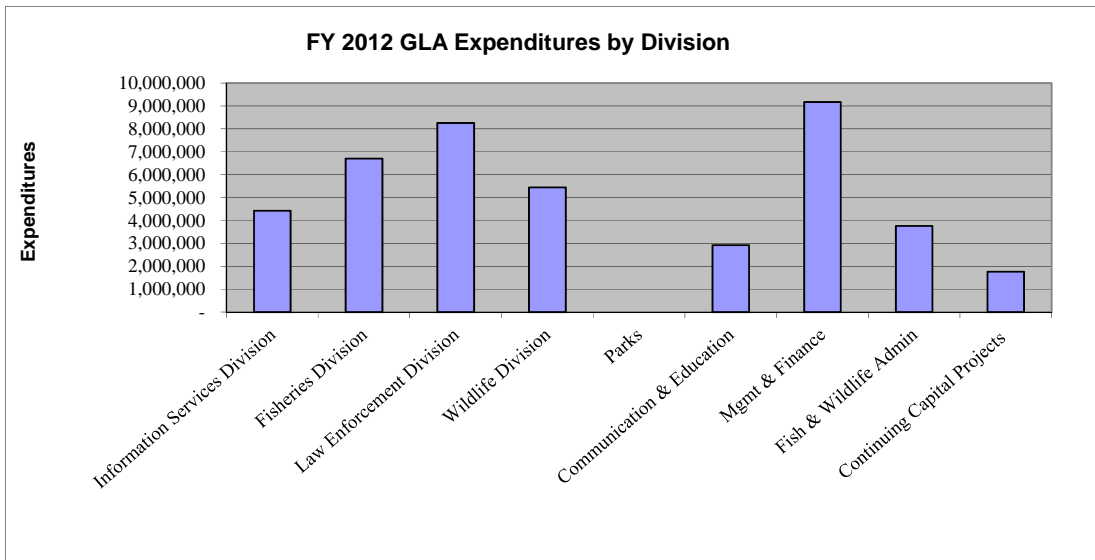
The adjacent table provides a comparison of revenues and expenditures since FY 2002. The department managed a period of four years between FY 2005 and FY 2009 where revenues exceeded expenditures, resulting in an increasing ending fund balance. Beginning in FY 2010, the department began expending more than projected revenues, causing a decrease to the ending fund balance. This situation is anticipated to continue through the 2015 biennium. This indicates that the fund is at the turning point where expenditures exceed revenues and the department begins to spend down the fund balance.

Fish, Wildlife and Parks General License Account Revenues and Disbursements				
Fiscal Year	Revenues	Disbursements	Difference	Cumulative
*2015	\$40,372,000	\$41,363,601	(991,601)	(8,435,296)
*2014	39,928,270	41,382,158	(1,453,888)	(7,443,695)
*2013	39,237,400	48,463,741	(9,226,341)	(5,989,807)
2012	39,850,107	43,596,073	(3,745,966)	3,236,534
2011	38,486,839	40,167,839	(1,681,000)	6,982,500
2010	40,270,320	42,360,806	(2,090,486)	8,663,500
2009	42,201,959	39,362,308	2,839,651	10,753,986
2008	39,667,344	38,504,168	1,163,176	7,914,335
2007	36,060,099	31,692,176	4,367,923	6,751,159
2006	32,214,305	32,011,336	202,969	2,383,236
2005	30,399,417	30,149,840	249,577	2,180,267
2004	28,437,937	28,905,675	(467,738)	1,930,690
2003	29,189,792	27,039,789	2,150,003	2,398,428
2002	27,145,523	26,897,098	248,425	248,425

*Based upon appropriations and executive request

A large part of the decline is due to the pay increases that the department gave in FY 2012, which totaled approximately \$4.8 million for the biennium, with approximately \$3.0 million being funding by the general license account per biennium. The department is proposing to reduce expenditures by \$2.8 for the 2015 biennium primarily through federal funding switches, and is continuing to review areas for reduction to prevent an increase in fees until FY 2017.

The following shows the programs in which general license funds are expended.



Impacts of the Federal Budget Control Act of 2011 and Other Federal Action

The Budget Control Act (BCA) includes automatic spending reductions, called sequesters, that are currently scheduled to take effect January 2, 2013. For discretionary non-defense spending the estimated amount of the reduction is 8.2%. The major federal funding sources of this agency would be subject to sequester in the current bill.

As a result of the various conditions included in the BCA, federal funding for the Department of Fish, Wildlife and Parks may be reduced beyond what is shown in the executive’s proposed budget. The legislature may wish to discuss the potential impact on federal funds with the agency as the federal budget negotiations picture becomes clearer.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	70,641,785	70,641,785	141,283,570	93.03%
Statewide PL Adjustments	0	0	0	0.00%	2,935,069	2,959,424	5,894,493	3.88%
Other PL Adjustments	309,125	309,125	618,250	100.00%	1,309,368	1,308,923	2,618,291	1.72%
New Proposals	0	0	0	0.00%	961,945	1,110,409	2,072,354	1.36%
Total Budget	\$309,125	\$309,125	\$618,250		\$75,848,167	\$76,020,541	\$151,868,708	

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	30.00	30.00	30.00	30.00	30.00	30.00	0.00	0.00%
Personal Services	2,149,625	2,146,764	2,304,653	2,306,277	4,296,389	4,610,930	314,541	7.32%
Operating Expenses	2,176,778	2,181,475	2,011,146	2,011,369	4,358,253	4,022,515	(335,738)	(7.70%)
Equipment & Intangible Assets	53,111	53,241	53,111	53,111	106,352	106,222	(130)	(0.12%)
Total Costs	\$4,379,514	\$4,381,480	\$4,368,910	\$4,370,757	\$8,760,994	\$8,739,667	(\$21,327)	(0.24%)
State Special	4,368,822	4,370,787	4,358,218	4,360,065	8,739,609	8,718,283	(21,326)	(0.24%)
Federal Special	10,692	10,693	10,692	10,692	21,385	21,384	(1)	0.00%
Total Funds	\$4,379,514	\$4,381,480	\$4,368,910	\$4,370,757	\$8,760,994	\$8,739,667	(\$21,327)	(0.24%)

Program Description

Information Services provides information technology and information management services to the entire department including, but not limited to:

- o Network creation and administration
- o Hardware and off-the-shelf software procurement and configuration
- o Support of automated license sales and drawings
- o Intranet and Internet communications
- o Software development, deployment, and support.

Program Highlights

Information Services Division
Major Budget Highlights
◆ This budget remains static from the previous biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Information Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$8,718,283	\$0	\$0	\$8,718,283	99.8%		
02409 General License	\$8,718,283	\$0	\$0	\$8,718,283	99.8%		
Federal Special Total	\$21,384	\$0	\$0	\$21,384	0.2%		
03097 Fedl Fish(w/b) Wildlife(p/r)	\$21,384	\$0	\$0	\$21,384	0.2%		
Total All Funds	\$8,739,667	\$0	\$0	\$8,739,667	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division receives 99.8% of funding from the general license account. The remaining funding is from federal fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	4,379,514	4,379,514	8,759,028	100.22%
Statewide PL Adjustments	0	0	0	0.00%	(10,496)	(8,649)	(19,145)	(0.22%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	(108)	(108)	(216)	0.00%
Total Budget	\$0	\$0	\$0		\$4,368,910	\$4,370,757	\$8,739,667	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					251,053					252,744
Vacancy Savings					(96,025)					(96,092)
Inflation/Deflation					(359)					(136)
Fixed Costs					(165,165)					(165,165)
Total Statewide Present Law Adjustments		\$0	(\$10,496)	\$0	(\$10,496)		\$0	(\$8,649)	\$0	(\$8,649)
Grand Total All Present Law Adjustments	0.00	\$0	(\$10,496)	\$0	(\$10,496)	0.00	\$0	(\$8,649)	\$0	(\$8,649)

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
	DP 6101 - Professional Development Center Fee Allocation	01	0.00	0	(108)	0	(108)	0.00	0	(108)	0	(108)
	Total	0.00	\$0	(\$108)	\$0	(\$108)	\$0	(\$108)	\$0	(\$108)	\$0	(\$108)

DP 6101 - Professional Development Center Fee Allocation- The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	184.10	184.10	187.25	187.25	184.10	187.25	3.15	1.71%
Personal Services	9,646,925	10,646,585	10,935,492	10,944,638	20,293,510	21,880,130	1,586,620	7.82%
Operating Expenses	5,894,144	6,014,455	6,144,004	6,174,753	11,908,599	12,318,757	410,158	3.44%
Equipment & Intangible Assets	401,532	401,696	436,532	436,532	803,228	873,064	69,836	8.69%
Capital Outlay	0	0	0	0	0	0	0	n/a
Transfers	72,896	0	72,896	72,896	72,896	145,792	72,896	100.00%
Debt Service	6,271	6,300	6,271	6,271	12,571	12,542	(29)	(0.23%)
Total Costs	\$16,021,768	\$17,069,036	\$17,595,195	\$17,635,090	\$33,090,804	\$35,230,285	\$2,139,481	6.47%
General Fund	0	0	309,125	309,125	0	618,250	618,250	n/a
State Special	7,520,814	8,317,292	7,841,743	7,856,682	15,838,106	15,698,425	(139,681)	(0.88%)
Federal Special	8,500,954	8,751,744	9,444,327	9,469,283	17,252,698	18,913,610	1,660,912	9.63%
Total Funds	\$16,021,768	\$17,069,036	\$17,595,195	\$17,635,090	\$33,090,804	\$35,230,285	\$2,139,481	6.47%

Program Description

The Fisheries Bureau is responsible for preserving and perpetuating aquatic species and their ecosystems and for meeting public demand for fishing opportunities and aquatic wildlife stewardship. The division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The program:

- Operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- Regulates angler harvests
- Monitors fish populations
- Provides adequate public access

Program Highlights

Fisheries Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor is proposing to increase this program’s budget by 6.5% from the previous biennium, predominantly due to statewide present law adjustments ◆ The executive also: ◆ Requests \$0.6 million general fund for the Aquatic Invasive Species (AIS) program, an increase of \$0.5 million over the 2013 biennium level ◆ Replaces general license fund with federal Dingle Johnson/ Wallop-Breaux Act funds ◆ Adds funds for fishing access site maintenance
Major LFD Issues
<ul style="list-style-type: none"> ◆ The legislature may wish to review performance measures and outcomes for the AIS program, as well as anticipated outcomes in the 2015 biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Fisheries Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$618,250	\$0	\$0	\$618,250	1.8%		
State Special Total	\$15,698,425	\$0	\$0	\$15,698,425	44.6%		
02148 Paddlefish Roe Account	\$49,828	\$0	\$0	\$49,828	0.1%		
02333 Fishing Access Site Maint	\$784,800	\$0	\$0	\$784,800	2.2%		
02409 General License	\$14,519,207	\$0	\$0	\$14,519,207	41.2%		
02558 Fas - Vehicle Registration	\$344,590	\$0	\$0	\$344,590	1.0%		
Federal Special Total	\$18,913,610	\$0	\$0	\$18,913,610	53.7%		
03097 Fedl Fish(w/b) Wildlife(p/r)	\$13,224,162	\$0	\$0	\$13,224,162	37.5%		
03403 Misc. Federal Funds	\$4,845,218	\$0	\$0	\$4,845,218	13.8%		
03408 State Wildlife Grants	\$844,230	\$0	\$0	\$844,230	2.4%		
Total All Funds	\$35,230,285	\$0	\$0	\$35,230,285	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The bureau is funded with 53.7% federal revenues, the largest source of which is the Wallup-Breaux program for sport fish restoration. Excise taxes on fishing rods, reels, creels, lures, flies, and artificial bait provide funding for the program. General license dollars contribute 41.2% of the bureau’s funding and are used for fish restoration and hatchery support.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	16,021,768	16,021,768	32,043,536	90.95%
Statewide PL Adjustments	0	0	0	0.00%	1,119,753	1,159,814	2,279,567	6.47%
Other PL Adjustments	309,125	309,125	618,250	100.00%	454,460	454,294	908,754	2.58%
New Proposals	0	0	0	0.00%	(786)	(786)	(1,572)	0.00%
Total Budget	\$309,125	\$309,125	\$618,250		\$17,595,195	\$17,635,090	\$35,230,285	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,603,241					1,612,936
Vacancy Savings					(450,009)					(450,392)
Inflation/Deflation					(33,479)					(2,730)
Total Statewide Present Law Adjustments		\$0	\$655,005	\$464,748	\$1,119,753		\$0	\$670,044	\$489,770	\$1,159,814
DP 302 - Fishing Access Site Operations & Maintenance Staff	3.15	0	81,201	54,134	135,335	3.15	0	81,101	54,068	135,169
DP 303 - Aquatic Invasive Species AIS OTO	0.00	309,125	0	0	309,125	0.00	309,125	0	0	309,125
DP 304 - Fishing Land Access OTO	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
Total Other Present Law Adjustments	3.15	\$309,125	\$91,201	\$54,134	\$454,460	3.15	\$309,125	\$91,101	\$54,068	\$454,294
Grand Total All Present Law Adjustments	3.15	\$309,125	\$746,206	\$518,882	\$1,574,213	3.15	\$309,125	\$761,145	\$543,838	\$1,614,108

DP 302 - Fishing Access Site Operations & Maintenance Staff – The executive requests funding for 3.15 FTE for maintaining existing fishing access sites (FAS) around the state. The duties the summer field employees would perform include latrine cleaning, weed control, fencing, vandalism repair, and overall site maintenance. River Rangers manage the FAS on the Beaverhead, Big Hole, and Madison rivers. Groundskeepers and maintenance workers provide services at more than 320 sites statewide.

DP 303 - Aquatic Invasive Species AIS - The executive requests general fund each year of the biennium for continuation of the aquatic invasive species (AIS) work including multi-agency coordination and the watercraft inspection program. General fund would support seasonal staff and operations allocated to implement the statewide watercraft inspection station program.

LFD COMMENT

The Aquatic Invasive Species (AIS) Act was passed by the 2009 Legislature to prevent the introduction and spread of invasive aquatic species into Montana's waters. The original act required the Departments of Agriculture and Fish, Wildlife, and Parks to enter into cooperative agreements to perform their respective tasks and to work cooperatively.

The 2011 Legislature revised the act (HB 621), and among other changes added the Department of Natural Resources and Conservation (DNRC) to the list of coordinating agencies. HB 621 also appropriated general fund for the general responsibilities of the agencies in the act:

- Enter into cooperative agreements with each other
- Identify and prioritize threats
- Provide public awareness and education
- Provide prevention and detection of invasive species, including the use of invasive species management areas
- Manage, control, and restore infested areas
- Provide emergency response

LFD COMMENT CONT.	The figure shows the appropriation in HB 621 and anticipated expenditures for the 2013 biennium, as well as the executive request for the 2015 biennium. During the interim the executive transferred funding among agencies and the 2015 biennium requests reflect the amounts estimated to be expended by the departments.	AIS Funding			
		2013 Biennium	2013 Biennium	215 Biennium	
		HB 621 Approp	Est. expenditures	DP Requests	
		MDA	\$558,000	\$279,750	\$280,000
		DFWP	150,000	618,250	618,250
	<u>190,000</u>	<u>0</u>	<u>0</u>		
Total	<u>\$898,000</u>	<u>\$898,000</u>	<u>\$898,250</u>		

LFD ISSUE	The legislature may wish to discuss goals and performance measures used by the agency in the prior biennium and the outcomes achieved, as well as outcomes anticipated in the 2015 biennium.
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DP 304 - Fishing Land Access OTO - The executive requests one-time-only funding in special revenue to continue to address access needs and resolve conflict and access issues at bridges. Funding has been used to construct safe passage for anglers and resolve parking issues.

New Proposals

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - Funding Switch to Federal Dingell-Johnson										
03	0.00	0	(425,000)	425,000	0	0.00	0	(425,000)	425,000	0
DP 6101 - Professional Development Center Fee Allocation										
03	0.00	0	(277)	(509)	(786)	0.00	0	(277)	(509)	(786)
Total	0.00	\$0	(\$425,277)	\$424,491	(\$786)	0.00	\$0	(\$425,277)	\$424,491	(\$786)

DP 301 - Funding Switch to Federal Dingell-Johnson – The executive requests a budget neutral shift of state special revenue to federal special revenue. This request would allocate additional Dingle Johnson/ Wallop-Breaux Act funds to maximize federal support, saving general license funds. The funds will be used specifically to support the Fort Peck Warm Water Hatchery in eastern Montana and to support boating access site maintenance across the state.

LFD COMMENT	These funds would be subject to sequester under the current federal Budget Control Act.
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DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	113.88	113.88	113.88	113.88	113.88	113.88	0.00	0.00%
Personal Services	7,247,098	7,410,039	7,662,922	7,670,281	14,657,137	15,333,203	676,066	4.61%
Operating Expenses	1,981,961	2,044,517	1,951,386	1,961,924	4,026,478	3,913,310	(113,168)	(2.81%)
Equipment & Intangible Assets	116,256	86,377	116,256	116,256	202,633	232,512	29,879	14.75%
Grants	15,200	15,600	15,200	15,200	30,800	30,400	(400)	(1.30%)
Transfers	29,109	31,609	29,109	29,109	60,718	58,218	(2,500)	(4.12%)
Total Costs	\$9,389,624	\$9,588,142	\$9,774,873	\$9,792,770	\$18,977,766	\$19,567,643	\$589,877	3.11%
State Special	9,037,433	9,200,143	9,392,035	9,409,104	18,237,576	18,801,139	563,563	3.09%
Federal Special	352,191	387,999	382,838	383,666	740,190	766,504	26,314	3.56%
Total Funds	\$9,389,624	\$9,588,142	\$9,774,873	\$9,792,770	\$18,977,766	\$19,567,643	\$589,877	3.11%

Program Description

The Law Enforcement Bureau is responsible for ensuring compliance with laws and regulations pertaining to the protection and preservation of big game animals, fur-bearing animals, fish, game birds, and other protected wildlife species. It also enforces the laws and regulations relative to lands or waters under agency jurisdiction and the authority of the department such as state parks, fishing access sites, and wildlife management areas, as well as those laws and regulations pertaining to outfitters/guides, boating, snowmobiles, and off highway vehicles safety and registration. Other duties include block management patrols, stream access enforcement, commercial wildlife permitting, hunter education, license vendor contacts, game damage response, urban wildlife activities, and assisting other law enforcement agencies as requested.

Program Highlights

Enforcement Division Major Budget Highlights
◆ The major driver of the requested increase is to restore overtime for on-the-ground wardens, which is a zero-based item
Major LFD Issues
◆ Requested overtime is significantly higher than experienced in the base year

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Enforcement Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$18,801,139	\$0	\$0	\$18,801,139	96.1%		
02115 Off-highway Vehicle Fines	\$112,132	\$0	\$0	\$112,132	0.6%		
02329 Snowmobile Fuel Tax-enforcemnt	\$59,017	\$0	\$0	\$59,017	0.3%		
02334 Hunting Access	\$879,760	\$0	\$0	\$879,760	4.5%		
02409 General License	\$17,181,749	\$0	\$0	\$17,181,749	87.8%		
02413 F & G Motorboat Cert Id	\$185,192	\$0	\$0	\$185,192	0.9%		
02414 Snowmobile Reg	\$139,520	\$0	\$0	\$139,520	0.7%		
02938 Tlmd - Administration	\$243,769	\$0	\$0	\$243,769	1.2%		
Federal Special Total	\$766,504	\$0	\$0	\$766,504	3.9%		
03403 Misc. Federal Funds	\$766,504	\$0	\$0	\$766,504	3.9%		
Total All Funds	\$19,567,643	\$0	\$0	\$19,567,643	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Enforcement Division is 87.8% funded with general license dollars. Other state special revenue includes non – resident hunting fees, fuel taxes, and off highway vehicle and snowmobile registration fees. Federal funds are primarily from the US Coast Guard and require a 25% match supplied from the general license account.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	9,389,624	9,389,624	18,779,248	95.97%
Statewide PL Adjustments	0	0	0	0.00%	97,116	115,013	212,129	1.08%
Other PL Adjustments	0	0	0	0.00%	290,000	290,000	580,000	2.96%
New Proposals	0	0	0	0.00%	(1,867)	(1,867)	(3,734)	(0.02%)
Total Budget	\$0	\$0	\$0		\$9,774,873	\$9,792,770	\$19,567,643	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					147,521					154,886
Vacancy Savings					(21,697)					(21,703)
Inflation/Deflation					(28,708)					(18,170)
Total Statewide Present Law Adjustments		\$0	\$84,469	\$12,647	\$97,116		\$0	\$101,538	\$13,475	\$115,013
DP 401 - Game Warden Overtime										
0.00	0	272,000	18,000	290,000	0.00	0	272,000	18,000	290,000	
Total Other Present Law Adjustments	0.00	\$0	\$272,000	\$18,000	\$290,000	0.00	\$0	\$272,000	\$18,000	\$290,000
Grand Total All Present Law Adjustments	0.00	\$0	\$356,469	\$30,647	\$387,116	0.00	\$0	\$373,538	\$31,475	\$405,013

Game wardens are exempt in statute from the application of vacancy savings.

DP 401 - Game Warden Overtime – The executive requests authority for overtime compensation. Overtime is zero-based in the budgeting process and must be requested each biennium. This proposal would fund the MPEA warden collective bargaining agreement for overtime compensation.

LFD ISSUE	<u>Request Exceeds FY 2012 Expenditures</u> The executive request for overtime exceeds actual overtime paid in FY 2012. In FY 2012, the division paid \$227,793, or 23.4% less than the request. According to the department, actual expenditures are low due to the amount of turnovers that have occurred during the last several years.
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LFD COMMENT	Although the wardens dissolved their union with MPEA in 2012, DP 401 is based on the negotiated union contract. Even though no contract is currently in place, the department is operating under the terms of the previous contract.
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New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Professional Development Center Fee Allocation										
04	0.00	0	(1,867)	0	(1,867)	0.00	0	(1,867)	0	(1,867)
Total	0.00	\$0	(\$1,867)	\$0	(\$1,867)	0.00	\$0	(\$1,867)	\$0	(\$1,867)

DP 6101 - Professional Development Center Fee Allocation -The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	85.01	85.01	88.04	88.04	85.01	88.04	3.03	3.56%
Personal Services	4,420,026	4,259,683	4,907,824	4,916,251	8,679,709	9,824,075	1,144,366	13.18%
Operating Expenses	2,045,511	2,312,663	2,372,232	2,429,651	4,358,174	4,801,883	443,709	10.18%
Equipment & Intangible Assets	461,748	51,748	462,248	462,248	513,496	924,496	411,000	80.04%
Grants	437,605	445,318	437,605	437,605	882,923	875,210	(7,713)	(0.87%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$7,364,890	\$7,069,412	\$8,179,909	\$8,245,755	\$14,434,302	\$16,425,664	\$1,991,362	13.80%
State Special	7,237,147	6,941,657	8,014,040	8,079,556	14,178,804	16,093,596	1,914,792	13.50%
Federal Special	127,743	127,755	165,869	166,199	255,498	332,068	76,570	29.97%
Total Funds	\$7,364,890	\$7,069,412	\$8,179,909	\$8,245,755	\$14,434,302	\$16,425,664	\$1,991,362	13.80%

Program Description

The Parks Division is responsible for conserving the scenic, historic, archaeological, scientific, and recreational resources of the state, and for providing for their use and enjoyment. The program includes 54 parks, 13 affiliated lands such as rifle ranges and recreation sites managed by local and federal agencies. Other programs administered by the division include motorized and non-motorized trail grants and local government recreation grants. The division also provides architectural and engineering services for construction and maintenance projects at state parks, state fishing access sites, and administrative facilities.

Program Highlights

Parks Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The majority of the increase is due: <ul style="list-style-type: none"> • Statewide present law adjustments • Parks equipment and operations and maintenance, including 2.53 additional FTE • A partially offsetting reduction in the snowmobile program to maintain the program at the previous biennium level

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Parks Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$16,093,596	\$0	\$1,725,223	\$17,818,819	96.4%		
02213 Off Highway Vehicle Gas Tax	\$230,000	\$0	\$0	\$230,000	1.2%		
02238 Off-hwy Vehicle Acct (coned)	\$1,120	\$0	\$0	\$1,120	0.0%		
02239 Off Hwy Vehicle Acct (parks)	\$44,123	\$0	\$0	\$44,123	0.2%		
02273 Motorboat Fees	\$106,089	\$0	\$0	\$106,089	0.6%		
02274 Fwp Accommodations Tax	\$0	\$0	\$1,725,223	\$1,725,223	9.3%	15-65-121	Direct
02328 Ohv Gas Tax - Con Ed	\$33,615	\$0	\$0	\$33,615	0.2%		
02330 Snowmobile Fuel Tax-con Ed	\$69,496	\$0	\$0	\$69,496	0.4%		
02331 Motorboat Certification-parks	\$38,059	\$0	\$0	\$38,059	0.2%		
02332 Snowmobile Registration-parks	\$439,668	\$0	\$0	\$439,668	2.4%		
02407 Snowmobile Fuel Tax	\$1,286,465	\$0	\$0	\$1,286,465	7.0%		
02408 Coal Tax Trust Account	\$1,787,062	\$0	\$0	\$1,787,062	9.7%		
02411 State Parks Miscellaneous	\$9,619,898	\$0	\$0	\$9,619,898	52.1%		
02412 Motorboat Fuel Tax	\$2,438,001	\$0	\$0	\$2,438,001	13.2%		
Federal Special Total	\$332,068	\$0	\$0	\$332,068	1.8%		
03097 Fedl Fish(w/b) Wildlife(p/r)	\$268,764	\$0	\$0	\$268,764	1.5%		
03403 Misc. Federal Funds	\$63,304	\$0	\$0	\$63,304	0.3%		
Proprietary Total	\$0	\$324,772	\$0	\$324,772	1.8%		
06068 Mfwp Visitor Services	\$0	\$324,772	\$0	\$324,772	1.8%		
Total All Funds	\$16,425,664	\$324,772	\$1,725,223	\$18,475,659	100.0%		
Percent - Total All Sources	88.9%	1.8%	9.3%				

The largest revenue source is the \$6.00 registration fee per vehicle charged in lieu of resident day use fees at state park sites, followed by motorboat fuel taxes, parks coal tax trust earnings, snowmobile fuel taxes, snowmobile registration fees, and off-highway vehicle registration fees. Federal funding sources include Wallop-Breaux, National Recreational Trails, the Land and Water Conservation fund, and miscellaneous federal revenues. These federal funding sources require a match of 20% to 50%. The department receives 6.5% of the accommodation tax collections for the maintenance of state parks. However, since the money is appropriated through statute, it is not included in HB 2.

LFD COMMENT Effective January 1, 2012, HB 370 of the 2011 session increased the light vehicle registration fee from \$4.00 to \$6.00, of which \$5.37 goes to fund state parks. The fiscal note had estimated participation at 67.1%. In the first 9 months in calendar year 2012 this level was exceeded by approximately 9%, bringing revenues up by 42.3%, or an additional \$830,497, through September 2012.

Department of Fish Wildlife and Parks Parks Division Light Vehicle Registration (LVR) Revenue				
Month	2011	2012	Increase	Percent
January*	\$178,436	\$179,518	\$1,082	0.6%
February	218,336	281,660	63,323	29.0%
March	180,454	313,276	132,822	73.6%
April	231,212	328,257	97,045	42.0%
May	217,557	287,382	69,825	32.1%
June	456,306	701,065	244,759	53.6%
July	10,308	22,639	12,331	119.6%
August	226,077	317,087	91,010	40.3%
September	243,978	362,278	118,300	48.5%
Total	<u>1,962,665</u>	<u>2,793,162</u>	<u>830,497</u>	<u>42.3%</u>

HB 370 Fee Increase				
Divisions	Previous	Current	Increase	Percent
Parks	\$3.50	\$5.37	\$1.87	53.4%
MHC	0.25	0.38	0.13	52.0%
FAS	<u>0.25</u>	<u>0.25</u>	<u>0.00</u>	<u>0.0%</u>
Total	<u>\$4.00</u>	<u>\$6.00</u>	<u>\$2.00</u>	<u>50.0%</u>
Notes-				
*Dec Registration revenue				
*Effective Jan 1 2012, of the \$6.00 fee, Parks is \$5.37, MHC				
*Per DOJ, data may lag by 2+ months				
Percentage of LVR				
Fiscal Year	Percentage			
FY 2011	76%			
FY 2012	75%			
Notes-				
*Per fiscal note for HB 370 anticipated participation was 67.1%, average per data for FY12 exceeds that by approximately 7.0%				

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	7,364,890	7,364,890	14,729,780	89.68%
Statewide PL Adjustments	0	0	0	0.00%	321,309	337,388	658,697	4.01%
Other PL Adjustments	0	0	0	0.00%	130,974	130,777	261,751	1.59%
New Proposals	0	0	0	0.00%	362,736	412,700	775,436	4.72%
Total Budget	\$0	\$0	\$0		\$8,179,909	\$8,245,755	\$16,425,664	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					526,944					535,961
Vacancy Savings					(197,884)					(198,241)
Inflation/Deflation					(7,751)					(332)
Total Statewide Present Law Adjustments		\$0	\$314,853	\$6,456	\$321,309		\$0	\$330,566	\$6,822	\$337,388
DP 602 - Parks Operations & Maintenance Staff	2.53	0	135,768	0	135,768	2.53	0	135,571	0	135,571
DP 603 - Land & Water Conservation Fund Program Staff	0.00	0	85,143	0	85,143	0.00	0	85,143	0	85,143
DP 604 - Program Base Operations	0.00	0	115,063	0	115,063	0.00	0	115,063	0	115,063
DP 605 - Snowmobile Program RST/BIEN	0.00	0	(205,000)	0	(205,000)	0.00	0	(205,000)	0	(205,000)
Total Other Present Law Adjustments	2.53	\$0	\$130,974	\$0	\$130,974	2.53	\$0	\$130,777	\$0	\$130,777
Grand Total All Present Law Adjustments	2.53	\$0	\$445,827	\$6,456	\$452,283	2.53	\$0	\$461,343	\$6,822	\$468,165

DP 602 - Parks Operations & Maintenance Staff – The executive requests state special revenue for state park operations and maintenance. The request would provide funding for a cumulative 2.53 FTE on an ongoing basis, including park manager and maintenance field positions and associated operations authorized in the 2011 biennium on a modified basis.

- o Pictograph Cave State Park would receive 1.00 FTE for a full-time manager
- o Region 1, the NW district park manager accounts for 0.50 FTE and is combined with FTE for Thompson Chain Lakes and other recreational trails FTE for one full-time park manager
- o Travelers Rest would receive 0.25 FTE to account for a full time park manager at the park. The funding for this FTE replaces monies received from federal ARRA stimulus funding received for this position in the 2011 biennium
- o Maintenance would receive 0.78 FTE to be used near Kalispell, Missoula, Bozeman, and Great Falls

DP 603 - Land & Water Conservation Fund Program Staff - The executive requests state special revenue for authority for administering grants and providing administrative support for the recreational trails program and the land and water conservation fund.

DP 604 - Program Base Operations - The executive requests an adjustment to the base from state special revenue to fund planned projects and ongoing operations at budgeted prior year levels. This request would also provide funding for recreational trails, snowmobile, and off-highway vehicle programs.

DP 605 - Snowmobile Program RST/BIEN - The executive requests a reduction in state special revenue for the snowmobile groomer program. The program purchases groomers for local snowmobile clubs to maintain trails during the winter season. Most of the biennial appropriation was spent in the base year of the 2013 biennium, and this reduction restores funding to the anticipated biennial level in the 2015 biennium. The revenue is dedicated funding from the snowmobile fuel tax.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 606 - Parks Boat Safety	06 0.50	0	0	31,670	31,670	0.50	0	0	31,634	31,634
DP 607 - Parks Reservation System RST/OTO	06 0.00	0	50,000	0	50,000	0.00	0	100,000	0	100,000
DP 608 - Parks Equipment OTO	06 0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 609 - Parks O&M	06 0.00	0	82,000	0	82,000	0.00	0	82,000	0	82,000
DP 6101 - Professional Development Center Fee Allocation	06 0.00	0	(934)	0	(934)	0.00	0	(934)	0	(934)
Total	0.50	\$0	\$331,066	\$31,670	\$362,736	0.50	\$0	\$381,066	\$31,634	\$412,700

DP 606 - Parks Boat Safety – The executive requests federal special revenue authority and 0.50 FTE for the promotion of boating safety, education, assistance, and maintenance activities in the Parks Division. This position would be combined with 1.5 base FTE creating 2.0 FTE.

DP 607 - Parks Reservation System RST/OTO - The executive requests state special revenue to fund the Parks reservation system. The current MOU with Idaho State Parks that provides a campsite reservation system for Montana will expire on December 31, 2013. In the event this contract is not renewed, this funding would be used to pay the operating costs of a replacement reservation system.

DP 608 - Parks Equipment OTO - The executive requests state special revenue to purchase heavy equipment to maintain and repair infrastructure at parks statewide.

DP 609 - Parks O&M - The executive requests state special revenue for increasing operating costs statewide. The cost of garbage collection, electricity, latrine pumping, supplies, materials, and repairs and maintenance have increased significantly. Parks with high camping volumes and visitors require additional operations funding to pay for critical services such as park maintenance and safety improvements to ensure visitor enjoyment.

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

Proprietary Program Description

Section 23-1-105 (5), MCA, authorizes the Parks Division of Montana Fish, Wildlife and Parks to establish an enterprise

fund (fund 06068) for the purpose of managing state park visitor services revenue.

The fund is used by the department to provide inventory through purchase, production, or donation and for the sale of educational, commemorative, and interpretive merchandise and other related goods and services at department sites and facilities. Monies generated go back into the purchase of inventory and also the improvement of visitor services in state parks and FWP overall.

In FY 2012, this fund accounted for \$185,769 of earned revenue, \$153,716 of expenditures, and a fund balance in the amount of \$346,914.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Revenues

Revenues are generated by the sales of interpretive and educational merchandise at park visitor centers and regional offices.

Expenses

The expenses associated with the enterprise fund include office supplies, merchandising materials, and the purchase of inventory to replenish stock. As the program develops, the 60-day working capital requirement would provide sufficient cash to fund on-going operations of the program. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenish inventory.

Proprietary Rate Explanation

To ensure sufficient revenues are collected to replenish inventory.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	137.98	137.98	142.73	144.48	137.98	144.48	6.50	4.71%
Personal Services	7,311,141	7,894,000	8,473,883	8,577,637	15,205,141	17,051,520	1,846,379	12.14%
Operating Expenses	9,420,156	9,532,270	10,037,090	10,052,493	18,952,426	20,089,583	1,137,157	6.00%
Equipment & Intangible Assets	47,867	46,091	47,867	47,867	93,958	95,734	1,776	1.89%
Grants	162,879	141,050	162,879	162,879	303,929	325,758	21,829	7.18%
Benefits & Claims	6,225	4,823	6,225	6,225	11,048	12,450	1,402	12.69%
Total Costs	\$16,948,268	\$17,618,234	\$18,727,944	\$18,847,101	\$34,566,502	\$37,575,045	\$3,008,543	8.70%
State Special	11,622,284	12,008,744	10,787,448	10,898,997	23,631,028	21,686,445	(1,944,583)	(8.23%)
Federal Special	5,325,984	5,609,490	7,940,496	7,948,104	10,935,474	15,888,600	4,953,126	45.29%
Total Funds	\$16,948,268	\$17,618,234	\$18,727,944	\$18,847,101	\$34,566,502	\$37,575,045	\$3,008,543	8.70%

Program Description

The Wildlife Bureau is responsible for the department's statewide Wildlife Management Program, which enhances the use of Montana's renewable wildlife resources for public benefit. It protects, regulates, and perpetuates wildlife populations with habitat management and regulated harvest. Through promotion of land management practices, wildlife habitat areas are maintained and enhanced. In addition, the program provides wildlife recreational opportunities to the public, including non-game wildlife, and provides public information regarding conservation of wildlife populations and wildlife habitats. The program manages animals legislatively categorized as big game, nongame wildlife, game birds, furbearers, and threatened and endangered species.

Program Highlights

Wildlife Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The primary reasons for the proposed increase are: <ul style="list-style-type: none"> ● The proposed addition of 6.50 FTE for wolf management ● Developing and maintaining property managed for wildlife habitat ● A request for authority to expend revenues from the income from the elk, goat, and sheep auction and the non-game check off receipts ◆ The executive would reduce \$2.0 million from the general license account and switch funding to federal funds

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Wildlife Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$21,686,445	\$0	\$0	\$21,686,445	56.6%		
02061 Nongame Wildlife Account	\$100,822	\$0	\$0	\$100,822	0.3%		
02085 Waterfowl Stamp Spec. Rev.	\$106,126	\$0	\$0	\$106,126	0.3%		
02086 Mountain Sheep Account	\$295,962	\$0	\$0	\$295,962	0.8%		
02112 Moose Auction	\$100,000	\$0	\$0	\$100,000	0.3%		
02113 Upland Game Bird Habitat	\$369,566	\$0	\$0	\$369,566	1.0%		
02176 Mountain Goat Auction	\$28,000	\$0	\$0	\$28,000	0.1%		
02334 Hunting Access	\$9,484,179	\$0	\$0	\$9,484,179	24.7%		
02409 General License	\$9,334,935	\$0	\$0	\$9,334,935	24.3%		
02423 Wolf Management Account	\$1,040,500	\$0	\$0	\$1,040,500	2.7%		
02469 Habitat Trust Interest	\$750,355	\$0	\$0	\$750,355	2.0%		
02560 Elk Auction	\$76,000	\$0	\$0	\$76,000	0.2%		
Federal Special Total	\$15,888,600	\$0	\$0	\$15,888,600	41.4%		
03097 Fedl Fish(w/b) Wildlife(p/r)	\$14,862,538	\$0	\$0	\$14,862,538	38.8%		
03403 Misc. Federal Funds	\$318,206	\$0	\$0	\$318,206	0.8%		
03408 State Wildlife Grants	\$707,856	\$0	\$0	\$707,856	1.8%		
Proprietary Total	\$0	\$772,804	\$0	\$772,804	2.0%		
06540 Fwp Aircraft	\$0	\$772,804	\$0	\$772,804	2.0%		
Total All Funds	\$37,575,045	\$772,804	\$0	\$38,347,849	100.0%		
Percent - Total All Sources	98.0%	2.0%	0.0%				

The Wildlife Bureau is funded with state special revenue consisting primarily of the general license account and nonresident license funds. Other earmarked fees support the Upland Game Bird Program and the operations portion of the Wildlife Habitat Program. Federal funding consists of Pittman-Robertson funds that require a 25% non-federal match that is primarily matched with funds from the general license account.

LFD COMMENT As discussed in the summary section of this narrative, the major federal funding sources of this agency are subject to sequester in the Budget Control Act’s current form. The executive has included shifts in funding to greater federal funds in several decision packages in this division. The legislature may wish to discuss the potential impact on federal funds in this division and specifically in the context of the decision packages.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	16,948,268	16,948,268	33,896,536	90.21%
Statewide PL Adjustments	0	0	0	0.00%	873,038	893,695	1,766,733	4.70%
Other PL Adjustments	0	0	0	0.00%	326,300	326,300	652,600	1.74%
New Proposals	0	0	0	0.00%	580,338	678,838	1,259,176	3.35%
Total Budget	\$0	\$0	\$0		\$18,727,944	\$18,847,101	\$37,575,045	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,244,339					1,251,537
Vacancy Savings					(342,224)					(342,513)
Inflation/Deflation					(29,077)					(15,329)
Total Statewide Present Law Adjustments		\$0	\$457,168	\$415,870	\$873,038		\$0	\$470,217	\$423,478	\$893,695
DP 505 - Habitat Montana O&M	0.00	0	110,000	0	110,000	0.00	0	110,000	0	110,000
DP 507 - Game Herders for Game Damage Program	0.00	0	11,500	0	11,500	0.00	0	11,500	0	11,500
DP 508 - Migratory Bird Program Authority	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 509 - Auction Programs and Non-Game Check Off	0.00	0	164,800	0	164,800	0.00	0	164,800	0	164,800
Total Other Present Law Adjustments	0.00	\$0	\$326,300	\$0	\$326,300	0.00	\$0	\$326,300	\$0	\$326,300
Grand Total All Present Law Adjustments	0.00	\$0	\$783,468	\$415,870	\$1,199,338	0.00	\$0	\$796,517	\$423,478	\$1,219,995

DP 505 - Habitat Montana O&M – The executive requests state special revenue for developing and maintaining property managed for wildlife habitat.

DP 507 - Game Herders for Game Damage Program – The executive requests state special revenue for operations in the game damage program. This authority would be used to hire local area ranch hands as short term workers under a modified level FTE to herd game animals away from crops and stored hay/grain in response to private landowner complaints of game damage. The need for herders varies from year to year based upon weather, animal distribution, and landowner ranch operations.

DP 508 - Migratory Bird Program Authority – The executive requests \$40,000 per year of state special revenue that is statutorily dedicated to the protection of wetlands. The continuation of this funding would be used to implement contracts for wetland habitat project monitoring. Funding for this program is from an earmarked account that can only be spent for the program.

DP 509 - Auction Programs and Non-Game Check Off – The executive requests funds to adjust base expenditures from state special revenue funding consistent with the income from the elk, goat, and sheep auction and the non-game check off receipts. The funding enables enhanced survey, management, and research efforts.

New Proposals

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 501 - Funding Shift to PR 05	0.00	0	(1,000,000)	1,000,000	0	0.00	0	(1,000,000)	1,000,000	0
DP 502 - Funding Shift In Block Management 05	0.00	0	(1,000,000)	1,000,000	0	0.00	0	(1,000,000)	1,000,000	0
DP 503 - Moose Research 05	0.00	0	50,000	100,000	150,000	0.00	0	50,000	100,000	150,000
DP 504 - Sage Grouse Research 05	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 506 - Wolf Program 05	4.75	0	331,696	0	331,696	6.50	0	430,196	0	430,196
DP 6101 - Professional Development Center Fee Allocation 05	0.00	0	0	(1,358)	(1,358)	0.00	0	0	(1,358)	(1,358)
Total	4.75	\$0	(\$1,618,304)	\$2,198,642	\$580,338	6.50	\$0	(\$1,519,804)	\$2,198,642	\$678,838

DP 501 - Funding Shift to PR - The executive requests a budget neutral shift of state special revenue to federal special revenue. This request would allocate federal Pittman-Robertson funds to maximize federal support, saving general license funds.

DP 502 - Funding Shift In Block Management - The executive requests a budget neutral shift of state special to federal special revenue. This request would allocate federal Pittman-Robertson funds to maximize federal support, reducing general license funds.

DP 503 - Moose Research - The executive requests state and federal special revenue to fund a long-term research project to address concerns about moose populations. State special funding will be matched with federal Pittman-Robertson funding. Research would be conducted on three different moose populations in the state: the East Cabinets, the upper Big Hole Valley, and the Rocky Mountain Front, which is expected to last 10 years.

DP 504 - Sage Grouse Research - The executive requests federal special revenue to fund a long-term (eight years) research project to evaluate the effectiveness of different grazing systems on sage grouse populations. The project is being accomplished through a partnership with the USDA Natural Resources Conservation Service (NRCS). Funding is would be a 3:1 match with federal Pittman-Robertson funding and general license funding, versus the current 1:1 match of NRCS funding.

DP 506 - Wolf Program - The executive requests state special revenue authority to be consistent with income from the sale of wolf licenses to fully implement the wolf management program that was appropriated in SB 348 in the 2011 session. The request includes 4.75 FTE in FY 2014 and 6.50 FTE in FY 2015.

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates*Proprietary Program Description***Aircraft Fund**

The department's aircraft fund provides aircraft to department employees. The aircraft users are department employees, mostly fish and wildlife biologists.

*Program Narrative*Expenses

Personal services are not covered by this fund. The two largest costs are fuel and repairs. The average annual repair costs for the past six years have been \$197,000. In FY 2012, the department flew approximately 1,200 hours in department aircraft.

Revenues

Every month, users are charged for the hours flown during the previous month on a per hour basis, depending upon the type of aircraft.

Proprietary Rates

The rate methodology attempts to determine a cost per hour rate for each class of aircraft. The methodology is to determine the previous year's expenses, including operating, maintenance, and administration expenses minus the previous year's revenue generated from the rates to establish the net cash inflow. Future year expenses are estimated based on the most current year's information plus a 5% inflationary factor. Using anticipated future year's usage and the projected expenses, a cost per hour rate is determined for the future years. The goal is to have a cash balance at fiscal year-end equal to 60 days of total operating expenses.

For the 2015 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Description	FY 2012	FY2013	FY 2014	FY 2015
Per Hour Rates:				
2 Place Single Engine	\$108.07	\$108.07	\$150.00	\$150.00
Partnavia	\$514.56	\$514.56	\$500.00	\$500.00
Turbine Helicopters	\$576.10	\$576.10	\$500.00	\$500.00

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	28.05	28.05	28.05	28.05	28.05	28.05	0.00	0.00%
Personal Services	1,913,282	1,886,792	1,953,298	1,953,838	3,800,074	3,907,136	107,062	2.82%
Operating Expenses	1,402,160	1,401,374	1,404,042	1,408,775	2,803,534	2,812,817	9,283	0.33%
Grants	336,782	339,500	336,782	336,782	676,282	673,564	(2,718)	(0.40%)
Total Costs	\$3,652,224	\$3,627,666	\$3,694,122	\$3,699,395	\$7,279,890	\$7,393,517	\$113,627	1.56%
State Special	2,927,312	2,891,479	2,963,669	2,968,247	5,818,791	5,931,916	113,125	1.94%
Federal Special	724,912	736,187	730,453	731,148	1,461,099	1,461,601	502	0.03%
Total Funds	\$3,652,224	\$3,627,666	\$3,694,122	\$3,699,395	\$7,279,890	\$7,393,517	\$113,627	1.56%

Program Description

The Communication & Education Division coordinates the department's information and education programs, administers a statewide shooting range grants program, and oversees a wild animal rehabilitation center. Specific responsibilities include:

- Distributes public information through various outlets, including Montana Outdoors Magazine
- Coordinates youth education programs
- Coordinates the production of hunting, fishing, and trapping regulations
- Coordinates the hunter, bow-hunter, trapper, boat, and safety programs
- Oversees the education center, Montana Wild
- Provides reception services at the department's Helena Headquarters

Program Highlights

Communication & Education Division
Major Budget Highlights
◆ The entire increase is due to statewide present law adjustments

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Communication And Education Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$5,931,916	\$0	\$0	\$5,931,916	80.2%		
02409 General License	\$5,931,916	\$0	\$0	\$5,931,916	80.2%		
Federal Special Total	\$1,461,601	\$0	\$0	\$1,461,601	19.8%		
03097 Fedl Fish(w/b) Wildlife(p/r)	\$1,393,084	\$0	\$0	\$1,393,084	18.8%		
03403 Misc. Federal Funds	\$68,517	\$0	\$0	\$68,517	0.9%		
Total All Funds	\$7,393,517	\$0	\$0	\$7,393,517	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The largest funding source in the Communication and Education Division is the general license account, accounting for 80.2% of funding. Federal funds are primarily Pittman-Robertson and Wallop-Breaux funds derived from federal excise taxes on sporting rifles, ammunition, and fishing equipment, which require a 25% match.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	3,652,224	3,652,224	7,304,448	98.80%
Statewide PL Adjustments	0	0	0	0.00%	42,003	47,276	89,279	1.21%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	(105)	(105)	(210)	0.00%
Total Budget	\$0	\$0	\$0		\$3,694,122	\$3,699,395	\$7,393,517	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					121,405					121,968
Vacancy Savings					(81,389)					(81,412)
Inflation/Deflation					1,987					6,720
Total Statewide Present Law Adjustments		\$0	\$36,462	\$5,541	\$42,003		\$0	\$41,040	\$6,236	\$47,276
Grand Total All Present Law Adjustments	0.00	\$0	\$36,462	\$5,541	\$42,003	0.00	\$0	\$41,040	\$6,236	\$47,276

New Proposals

New Proposals											
	-----Fiscal 2014-----					-----Fiscal 2015-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	08	0.00	0	(105)	0	(105)	0.00	0	(105)	0	(105)
Total	0.00	\$0	(\$105)	\$0	(\$105)	0.00	\$0	(\$105)	\$0	(\$105)	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	65.12	65.12	65.62	65.62	65.12	65.62	0.50	0.77%
Personal Services	3,855,366	3,892,201	4,222,276	4,226,781	7,747,567	8,449,057	701,490	9.05%
Operating Expenses	4,978,633	5,096,710	5,080,640	4,991,032	10,075,343	10,071,672	(3,671)	(0.04%)
Equipment & Intangible Assets	12,640	13,526	12,640	12,640	26,166	25,280	(886)	(3.39%)
Capital Outlay	0	0	0	0	0	0	0	n/a
Grants	0	0	0	0	0	0	0	n/a
Transfers	112,679	163,829	164,779	164,779	276,508	329,558	53,050	19.19%
Total Costs	\$8,959,318	\$9,166,266	\$9,480,335	\$9,395,232	\$18,125,584	\$18,875,567	\$749,983	4.14%
State Special	8,898,467	9,097,118	9,403,003	9,333,453	17,995,585	18,736,456	740,871	4.12%
Federal Special	60,851	69,148	77,332	61,779	129,999	139,111	9,112	7.01%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$8,959,318	\$9,166,266	\$9,480,335	\$9,395,232	\$18,125,584	\$18,875,567	\$749,983	4.14%

Program Description

The division is made up of two sections. The two sections' responsibilities are as follows:

Management:

- o Overall department direction regarding policy, planning, program development, guidelines, and budgets
- o Liaison with the Governor's Office and the Legislature
- o Interaction with the Fish, Wildlife and Parks Commission
- o Liaison with Montana's Indian tribes and with other state and federal agencies
- o Legal
- o Human resource management
- o Real estate functions

Finance:

- o Department-wide support for accounting
- o Fiscal management
- o Purchasing and property management
- o Federal aid administration
- o Sale of hunting, fishing, and other recreational licenses

Program Highlights

Management and Finance Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The proposed increase to this program's budget is due to statewide present law adjustments ◆ The Governor would add 0.50 FTE to the Legal Unit

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Management And Finance							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$18,736,456	\$0	\$1,193,786	\$19,930,242	74.4%		
02086 Mountain Sheep Account	\$60,000	\$0	\$0	\$60,000	0.2%		
02112 Moose Auction	\$2,600	\$0	\$0	\$2,600	0.0%		
02176 Mountain Goat Auction	\$4,600	\$0	\$0	\$4,600	0.0%		
02408 Coal Tax Trust Account	\$26,436	\$0	\$0	\$26,436	0.1%		
02409 General License	\$18,388,529	\$0	\$946,430	\$19,334,959	72.2%	87-1-230	Direct
02411 State Parks Miscellaneous	\$0	\$0	\$76,190	\$76,190	0.3%	87-1-230	Direct
02469 Habitat Trust Interest	\$45,887	\$0	\$171,166	\$217,053	0.8%	87-1-230	Direct
02547 Search & Rescue	\$199,304	\$0	\$0	\$199,304	0.7%		
02559 Mule Deer Auction	\$4,500	\$0	\$0	\$4,500	0.0%		
02560 Elk Auction	\$4,600	\$0	\$0	\$4,600	0.0%		
Federal Special Total	\$139,111	\$0	\$344,146	\$483,257	1.8%	87-1-230	Direct
03097 Fedl Fish(w/b) Wildlife(p/r)	\$139,111	\$0	\$344,146	\$483,257	1.8%		
Proprietary Total	\$0	\$6,361,937	\$0	\$6,361,937	23.8%		
06501 Duplicating Center	\$0	\$153,144	\$0	\$153,144	0.6%		
06502 Equipment Enterprise Fund	\$0	\$5,997,542	\$0	\$5,997,542	22.4%		
06503 F & G Warehouse Inventory	\$0	\$211,251	\$0	\$211,251	0.8%		
Total All Funds	\$18,875,567	\$6,361,937	\$1,537,932	\$26,775,436	100.0%		
Percent - Total All Sources	70.5%	23.8%	5.7%				

The division is primarily funded by general license account revenues, with the remaining from miscellaneous special revenue funds and federal funds.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	8,959,318	8,959,318	17,918,636	94.93%
Statewide PL Adjustments	0	0	0	0.00%	390,528	305,507	696,035	3.69%
Other PL Adjustments	0	0	0	0.00%	107,634	107,552	215,186	1.14%
New Proposals	0	0	0	0.00%	22,855	22,855	45,710	0.24%
Total Budget	\$0	\$0	\$0		\$9,480,335	\$9,395,232	\$18,875,567	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					484,986					489,771
Vacancy Savings					(173,610)					(173,808)
Inflation/Deflation					8,055					15,982
Fixed Costs					71,097					(26,438)
Total Statewide Present Law Adjustments		\$0	\$374,047	\$16,481	\$390,528		\$0	\$304,579	\$928	\$305,507
DP 901 - Legal Unit	0.50	0	55,534	0	55,534	0.50	0	55,452	0	55,452
DP 902 - Search and Rescue	0.00	0	52,100	0	52,100	0.00	0	52,100	0	52,100
Total Other Present Law Adjustments	0.50	\$0	\$107,634	\$0	\$107,634	0.50	\$0	\$107,552	\$0	\$107,552
Grand Total All Present Law Adjustments	0.50	\$0	\$481,681	\$16,481	\$498,162	0.50	\$0	\$412,131	\$928	\$413,059

DP 901 - Legal Unit - The executive requests funding from state special revenue and an additional 0.5 FTE due to increased work load from litigation in state, federal, and water courts; and for increased legal work in the acquisition, monitoring, and enforcement of conservation easements for fish and wildlife habitat.

DP 902 - Search and Rescue - The executive requests state special revenue each year of the biennium to re-establish authority for a transfer to the Department of Military Affairs for costs incurred by search and rescue clubs when searching for hunters, anglers, or trappers. The revenue source for these funds is \$0.25 for each conservation license sold which is statutorily dedicated for this purpose.

New Proposals

New Proposals											
-----Fiscal 2014-----						-----Fiscal 2015-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	09	0.00	0	22,855	0	22,855	0.00	0	22,855	0	22,855
Total	0.00	\$0	\$22,855	\$0	\$22,855	0.00	\$0	\$22,855	\$0	\$22,855	

DP 6101 - Professional Development Center Fee Allocation -The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

Proprietary Program Description

The General Services Division provides the following functions funded with proprietary funds. These programs are described separately along with a discussion of the program expenses, revenues, and rates being requested to finance the program:

- o Duplicating Center
- o Vehicle Fund
- o Supply Warehouse

Duplicating Center*Proprietary Program Description*

The department's duplicating center provides duplicating and bindery services to department employees. The Duplicating Center has 1.00 FTE and whenever the demand for services becomes too great or a particular job is considered too large, the excess jobs are taken to Publications and Graphics in the Department of Administration to be completed.

Revenues

Revenues are generated from charges on a per page basis for both copying and binding.

Expenses

Expenses recovered in the rates are the personal services of 1.00 FTE, operating expenses, and the raw materials needed for duplicating.

Proposed Rates**Duplicating Services Rates**

Item	FY 2012	FY2013	FY 2014	FY 2015
Copies				
1-20	\$0.065	\$0.070	\$0.070	\$0.075
21-100	\$0.050	\$0.055	\$0.055	\$0.060
101-1,000	\$0.045	\$0.050	\$0.050	\$0.056
1,001-5,000	\$0.040	\$0.045	\$0.045	\$0.050
Color - per sheet	\$0.25	\$0.25	\$0.25	\$0.25
Binding				
Collating (per sheet)	\$0.010	\$0.010	\$0.010	\$0.010
Hand Stapling (per set)	\$0.020	\$0.020	\$0.020	\$0.020
Saddle stitch (per set)	\$0.035	\$0.035	\$0.035	\$0.035
Folding (per sheet)	\$0.010	\$0.010	\$0.010	\$0.010
Punching (per sheet)	\$0.005	\$0.005	\$0.005	\$0.005
Cutting (per minute)	\$0.600	\$0.600	\$0.600	\$0.600

Equipment Enterprise Fund*Proprietary Program Description*

The department's equipment fund provides a fleet of vehicles to department employees. The users are department employees, mostly enforcement wardens, fish and wildlife biologists, and park employees. Every month, users are charged for the miles driven during the previous month.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

Expenses

The objective of the vehicle account is to recover (through rates and annual auction sales) sufficient funds to cover administrative costs to operate the program (personal services and operations), fuel and repair costs of fleet, and replacement of fleet vehicles at approximately 120,000 miles. A total of 2.56 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2010, the fund spent over \$1.10 million on fuel and \$380,000 on repairs. In FY 2012, the fund spent \$1.36 million on fuel and \$418,000 on repairs. In FY 2012, the department drove just over 6.1

million miles in department vehicles.

Revenues

Due to the proposed rates in FY 2014 and FY 2015, the program anticipates revenues of \$2.8 million in FY 2014 and \$2.9 million in FY 2015.

Proposed Rates

The proposed rates are shown for informational purposes. The legislature does not approve rates for enterprise funds.

Description	FY 2012	FY2013	FY 2014	FY 2015
Per Mile Rates:				
Sedans	\$0.46	\$0.46	\$0.46	\$0.46
Vans	\$0.53	\$0.53	\$0.53	\$0.53
Utilities	\$0.58	\$0.58	\$0.58	\$0.58
Pickup 1/2 Ton	\$0.53	\$0.53	\$0.53	\$0.53
Pickup 3/4 Ton	\$0.61	\$0.61	\$0.61	\$0.61

Vehicles will be assessed a minimum overhead charge in addition to the regular rates if not driven a minimum number of miles.

Significant Present Law Adjustments

Each year, department employees drive over 6.1 million miles in department owned vehicles. The department currently has a fleet of over 450 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists and parks employees. The department's request for vehicle replacement is for 40 vehicles in both FY 2014 and FY 2015. This is based on replacing vehicles after a minimum of 120,000 miles. This replacement schedule does not require a present law adjustment.

Warehouse Inventory

Proprietary Program Description

The department's warehouse contains mainly uniform items (both for wardens and non-wardens) and items specifically related to the duties of the department such as gill nets for the fisheries biologists. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

Expenses

The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker, and inventory purchased to replenish existing stock.

Revenues

Revenues come from the sales of inventory items to department employees. The department anticipates revenues to be constant at around \$105,000 per year for FY 2014 and FY 2015.

Rate Explanation

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate is expected to generate sufficient revenue to cover the administrative costs of the program.

The FY 2012 rate was 24% and the FY 2013 rate was 24%. Due to a substantial increase to inventory, the department currently has a \$27,000 loan from another fund. This loan is necessary to maintain a positive cash balance in this fund. In order to reduce this loan, the department is now requesting a warehouse overhead rate of 25% in FY 2014 and 25% in FY 2015. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies, and other miscellaneous office costs. Based on estimated warehouse sales, a fixed

overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	49.46	49.46	49.46	49.46	49.46	49.46	0.00	0.00%
Personal Services	2,856,696	2,779,605	2,972,583	2,975,703	5,636,301	5,948,286	311,985	5.54%
Operating Expenses	943,330	988,162	934,643	939,085	1,931,492	1,873,728	(57,764)	(2.99%)
Equipment & Intangible Assets	27,384	9,316	27,384	27,384	36,700	54,768	18,068	49.23%
Transfers	79,142	79,142	70,842	70,842	158,284	141,684	(16,600)	(10.49%)
Debt Service	19,627	9,000	21,427	21,427	28,627	42,854	14,227	49.70%
Total Costs	\$3,926,179	\$3,865,225	\$4,026,879	\$4,034,441	\$7,791,404	\$8,061,320	\$269,916	3.46%
State Special	3,763,040	3,695,634	3,858,491	3,866,219	7,458,674	7,724,710	266,036	3.57%
Federal Special	163,139	169,591	168,388	168,222	332,730	336,610	3,880	1.17%
Total Funds	\$3,926,179	\$3,865,225	\$4,026,879	\$4,034,441	\$7,791,404	\$8,061,320	\$269,916	3.46%

Program Description

Fish and Wildlife Administration program provides oversight of the Enforcement, Wildlife, Fisheries, and Communication and Education bureaus and the seven regional offices that are responsible for program implementation. The program also includes a strategic planning section to support division wide planning needs and a data services section is responsible for maintenance and support of biological databases and agency’s website.

Program Highlights

Fish and Wildlife Administration Major Budget Highlights	
◆	The Governor proposes to increase this program’s budget primarily due to statewide present law adjustments

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority 2015 Biennium Budget - Fish And Wildlife Admin							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$7,724,710	\$0	\$0	\$7,724,710	95.8%		
02409 General License	\$7,724,710	\$0	\$0	\$7,724,710	95.8%		
Federal Special Total	\$336,610	\$0	\$0	\$336,610	4.2%		
03403 Misc. Federal Funds	\$262,498	\$0	\$0	\$262,498	3.3%		
03408 State Wildlife Grants	\$74,112	\$0	\$0	\$74,112	0.9%		
Total All Funds	\$8,061,320	\$0	\$0	\$8,061,320	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The program provides management oversight of all fish and wildlife activities. Because of this role the program is 95.8% funded from general license account revenues. Miscellaneous federal funds and state wildlife grants provide federal funds to the program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	3,926,179	3,926,179	7,852,358	97.41%
Statewide PL Adjustments	0	0	0	0.00%	101,818	109,380	211,198	2.62%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	(1,118)	(1,118)	(2,236)	(0.03%)
Total Budget	\$0	\$0	\$0		\$4,026,879	\$4,034,441	\$8,061,320	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					239,744					242,995
Vacancy Savings					(123,857)					(123,988)
Inflation/Deflation					(7,569)					(3,127)
Fixed Costs					(6,500)					(6,500)
Total Statewide Present Law Adjustments		\$0	\$96,569	\$5,249	\$101,818		\$0	\$104,297	\$5,083	\$109,380
Grand Total All Present Law Adjustments	0.00	\$0	\$96,569	\$5,249	\$101,818	0.00	\$0	\$104,297	\$5,083	\$109,380

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
			General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	12	0.00	0	(1,118)	0	(1,118)	0.00	0	(1,118)	0	(1,118)
Total	0.00	\$0	(\$1,118)	\$0	(\$1,118)	0.00	\$0	(\$1,118)	\$0	(\$1,118)	

DP 6101 - Professional Development Center Fee Allocation -The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Total Department Of Fish, Wildlife & Parks Funding by Source of Authority
2015 Biennium Budget

Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds
	HB 2	Budgeted Proprietary			
General Fund	\$618,250	\$0	\$0	\$618,250	0.4%
State Special Total	\$113,390,970	\$0	\$2,919,009	\$116,309,979	71.5%
02061 Nongame Wildlife Account	\$100,822	\$0	\$0	\$100,822	0.1%
02085 Waterfowl Stamp Spec. Rev.	\$106,126	\$0	\$0	\$106,126	0.1%
02086 Mountain Sheep Account	\$355,962	\$0	\$0	\$355,962	0.2%
02112 Moose Auction	\$102,600	\$0	\$0	\$102,600	0.1%
02113 Upland Game Bird Habitat	\$369,566	\$0	\$0	\$369,566	0.2%
02115 Off-highway Vehicle Fines	\$112,132	\$0	\$0	\$112,132	0.1%
02148 Paddlefish Roe Account	\$49,828	\$0	\$0	\$49,828	0.0%
02176 Mountain Goat Auction	\$32,600	\$0	\$0	\$32,600	0.0%
02213 Off Highway Vehicle Gas Tax	\$230,000	\$0	\$0	\$230,000	0.1%
02238 Off-hwy Vehicle Acct (coned)	\$1,120	\$0	\$0	\$1,120	0.0%
02239 Off Hwy Vehicle Acct (parks)	\$44,123	\$0	\$0	\$44,123	0.0%
02273 Motorboat Fees	\$106,089	\$0	\$0	\$106,089	0.1%
02274 Fwp Accommodations Tax	\$0	\$0	\$1,725,223	\$1,725,223	1.1%
02328 Ohv Gas Tax - Con Ed	\$33,615	\$0	\$0	\$33,615	0.0%
02329 Snowmobile Fuel Tax-enforcemnt	\$59,017	\$0	\$0	\$59,017	0.0%
02330 Snowmobile Fuel Tax-con Ed	\$69,496	\$0	\$0	\$69,496	0.0%
02331 Motorboat Certification-parks	\$38,059	\$0	\$0	\$38,059	0.0%
02332 Snowmobile Registration-parks	\$439,668	\$0	\$0	\$439,668	0.3%
02333 Fishing Access Site Maint	\$784,800	\$0	\$0	\$784,800	0.5%
02334 Hunting Access	\$10,363,939	\$0	\$0	\$10,363,939	6.4%
02407 Snowmobile Fuel Tax	\$1,286,465	\$0	\$0	\$1,286,465	0.8%
02408 Coal Tax Trust Account	\$1,813,498	\$0	\$0	\$1,813,498	1.1%
02409 General License	\$81,799,329	\$0	\$946,430	\$82,745,759	50.9%
02411 State Parks Miscellaneous	\$9,619,898	\$0	\$76,190	\$9,696,088	6.0%
02412 Motorboat Fuel Tax	\$2,438,001	\$0	\$0	\$2,438,001	1.5%
02413 F & G Motorboat Cert Id	\$185,192	\$0	\$0	\$185,192	0.1%
02414 Snowmobile Reg	\$139,520	\$0	\$0	\$139,520	0.1%
02423 Wolf Management Account	\$1,040,500	\$0	\$0	\$1,040,500	0.6%
02469 Habitat Trust Interest	\$796,242	\$0	\$171,166	\$967,408	0.6%
02547 Search & Rescue	\$199,304	\$0	\$0	\$199,304	0.1%
02558 Fas - Vehicle Registration	\$344,590	\$0	\$0	\$344,590	0.2%
02559 Mule Deer Auction	\$4,500	\$0	\$0	\$4,500	0.0%
02560 Elk Auction	\$80,600	\$0	\$0	\$80,600	0.0%
02938 Tlmd - Administration	\$243,769	\$0	\$0	\$243,769	0.1%
Federal Special Total	\$37,859,488	\$0	\$344,146	\$38,203,634	23.5%
03097 Fedl Fish(w/b) Wildlife(p/r)	\$29,909,043	\$0	\$344,146	\$30,253,189	18.6%
03403 Misc. Federal Funds	\$6,324,247	\$0	\$0	\$6,324,247	3.9%
03408 State Wildlife Grants	\$1,626,198	\$0	\$0	\$1,626,198	1.0%
Proprietary Total	\$0	\$7,459,513	\$0	\$7,459,513	4.6%

06068 Mfwp Visitor Services	\$0	\$324,772	\$0	\$324,772	0.2%
06501 Duplicating Center	\$0	\$153,144	\$0	\$153,144	0.1%
06502 Equipment Enterprise Fund	\$0	\$5,997,542	\$0	\$5,997,542	3.7%
06503 F & G Warehouse Inventory	\$0	\$211,251	\$0	\$211,251	0.1%
06540 Fwp Aircraft	\$0	\$772,804	\$0	\$772,804	0.5%
Total All Funds	\$151,868,708	\$7,459,513	\$3,263,155	\$162,591,376	100.0%
Percent - Total All Sources	93.4%	4.6%	2.0%		

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET			\$ 333,918
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings
1	Fisheries -- FAS Vehicle Reg.		\$ 10,091
2	Enforcement -- Snowmobile Fuel Tax		\$ 1,269
3	Enforcement -- Motorboat Certification		\$ 3,744
4	Enforcement -- TLMD Trust Administration		\$ 6,021
5	Parks -- OHV Fuel Tax (trails and education)		\$ 5,112
6	Parks -- Snowmobile Fuel Tax (trails and education)		\$ 38,671
7	Parks -- Motorboat Certification		\$ 3,406
8	Parks -- Parks Miscellaneous and Motorboat Fuel Tax		\$ 265,602
9			
10			
	TOTAL SAVINGS	\$ -	\$ 333,918
	DIFFERENCE		0 0

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Fish & Wildlife Division of FWP maintains over 334 Fishing Access Sites (FAS) covering about 34,000 acres and serving over four million visitors annually. Sites are distributed statewide and range from rural locations surrounded by farms and ranches to urban sites in Montana cities. The primary work at these sites is maintenance for latrines, weed control, letter, fencing, road grading and dust control. FAS operation and maintenance supported by these funds will be reduced.

#2 THE SAVINGS THAT ARE EXPECTED:

Fisheries -- \$10,091 Fund 02558 FAS Vehicle Registration

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reduced weed control and road maintenance at fishing access sites.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Apportioning the cuts to each of the seven regions would minimize the impact on constituents and staff by reducing the impact to any one area or sit. The services provided are routine maintenance that cannot be provided without adequate funding. Funding is already at a minimum level to meet public expectations.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

State snowmobile safety and education program.

#2 THE SAVINGS THAT ARE EXPECTED:

Enforcement -- \$1,269 Fund 02329 Snowmobile Fuel Tax

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The intent of the snowmobile program is to provide information to participants in the safe and ethical operation of snowmobiles. Fewer dollars would result in a reduction of warden patrols and direct contact with snowmobile constituents.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The loss of funding impacts essential snowmobile operations for uniformed game warden patrols to operate on the trail system in Montana. Funding reductions ultimately erode program credibility and operator safety on groomed trails within our system.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes -- 23-2-641, MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Boating and Water Safety Compliance Patrols

#2 THE SAVINGS THAT ARE EXPECTED:

Enforcement -- \$3,744 Fund 02413 Motorboat Certification

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reducing the operations used to conduct boating and water safety compliance patrols would result in fewer high-visibility game warden patrols on Montana's waters, which may result in increased violations of boat registration compliance, required equipment, and safe and lawful operations.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The impacts would be felt mostly by law-abiding boaters and other recreationists on Montana waters. Reduced law enforcement presence will eventually cause an increased level of boat safety violations, and a diminished recreational experience for water-related users.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes -- 23-2-506, MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

DNRC State Lands Wardens

#2 THE SAVINGS THAT ARE EXPECTED:

Enforcement -- \$6,021 Fund 02938 TLMD Trust Administration

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

FWP has a cooperative agreement with DNRC to patrol state lands. The reduction would result in decreased warden time on the ground patrolling DNRC sites or responding to public complaints or requests.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Reductions would produce a direct impact on constituents as law enforcement related calls may be followed up at a later time or by phone rather than personal contact. Failure to respond effectively or efficiently creates decreased public satisfaction or support of agency programs.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes -- 77-1-801, 77-1-802, MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Montana State Parks OHV program grants funds to local communities, clubs, and organizations to provide recreation sites, programs, and trail maintenance. These grants generally supplement private volunteer efforts and community fundraising. The OHV program also provides and promotes vehicle safety and education to individuals, clubs, and interested recreational vehicle user groups throughout the state.

#2 THE SAVINGS THAT ARE EXPECTED:

Parks -- \$4,541 Fund 02213 OHV Fuel Tax Trails (grants)

Parks -- \$571 Fund 02328 OHV Fuel Tax Education (operations)

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The impacts of the proposed reduction would result in reduced grants to clubs and agencies for ATV trail maintenance and safety projects statewide. Reductions in operations for safety and education will decrease the effectiveness of public outreach on OHV safety and ethics.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Impacts to constituents may not be mitigated for grants by this reduction as these are annual grants with no alternative source of funds. Clubs and other user groups would have a greater burden to promote OHV safety and ethics.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes -- 60-3-201(1)(6), MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Montana State Parks grants funds to local snowmobile clubs to provide trail grooming on approved trail systems, mostly on U.S. Forest lands. These grants generally supplement private volunteer efforts by the clubs and local community fundraising. In addition, the safety and education component helps to provide important public outreach on the safety and ethics of snowmobile riding.

#2 THE SAVINGS THAT ARE EXPECTED:

Parks -- \$789 Fund 02330 Snowmobile Fuel Tax Education (operations)

Parks -- \$37,882 Fund 02407 Snowmobile Fuel Tax Trails (grants)

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reduced funding would decrease snowmobile grooming grants to local clubs and reduce the ability to perform public outreach on proper snowmobile use compromising the public's safety and use ethics. Grooming, which increases the safety of snowmobile trails systems and is an important feature of this program in areas like West Yellowstone or Seely Lake area, would be harmed through a reduction. In addition, a reduction would hinder public outreach on safety and ethics, which helps reduce the potential for deaths by avalanche and reduces the number of travel and hunting violations as well as user conflicts.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The local snowmobile clubs would not be able to accomplish much without the grant funds since there is no other means to mitigate the proposed reduction. Parks snowmobile program staff would reduce public outreach and a greater portion of the burden to educate users would fall to clubs and other user groups for safety and education.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes -- MCA 50-3-201

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

A portion of the funding at some water-based state parks comes from fees collected for motorboat decal stickers. This supports operations at parks such as Tongue River State Park which has a large portion of its visitors engaging in motorboat recreation.

#2 THE SAVINGS THAT ARE EXPECTED:

Parks -- \$2,499 Fund 02273 Motorboat Fees (operations)

Parks -- \$907 Fund 02331 Motorboat Certification (operations)

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This reduction will not significantly impact operations but will mean reduced spending for operations such as supplies and materials that are normally used in the maintenance and repair of facilities. Minor scheduled maintenance will have to be delayed to a later time as a result.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Supplies and materials would be reduced which could mean less cleaning supplies available for latrines. Staff would mitigate this by making do with available supplies.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5201 Fish, Wildlife and Parks

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

A portion of Montana State Parks funding allocated for law enforcement and public safety patrols would be reduced as well as maintenance operations at parks. Maintenance such as weed control, toilet pumping and cleaning, garbage pickup and hauling, and field support of park facilities would be reduced at parks statewide.

#2 THE SAVINGS THAT ARE EXPECTED:

Parks -- \$211,078 Fund 02411 Parks Miscellaneous (personal services and operations)
Parks -- \$54,524 Fund 02412 Motorboat Fuel Tax (personal services and operations)

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Parks statewide would have a reduced law enforcement and public safety presence and would be vulnerable to non-compliance of park fees and rules. Day-use and the campsite reservation system continue to grow park visitation so reductions may harm the experience and make it less enjoyable for families, recreationalist, and sportsmen. Reduced maintenance of the parks will have consequences to the public. Latrine cleaning, weed control, and basic maintenance to buildings and grounds will be reduced. This may result in increased visitor complaints from residents and non-residents. Additionally, a reduction in facility maintenance would translate into higher costs in the future to catch up on maintenance of park buildings and grounds.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Park Wardens would continue to provide law enforcement patrols while doing maintenance and focusing on high-use parks where the greatest number of incidents occur. County sheriffs and other local law enforcement would be utilized for additional patrols and needs as necessary. The Fish and Game Wardens patrols would be reduced statewide and Montana State Parks would redirect activities as needed. Any mitigation from staff reductions or daily maintenance tasks may result in reduced services and/or reduced seasons.

#5

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL
STATUTE - YES OR NO:**

No.

FWP FY2014/15

FWP Goals and Objectives

Director's Office

The Director's Office is responsible for overall department direction regarding policy, planning, program development, guidelines, and decision-making for key resource activities. Legal services, human resources management, land administration, and information technology support are also administered here. The governor-appointed Commission provides policy direction on resource management, seasons, and use of department lands.

Goal: Agency Management

The Director's Office will manage and support FWP programs in an effective manner.

Objectives:

- Recruit and retain a staff of highly qualified, trained and motivated professionals through appropriate levels of pay, improved training, and enhanced competency.
- Continue to engage the Tribal governments of Montana in fish, wildlife and park programs.
- Review and assess office space configuration and needs.
- Address major maintenance at FWP administrative buildings.
- Ensure all workload issues for FWP are addressed timely and professionally.
- Increase energy efficiency of FWP operations and buildings.
- Ensure the financial and programmatic health of the department.
- Strengthen management systems and policies.
- Review landholdings to maximize efficiency and effectiveness.

Finance Division

The Finance Division is a support branch of Fish, Wildlife and Parks. The primary focus of effort includes accounting, fiscal management, purchasing, property management, federal aid administration, and the licensing of all hunters, anglers, and recreation users.

Goal: Financial Management

The Finance Division will ensure a sound financial foundation for the agency.

Objectives:

- Increase fiscal accountability of agency programs.
- Prioritize funding availability for training and pay to recruit and retain qualified, motivated staff.

- Develop efforts to increase revenues through the sale of all available licenses and by securing additional revenue streams.
- Increase efficiency and accountability of license issuing processes.

Fish and Wildlife Division

The Fish and Wildlife Division is responsible for the stewardship of Montana's fish and wildlife resources while contributing to the quality of life for present and future generations. The operational programs are in five bureaus (Communication and Education, Fisheries, Law Enforcement, Strategic Planning and Data Services, and Wildlife) and seven regions. Primary functions of the Division include collection and analysis of fish and wildlife data, establishing and enforcing hunting, trapping and fishing regulations, habitat conservation and management and communication with the public to maintain sound fish and wildlife populations and the opportunity to enjoy them.

Goal: Habitats

The Fish and Wildlife Division will identify priority habitats, including large or threatened landscapes, and work to secure additional funding for their conservation.

Objectives:

- Focus efforts on Sagebrush-Steppe habitat to preclude ESA listing of sage grouse.
- Continue to promote access and protect habitat through fee simple acquisition and easements.
- Maintain emphasis on aquatic habitat restoration.
- Work with U.S. Army Corps of Engineers and others to correct dam-related habitat issues (e.g., fish passage, thermal pollution) in the lower Missouri and Yellowstone rivers to benefit Pallid sturgeon, paddlefish, sauger other native fish populations.
- Continue to refine information and technology used to prioritize habitats.
- Maintain Division properties (WMAs and FASSs) to meet the intent of the Good Neighbor Policy.

Goal: Species of Concern

The Fish and Wildlife Division will emphasize priority species, including those affected by the endangered Species Act and develop new plans or implement existing plans or conservation strategies

Objectives:

- Develop a Statewide Management Plan for Bison.
- Update the black bear and mountain lion management plans to reflect knowledge gained in recently completed long-term research projects.

- Implement commitments in deer, elk, bighorn sheep, black and grizzly bears, mountain lion, wolf, sage grouse, prairie dog, upland game bird, and black-footed ferret management plans and conservation strategies.
- Continue habitat efforts to keep sage grouse and Arctic grayling off the Endangered Species Act list and continue efforts for delisting of grizzly bears, bull trout and pallid sturgeon.
- Better integration of game and nongame programs to manage more comprehensively per the Comprehensive Fish and Wildlife Conservation Strategy.
- Fully engage ESA activities including but not limited to evaluating and addressing threats that could lead to listing, participating in ESA processes to demonstrate that species are being adequately managed or are recovered and participating in legal challenges to important ESA issues such as wolf and grizzly bear delisting.
- Collect data on status and distribution of priority species that have been identified as species of concern, especially if little data about that species is currently available.

Goal: Recruitment and Retention

The Fish and Wildlife Division will focus efforts on communications, education, and regulatory options to keep existing participants and introduce new users to hunting, trapping, fishing, and wildlife observation.

Objectives:

- Evaluate the use of technology and social media as recruitment and retention tools.
- Develop a better understanding of our core constituency to facilitate continued participation in hunting and fishing.
- Identify and address barriers to recruitment and retention of hunters, anglers and wildlife watchers.

Goal: Fish and Wildlife Regulation Compliance

Regulation compliance must remain an essential component of fish and wildlife management.

Objectives:

- Provide support to the Attorney General's office for the prosecution of the backlog of cases resulting from long-term investigations.
- Continue working toward practical regulation simplification for ease of understanding and compliance by anglers, hunters and trappers.
- Regulation compliance that focuses on improving landowner relations and population protection by responding to landowner issues in a timely fashion.
- Clarify and improve regulations for disabled hunters and permission to hunt from a vehicle.

Goal: Long Range Planning

The Fish and Wildlife Division will develop and implement plans to manage, conserve and protection Montana fish and wildlife populations.

Objectives:

- Review and consolidate division-wide planning efforts for consistency.
- Remain engaged in the implementation of disease risk mitigation strategies (e.g., brucellosis and chronic wasting disease), with immediate emphasis on minimizing risk of disease transmission between livestock and wildlife in the Madison, Gallatin, and Yellowstone valleys.
- Initiate a process to develop a statewide Fisheries Management Plan.
- Maintain and enhance the infrastructure of our Fish Hatchery System. Emphasize development of more cost effective water and power sources at Fort Peck Hatchery.

Goal: Public Awareness and Involvement

The Fish and Wildlife Division will focus on programs to increase public awareness of FWP activities, understanding of FWP issues, and support for FWP efforts.

Objectives:

- Support a continuing information/education program with the goal of raising the awareness of and minimizing impacts from aquatic invasive species and other threats and opportunities.
- Maintain and enhance expertise in human-wildlife conflict issues and address the increasing issue of bear/recreationist encounters.
- Increase efforts to develop support from nonconsumptive constituents who also benefit from diverse and sustainable fish and wildlife populations in Montana.

Goals: Data Assessment

The Fish and Wildlife Division will define the role of all data collection and analysis efforts for use in internal planning and operations, as well as external use to provide the public with fish and wildlife information to make informed land use and energy development decisions.

Objectives:

- Evaluate and monitor natural resource damage events such as the Yellowstone oil spill. Fully engage efforts to develop a GIS-based western wide habitat assessment tool available to the general public.
- Complete an environmental review process for division comments on land use proposals including residential development, energy development, transportation development, and climate change and assess strategies for the evaluation and mitigation of the fragmentation caused by various land use activities.
- Continue to refine harvest management programs to make clear and explicit links between population monitoring parameters, population objectives, social expectations, and hunting/fishing season recommendations.

- Complete Fisheries Information System database, which will include survey and inventory data, hatchery fish plants, angler pressure data, and fishing regulations.

Goal: Access

The Fish and Wildlife Division will provide more incentives to landowners to provide access to private lands and improve opportunities to access public lands.

Objectives:

- Complete a comprehensive hunter and angler access plan.
- Work with constituent groups to develop a suite of options to encourage access to private lands.
- Enhance efforts to provide access to landlocked public lands.
- Maintain or increase emphasis on providing public angler access, via FAS and other programs.
- Enhance efforts to mark boundaries of state lands.

Parks Division

The Parks Division is responsible for conserving the scenic, historic, archaeological, scientific, and recreational resources of the state and providing for their use and enjoyment. The Division manages state parks and administers recreation programs for the benefit of citizens of Montanans and their guests for current and future generations.

Goal: Service

The Parks Division will provide high quality services to State Park visitors and recreationists, provide the strong and efficient program leadership to local Montana communities and agencies via education and grants programs, and provide camping, interpretive and other recreational opportunities across Montana.

State Parks Objectives:

- Improve communication with park visitors relating to infrastructure improvements, interpretive programs, historic resource management, and customer involvement overall through use of the Internet and direct interaction with community leaders, non-profits, and citizens.
- Finalize planning efforts for the management and development of Fish Creek State Park in Mineral County.
- Work with other agencies to support integrated approaches to meeting the mission of the park system, division and adjacent communities.
- Continue to refine the campsite and other facility reservation program that was implemented in 2011 to ease use, improve fiscal accountability, and increase revenue generation.

Recreation Program Objectives:

- Provide high-quality customer service to all grant sponsors. Insure clear, professional, and proactive communications occur from staff..
- Evaluate reorganizing advisory committees to expand their use in helping to improve grants, recreation opportunity and safety statewide. Refine the grant programs administered by Montana State Parks for ease of use by the public. This includes the ongoing implementation of an on-line grants program.
- Work with nonprofits as well as local and federal agency partners to improve recreation management collaboratively through better communication and coordination.

Goal: Stewardship

The Parks Division will promote stewardship of natural, cultural, paleontological and recreational resources for current and future generations.

State Parks Objectives:

- Complete development on the first phase of the Milltown site as a day-use state park east of Missoula.
- Update and improve state park regulations and policies pertinent to the protection of park resources, public safety and use.
- Promote sustainable and energy efficient design, construction, and maintenance of facilities, equipment, and operations.
- Aggressively apply best practices for control of aquatic and terrestrial noxious weed species.
- Identify and address any open water right issues that may exist at individual park sites statewide to secure interests of the public appropriately.
- Improve heritage and paleontological resources management through continued support, policy development, training and research on sites throughout the state park system.
- Work to achieve National Historic Landmark status for at least one state park.
- Incorporate resource protection and stewardship messages into field operations as well as education, outreach, and interpretive programs.
- Work with Indian tribes and others to repatriate remains and other sacred items to lands under division management.

Recreation Program Objectives:

- Insure that the processes and procedures for effectively administering the various grant programs are continually reviewed and improved.
- Continue to reduce complexity and other barriers to administering funds to the extent lawful and practical by listening to users and amending practices as appropriate.
- Update the Statewide Comprehensive Outdoor Recreation Plan (SCORP).
- Provide advice and planning support to communities, tribes, agencies and not-for profits in providing recreation opportunities throughout Montana.

Goal: Sustainability

The Parks Division will strive to enhance the long-term sustainability of the State Park System and maintain recreation opportunities in a manner that promotes long term resource conservation fiscally and operationally.

State Parks Objectives:

- Secure long-term funding and staffing to sustain the state parks system's new and existing areas such as Milltown Dam and Chief Plenty Coups State Parks.
- Monitor and maintain all funding sources, especially the vehicle registration funding system to assure consistent funding and also work with county treasurers and others to support communication about the program.
- Continue to examine options and opportunities for all division land holdings that would be more appropriately managed by other public entities.
- Effectively implement the AmeriCorps program as part of integrating parks into communities, increased volunteerism and expanding local significance and special events.
- Integrate a maintenance management system into capital and operations programs management to enhance long term functionality of park infrastructure through improved monitoring and cost management.
- Continue to provide a positive impact to Montana's general economy and tourism-based industries.
- Improve public and community understanding, appreciation and support of state park values, resources, and opportunities.

Recreation Program Objectives:

- With authorization from the executive, work with other stakeholders to advocate for and maintain funding for diverse programs such as recreational trails and Land and Water Conservation Fund funding to sustain the program benefits everywhere.
- Work with communities to help reinforce awareness and understanding of recreation to help address health and quality of life issues throughout Montana including small program needs such as ball fields, swimming pools, etc..
- Explore and help build partnerships to expand recreation opportunity and management where supported locally and needed generally.
- Expand the network of recreation volunteers to help inspect trails, support healthy family based recreation and expand support for public land management.

Goal: Safety

The Parks Division will provide for public safety and reduced exposure to liability by improving management practices, critical incident responses, hazard reductions and improving visitor experiences.

State Parks Objectives:

- Enhance and integrate safety and service by continuing to mature the public safety program while providing a preventative enforcement presence and activities.
- Address forestry issues such as diseased or hazard trees statewide, as well as reducing potential fire danger in areas that may threaten adjacent lands.
- Work with the Montana State Fund to investigate workplace accidents and minimize claims as a means of providing a safe workplace and managing risk exposure overall.

Recreation Program Objectives:

- Expand utilization of volunteers to help in further promoting safe and ethical use of OHV's and snowmobiles including the use of the OHV safety simulator.
- Enhance safety and ethics training for motorized and non-motorized users to reduce conflict, promote compatibility, and improve resource stewardship using programs such as Leave No Trace and Tread Lightly.
- Integrate and enhance recreation program management with division field staff involvement outside of state park boundaries to help clubs, user groups, counties communities and federal agency partners in administering safe programs.

2015 Biennium Report on Internal Service and Enterprise Funds

Fund 06068	Fund Name MFWP Visitor Services	Agency # 5201	Agency Name Fish Wildlife & Parks	Program Name Parks Division
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	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Operating Revenues:						
Fee revenue						
Goods For Resale	137,908	150,264	185,769	220,000	230,000	230,000
Net Fee Revenue	137,908	150,264	185,769	220,000	230,000	230,000
Investment Earnings	491	487	576	-	-	-
Securities Lending Income	50	91	51	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues		25	-	-	-	-
Total Operating Revenue	138,449	150,867	186,395	220,000	230,000	230,000
Operating Expenses:						
Personal Services	7,256	8,699	4,744	25,000	25,000	25,000
Other Operating Expenses	103,539	118,919	148,921	180,000	180,000	180,000
Total Operating Expenses	110,795	127,618	153,665	205,000	205,000	205,000
Operating Income (Loss)	27,654	23,249	32,730	15,000	25,000	25,000
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	27,654	23,249	32,730	15,000	25,000	25,000
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	27,654	23,249	32,730	15,000	25,000	25,000
Total Net Assets- July 1 - As Restated	263,320	290,974	314,223	346,953	361,953	386,953
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	263,320	290,974	314,223	346,953	361,953	386,953
Net Assets- June 30	290,974	314,223	346,953	361,953	386,953	411,953
60 days of expenses (Total Operating Expenses divided by 6)	18,466	21,270	25,611	34,167	34,167	34,167

Requested Rates for Enterprise Funds

Fee/Rate Information

	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Fee Group A	-	-	-	-	-	-
Goods for resale	-	-	-	-	-	-

Revenues are generated by the sales of merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include office supplies, merchandising materials and the purchase of inventory to replenish stock. FTE expenses relate directly to operations of the enterprise store locations. The Enterprise fund applies a markup of approximately 40% or more on goods purchased for resale to ensure sufficient revenues to replenish stock.

2013 Biennium Report on Internal Service and Enterprise Funds

CAFR Fund

Fund	Fund Name	Agency #	Agency Name	Program Name		
06501	Duplicating Center	52010	Fish, Wildlife & Parks	Management & Finance		
			Actual	Actual	Actual	Budgeted
			FY10	FY11	FY12	FY13
						Budgeted
						FY14
						Budgeted
						FY15
Operating Revenues:						
Fee revenue						
Revenue from Duplicating Center			81,826	92,086	80,880	81,000
Net Fee Revenue			81,826	92,086	80,880	81,000
Investment Earnings			-	-	-	-
Securities Lending Income			-	-	-	-
Premiums			-	-	-	-
Other Operating Revenues			-	-	-	-
Total Operating Revenue			81,826	92,086	80,880	81,000
Operating Expenses:						
Personal Services			38,658	38,642	40,359	38,643
Other Operating Expenses			43,829	40,030	37,988	40,705
Total Operating Expenses			82,487	78,673	78,347	79,348
Operating Income (Loss)			(661)	13,413	2,533	1,652
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets			-	-	-	-
Federal Indirect Cost Recoveries			-	-	-	-
Other Nonoperating Revenues (Expenses)			-	-	-	-
Net Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Operating Transfers			(661)	13,413	2,533	1,652
Contributed Capital			-	-	-	-
Operating Transfers In (Note 13)			-	-	-	-
Operating Transfers Out (Note 13)			-	-	-	-
Change in net assets			(661)	13,413	2,533	1,652
Total Net Assets- July 1 - As Restated			18,343	17,682	31,095	33,628
Prior Period Adjustments			-	-	-	-
Cumulative effect of account change			-	-	-	-
Total Net Assets - July 1 - As Restated			18,343	17,682	31,095	33,628
Net Assets- June 30			17,682	31,095	33,628	35,280
60 days of expenses						
(Total Operating Expenses divided by 6)			13,748	13,112	13,058	13,225

Requested Rates for Internal Service Funds

Fee/Rate Information

	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY10	FY11	FY12	FY13	FY14	FY15
Duplicating (number of copies)						
1-20	0.060	0.065	0.065	0.070	0.070	0.075
21-100	0.045	0.050	0.050	0.055	0.055	0.060
101-1000	0.040	0.045	0.045	0.050	0.050	0.056
1001-5000	0.035	0.040	0.040	0.045	0.045	0.050
Color Copies	0.250	0.250	0.250	0.250	0.250	0.250
Bindery						
Colating (per sheet)	0.010	0.010	0.010	0.010	0.010	0.010
Hand stapling (per set)	0.020	0.020	0.020	0.020	0.020	0.020
Saddle stitch (per set)	0.035	0.035	0.035	0.035	0.035	0.035
Folding (per sheet)	0.010	0.010	0.010	0.010	0.010	0.010
Punching (per sheet)	0.005	0.005	0.005	0.005	0.005	0.005
Cutting (per minute)	0.600	0.600	0.600	0.600	0.600	0.600

2013 Biennium Report on Internal Service and Enterprise Funds

Fund 06502	Fund Name Vehicle Fund	Agency # 52010	Agency Name Fish, Wildlife & Parks	Program Name Management & Finance
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	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Operating Revenues:						
Fee revenue						
Revenue from vehicle fees	3,067,727	2,471,809	2,382,711	2,700,000	2,800,000	2,900,000
Net Fee Revenue	3,067,727	2,471,809	2,382,711	2,700,000	2,800,000	2,900,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	3,067,727	2,471,809	2,382,711	2,700,000	2,800,000	2,900,000
Operating Expenses:						
Personal Services	\$ 127,437	\$ 116,571	\$ 111,465	124,526	156,829	156,691
Other Operating Expenses	\$ 2,500,512	\$ 2,452,826	\$ 2,542,816	2,635,077	2,740,480	2,850,099
Total Operating Expenses	2,627,949	2,569,397	2,654,281	2,759,603	2,897,309	3,006,790
Operating Income (Loss)	439,778	(97,588)	(271,570)	(59,603)	(97,309)	(106,790)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	40,201	-	-	(25,000)	(25,000)	(25,000)
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	40,201	-	-	(25,000)	(25,000)	(25,000)
Income (Loss) Before Operating Transfers	479,979	(97,588)	(271,570)	(84,603)	(122,309)	(131,790)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	73,299	-	283,110	150,000	150,000	150,000
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	553,278	(97,588)	11,540	65,397	27,691	18,210
Total Net Assets- July 1 - As Restated	6,233,553	6,786,831	6,689,243	6,700,783	6,766,180	6,793,871
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	6,233,553	6,786,831	6,689,243	6,700,783	6,766,180	6,793,871
Net Assets- June 30	6,786,831	6,689,243	6,700,783	6,766,180	6,793,871	6,812,081
60 days of expenses						
(Total Operating Expenses divided by 6)	437,991	428,233	442,380	459,934	482,885	501,132

**Requested Rates for Internal Service Funds
Fee/Rate Information**

	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Revenue from vehicle fees						
Sedans (per mile)	0.45	0.46	0.46	0.46	0.46	0.46
Vans (per mile)	0.52	0.53	0.53	0.53	0.53	0.53
Utilities (per mile)	0.57	0.58	0.58	0.58	0.58	0.58
Pickups - 1/2 ton (per mile)	0.52	0.53	0.53	0.53	0.53	0.53
Pickups - 3/4 ton (per mile)	0.60	0.61	0.61	0.61	0.61	0.61

Vehicles will be assessed an additional minimum mileage charge if not driven a minimum number of miles in a month.

2013 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name			
06503	Warehouse Inventory	52010	Fish, Wildlife & Parks	Management & Finance			
					Actual	Actual	Actual
					FY10	FY11	FY12
					Budgeted	Budgeted	Budgeted
					FY13	FY14	FY15
Operating Revenues:							
Fee revenue							
Revenue from warehouse sales					85,663	93,401	102,621
Net Fee Revenue					85,663	93,401	102,621
Investment Earnings					-	-	-
Securities Lending Income					-	-	-
Premiums					-	-	-
Other Operating Revenues					-	-	-
Total Operating Revenue					85,663	93,401	102,621
Operating Expenses:							
Personal Services					12,472	12,588	15,715
Other Operating Expenses					74,942	84,477	86,099
Total Operating Expenses					87,414	97,065	101,814
Operating Income (Loss)					(1,751)	(3,664)	807
Nonoperating Revenues (Expenses):							
Gain (Loss) Sale of Fixed Assets					-	-	-
Federal Indirect Cost Recoveries					-	-	-
Other Nonoperating Revenues (Expenses)					-	-	-
Net Nonoperating Revenues (Expenses)					-	-	-
Income (Loss) Before Operating Transfers					(1,751)	(3,664)	807
Contributed Capital					-	-	-
Operating Transfers In (Note 13)					-	-	-
Operating Transfers Out (Note 13)					-	-	-
Change in net assets					(1,751)	(3,664)	807
Total Net Assets- July 1 - As Restated					99,372	97,621	93,957
Prior Period Adjustments					-	-	-
Cumulative effect of account change					-	-	-
Total Net Assets - July 1 - As Restated					99,372	97,621	93,957
Net Assets- June 30					97,621	93,957	94,764
60 days of expenses							
(Total Operating Expenses divided by 6)					14,569	16,178	16,969
						18,154	17,605
							17,604

2013 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06540	FWP Aircraft	52010	Fish, Wildlife & Parks	Wildlife		
					Actuals	Actual
					FY10	FY11
					Actuals	Budgeted
					FY12	FY13
					Budgeted	Budgeted
					FY14	FY15
Operating Revenues:						
Fee revenue						
Revenue from vehicle fees						
Revenue from aircraft fees						
					354,179	334,234
					523,966	523,900
					523,900	523,900
					523,900	523,900
Net Fee Revenue						
					354,179	334,234
					523,966	523,900
					523,900	523,900
Investment Earnings						
					-	-
Securities Lending Income						
					-	-
Premiums						
					-	-
Other Operating Revenues						
					-	5
					-	-
					-	-
Total Operating Revenue						
					354,179	334,239
					523,966	523,900
					523,900	523,900
523,900						
Operating Expenses:						
Personal Services						
					-	-
Other Operating Expenses						
					313,231	323,499
					399,903	373,996
					359,611	373,996
Total Operating Expenses						
					313,231	323,499
					399,903	373,996
					359,611	373,996
Operating Income (Loss)						
					40,948	10,741
					124,063	149,904
					164,289	149,904
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets						
					-	-
Federal Indirect Cost Recoveries						
					-	-
Other Nonoperating Revenues (Expenses)						
					-	3,000
					-	-
Net Nonoperating Revenues (Expenses)						
					-	3,000
					-	-
Income (Loss) Before Operating Transfers						
					40,948	13,741
					124,063	149,904
					164,289	149,904
Contributed Capital						
					-	-
Operating Transfers In (Note 13)						
					-	-
Operating Transfers Out (Note 13)						
					-	-
Change in net assets						
					40,948	13,741
					124,063	149,904
					164,289	149,904
Total Net Assets- July 1 - As Restated						
					(75,288)	(34,340)
					(20,600)	103,463
					253,367	417,656
Prior Period Adjustments						
					-	-
Cumulative effect of account change						
					-	-
Total Net Assets - July 1 - As Restated						
					(75,288)	(34,340)
					(20,600)	103,463
					253,367	417,656
Net Assets- June 30						
					(34,340)	(20,600)
					103,463	253,367
					417,656	567,560
60 days of expenses						
					52,205	53,916
					66,651	62,333
					59,935	62,333
Requested Rates for Internal Service Funds						
Fee/Rate Information						
					Actuals	Actual
					FY10	FY11
					Actuals	Budgeted
					FY12	FY13
					Budgeted	Budgeted
					FY14	FY15
Revenue from aircraft fees						
					108.07	129.69
					108.07	108.07
					150.00	150.00
					514.56	617.47
					514.56	514.56
					500.00	500.00
					576.10	691.32
					576.10	576.10
					500.00	500.00

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Environmental Quality

Contact: Christina Butler, Fiscal Analyst
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Phone: (406) 444-4581, e-mail: christinabutler@mt.gov

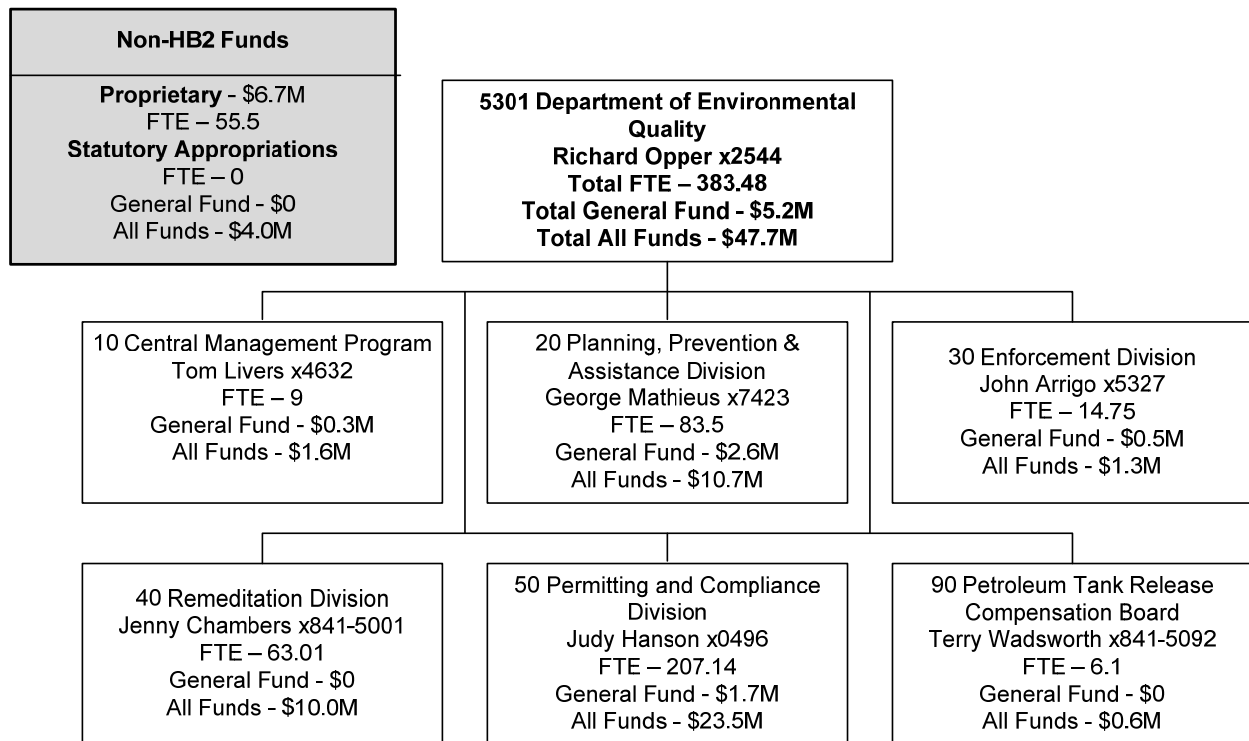
Updated December 2012

Agency Description

Definition of Terms

The department is responsible for regulating air quality, water quality, underground storage tanks, automobile wrecking facilities, hazardous waste facilities, solid waste management systems, and mining operations and for the siting and needs analyses of large-scale energy facilities. In addition, the department is the lead agency for reclamation and clean-up activities related to the federal and state superfund programs, leaking underground storage tanks, and regulation and permitting of mining conducted on private, state, and federal lands.

The department works in partnership with the federal Environmental Protection Agency (EPA). Congress gave the EPA the initial responsibility for development and implementation of environmental protection, but many federal statutes contain preference for delegation of the program to the states when the state can demonstrate capacity to carry it out. This arrangement establishes state-federal environmental goals and priorities with the funding and flexibility to achieve desired results. These joint activities become the basis of future agreements and long-term strategic planning. Given this unique relationship, the federal government dictates many of the department's activities.



How Services are Provided

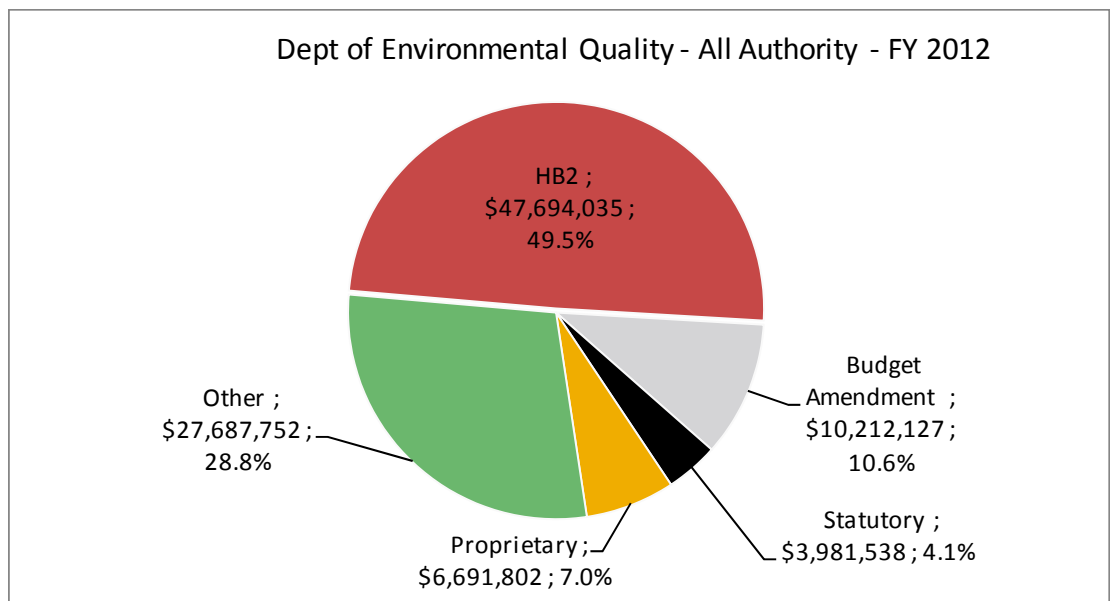
The department consists of five divisions with the following functions:

- The **Central Management Division** houses the director's office, financial services, information technology, centralized legal services, and personnel. This division provides the management, planning, and accountability functions. Primarily proprietary dollars fund the 9.10 FTE used to complete these activities
- The **Planning Prevention and Assistance Division** develops and implements integrated air, energy, waste management, and water plans to protect Montana's environmental resources. This division utilizes 83.5 FTE to complete its duties
- The **Enforcement Division** facilitates enforcement of the laws and regulations administered by the department when efforts of the other divisions have not been successful. 14.73 FTE manage the enforcement process
- The **Remediation Division** is responsible for overseeing investigation and cleanup activities at state and federal Superfund sites; reclaiming abandoned mine lands; implementing corrective actions at sites with leaking underground storage tanks (LUSTs); and overseeing ground water remediation at sites where agricultural and industrial chemical spills have caused ground water contamination. 63.01 FTE handle remediation oversight activities
- The **Permitting and Compliance Division** reviews and assesses all environmental permit and license applications to determine the correct control measures and requirements needed to meet the laws and rules that have been enacted to protect the quality of the state's air, water, and land. This includes preparing appropriate environmental review documents, conducting all facility inspections and reviews to determine compliance with permit conditions and the laws and regulations. 207.14 FTE support this division
- The **Petroleum Tank Release Compensation Board** is responsible for administering the petroleum tank release cleanup fund. It has a staff of 6.00 FTE. It is attached to the DEQ for administrative purposes

Sources of Spending Authority

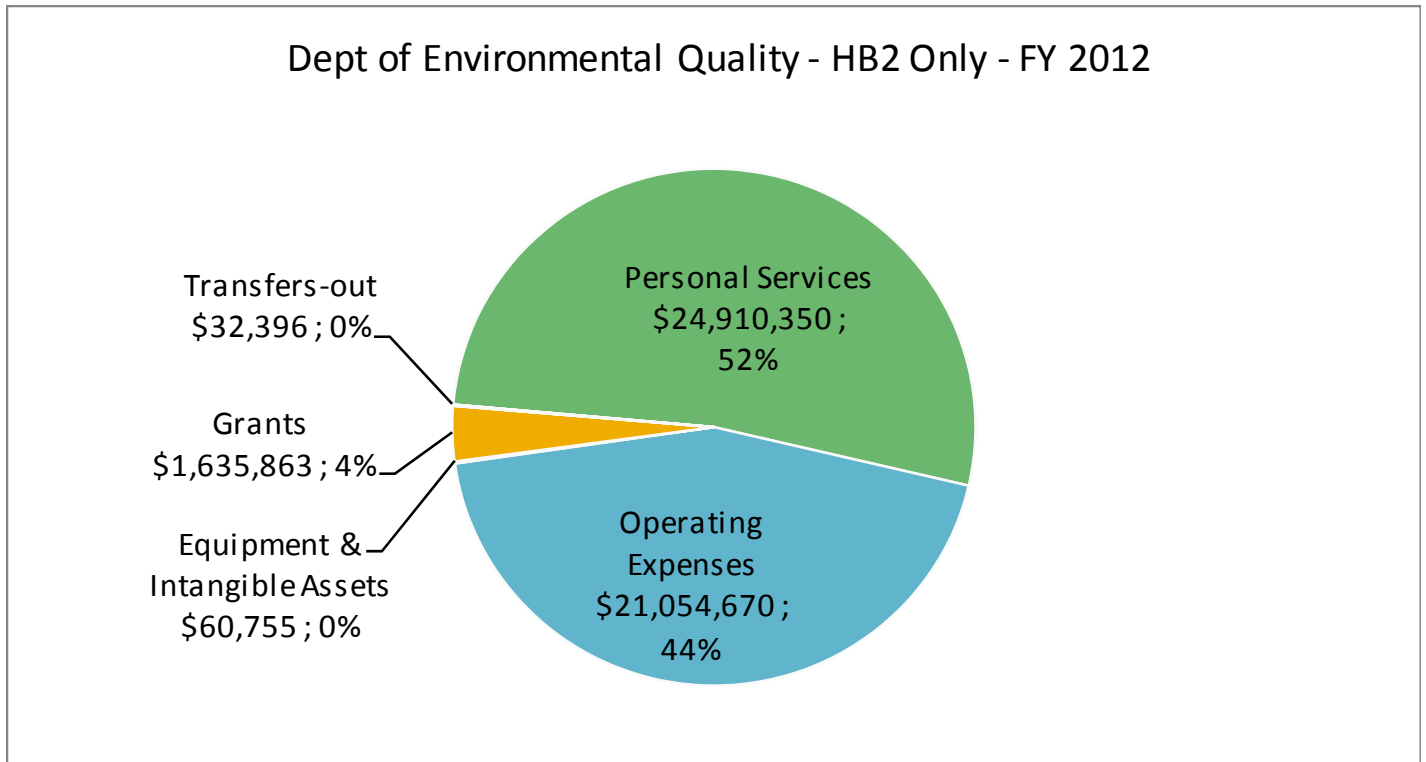
The below chart shows the sources of authority for the Department of Environmental Quality. The other authority includes bonds for remediation and clean-up costs.

Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



Expenditures

The next chart explains how the HB 2 authority is spent. This chart matches the agency chart found in the 2015 Budget Analysis.

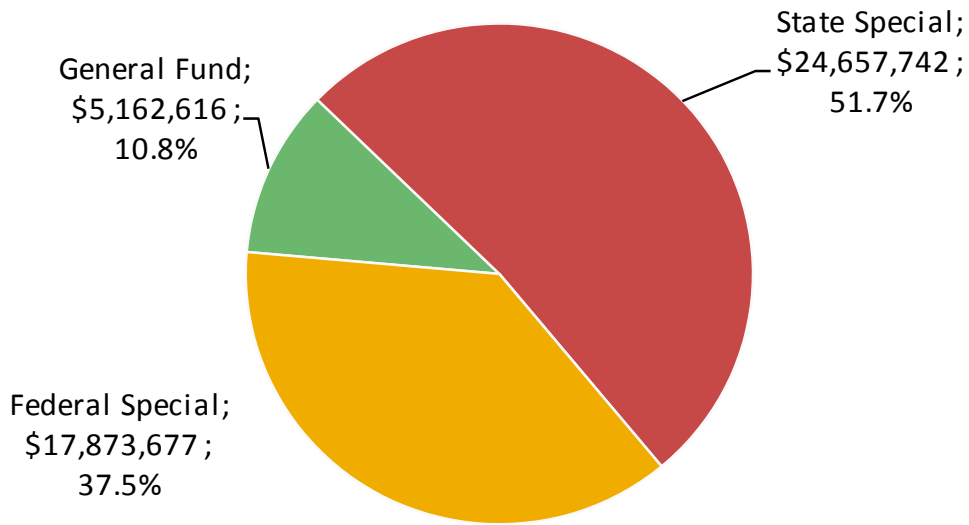


Funding

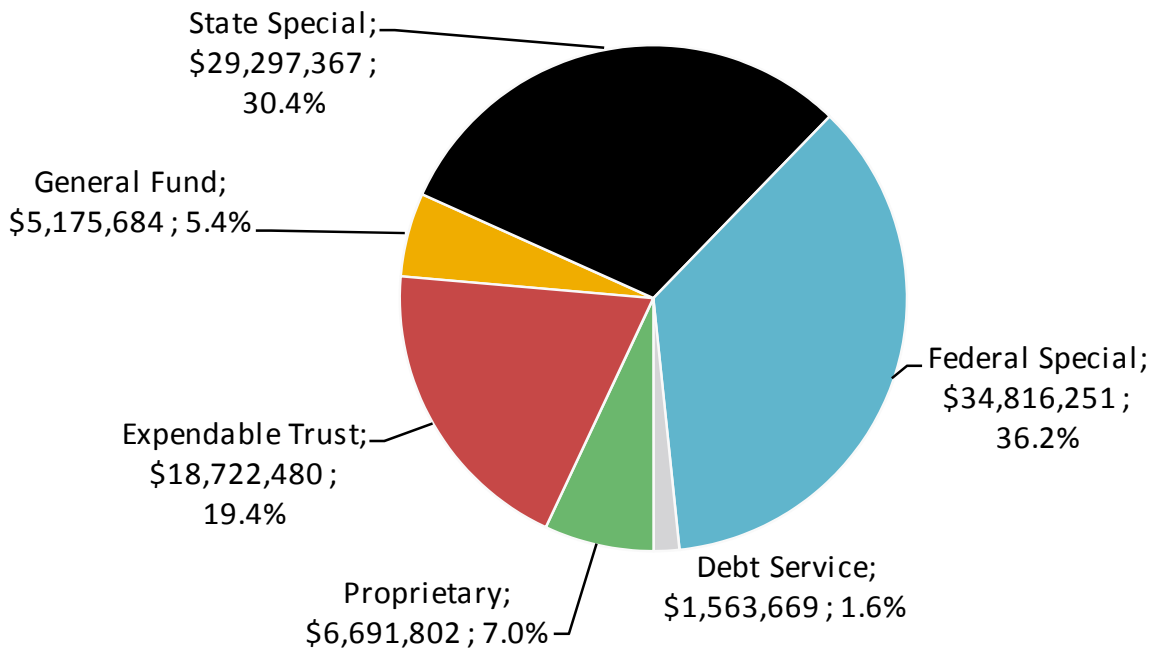
The charts on the next page show the agency's HB 2 funding authority by fund type and all sources or its total funding authority. A large portion of funding for the department is received from the Resource Indemnity Trust (RIT); it includes funding from the Hazardous Waste- CERCLA account, Environmental Quality Protection Fund (EQPF), Orphan Share account, and the Natural Resource Operations account.

Funding

Dept of Environmental Quality - HB2 Only Funding - FY 2012



Dept of Environmental Quality - Total Funding - FY 2012



How the 2013 Legislature Can Effect Change

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

Licensing

The department provides processes to license a number of environmentally related occupations. To influence expenditure levels or agency activities in this area:

- Determine occupations that need to be licensed for the protection of the environment
- Establish guidelines for licensing a particular occupation or category of occupations
- Set fees for licensing activities
- Direct licensing fees to support a specific activity or program
- Determine re-application intervals for licenses

Permitting

The department provides processes to release permits for such activities as building waste management facilities, emitting pollutants into air and water, and strip mining activities. Change can be achieved through:

- Determining the types of environmental activities that require permitting to protect the environment
- Establishing general guidelines for the permitting process
- Defining the length of time for a valid permit
- Evaluating fees for permitting activities
- Directing fees to support specific activities or programs

Monitoring

As a regulatory agency, the department is constantly monitoring activities that could affect the environment as well as air and water quality. To affect this activity, consider the following:

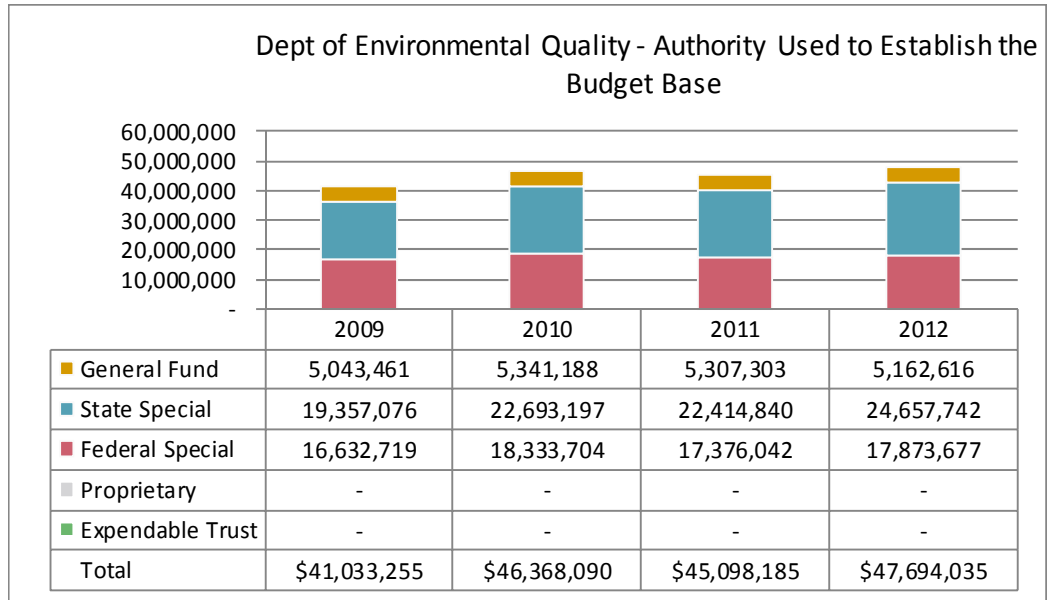
- Determine how much air and water quality monitoring is sufficient
- Define compliance monitoring intervals for reclamation and cleanup activities
- Establish priorities for monitoring activities
- Define the scope of monitoring activities

Major Cost Drivers

Elements	2010	2012	Significance
Number of reclamation bonds held	351	455	Number of mining sites with reclamation bonds, potential workload
Value of reclamation bonds held (in millions)	\$695.70	\$712.30	Value of bonded reclamation work in Montana
Acres of mining land reclaimed (does not include hard-rock mines)	29624	33896	Workload
Number of federally designated Superfund sites	14	15	Workload, federal revenue
Number of water quality permits released	2800	2929	Workload, revenue
Number of air quality permits released	670	297	Workload, revenue
Number of complaints received	804	938	Workload
Number of complaints resulting in enforcement action	7	7	Workload, revenue from fines, severity of complaints
Total number of new and ongoing enforcement actions	551	452	Workload, revenue from fines, severity of complaints

Funding/Expenditure History

The table shows the historical changes in the department’s base budget authority. The general fund and federal funding base for the department has stayed relatively stable, with no major fluctuations in the last four years. The department’s special revenue base expenditures have increased \$5.3 million over the last four years due to increases from the Environmental Quality Protection Fund due to successful cost recovery efforts, which produces more clean-ups, and from the Hard Rock Mining Reclamation Fund for the Zortman/Landusky site expenditures.



Major Legislative Changes in the Last Ten Years

2009 Session HB 645 provided \$23.9 million in funding for the state energy building program, development of wastewater and drinking water infrastructure, cleanup of leaking underground storage tanks, diesel emission reductions and support for permit functions associated with infrastructure development.

2007 Session HB 116 revised the distribution of resource indemnity trust interest and resource indemnity groundwater assessments, clarifies use of resource indemnity related funds, and prioritizes expenditures to on-the-ground projects. This legislation impact the department through increases in revenues to the orphan share and the environmental quality protection fund.

2005 Session HB 60 established standards for the cleanup of indoor property contaminated by a clandestine methamphetamine lab and the requirements for certifying persons to conduct the remediation of such properties.

For further information, you may wish to contact the agency at:

Department of Environmental Quality
 1520 E. Sixth Ave.
 P.O. Box 200901
 Helena, MT 59620-1201
 Phone: (406) 444-2544
 webpage: <http://www.deq.mt.gov>

Agency Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	383.48	383.48	385.48	385.48	383.48	385.48	2.00	0.52%
Personal Services	24,910,379	26,767,880	26,822,917	26,844,949	51,678,259	53,667,866	1,989,607	3.85%
Operating Expenses	21,054,758	27,281,233	28,735,706	28,479,989	48,335,991	57,215,695	8,879,704	18.37%
Equipment & Intangible Assets	60,755	118,872	101,740	101,740	179,627	203,480	23,853	13.28%
Grants	1,635,863	1,806,461	1,635,863	1,635,863	3,442,324	3,271,726	(170,598)	(4.96%)
Benefits & Claims	0	0	425,000	425,000	0	850,000	850,000	n/a
Transfers	32,398	30,332	32,398	32,398	62,730	64,796	2,066	3.29%
Total Costs	\$47,694,153	\$56,004,778	\$57,753,624	\$57,519,939	\$103,698,931	\$115,273,563	\$11,574,632	11.16%
General Fund	5,162,636	5,287,921	6,457,202	6,200,552	10,450,557	12,657,754	2,207,197	21.12%
State Special	24,657,802	29,342,925	31,164,648	31,135,556	54,000,727	62,300,204	8,299,477	15.37%
Federal Special	17,873,715	21,373,932	20,131,774	20,183,831	39,247,647	40,315,605	1,067,958	2.72%
Total Funds	\$47,694,153	\$56,004,778	\$57,753,624	\$57,519,939	\$103,698,931	\$115,273,563	\$11,574,632	11.16%

Agency Description

Mission Statement: To protect, promote, and improve a clean and healthful environment to benefit present and future generations.

For additional information see the agency profile.

Agency Highlights

Department of Environmental Quality Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the department’s budget by 11.3% from the 2013 biennium due to statewide present law adjustments and new proposals ◆ \$6.9 million in operating adjustments ◆ Hard rock reclamation projects and operating expenses amounting to \$6.1 million ◆ Approximately \$562,400 from general fund for database replacements and upgrades ◆ \$200,000 general fund switch request for the subdivisions program ◆ The department’s pay increases amounted to approximately \$255,700 for the biennium

Agency Discussion

Agency Personal Services Narrative

The personal services budget for the 2015 biennium would increase over the base primarily due to the following factors:

- Statewide present law adjustments
 - Pay increases given partway through the year that are annualized to full year funding in the 2015 biennium at a cost of approximately \$255,700.
 - Vacancy savings of approximately 8.0% compared to the budgeted 4.0%
 - Other unspecified adjustments such as longevity and payroll tax changes to fully fund positions

According to the department, the pay increases provided in FY 2012:

- Focused on rank and file employees and addressed internal equity issues, while conservatively considering what the department could afford and maintain from a fiscal standpoint
- Targeted newer employees with the highest risk of leaving
- No pay adjustments were awarded to engineers, attorneys or management at or above the bureau chief level

The department provided the following information pertaining to hiring and recruitment:

- Half of the department's employee turnover in the past several years has been employees with the agency less than five years
- Averaged 18 applicants for the agency compared to 22 applicants across state government
- Adequate number of qualified applicants, except for the computer systems analyst positions
- The department has a consistent window of 24 days from the time when a job closes and an offer is made to an applicant, and plans to continue to improve this time frame

The department provided the following information pertaining to retirements:

- The department has adopted succession planning
- 40 employees are eligible for retirement, or 9.4% of the department
- Of that 9.4%, 17.5% are managers and 72.5% are other professional staff

Agency-wide Decision Packages

There are common decision packages across the department. The legislature may wish to examine and/or take action on the packages as a group.

Base operating adjustments are requested in each division, totaling \$6.9 million, including \$297,301 from the general fund, for the 2015 biennium. The figure below illustrates the amounts for each division.

Common Decision Packages 2015 Biennium		
Division	FY 2014	FY 2015
Central Services (DP 1005)	\$270,210	\$269,438
Planning, Prevention and Assistance (DP 2001)	1,632,477	1,632,477
Enforcement (DP 3001)	40,359	38,408
Remediation (DP 4001)	175,774	176,574
Permitting and Compliance (DP 5001)	1,272,458	1,271,020
Petro Board (DP 9001)	<u>51,350</u>	<u>51,350</u>
Total	<u>\$3,442,628</u>	<u>\$3,439,267</u>

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,657,754	\$0	\$0	\$12,657,754	9.2%
State Special Total	62,300,204	-	7,963,076	70,263,280	51.0%
Federal Special Total	40,315,605	-	-	40,315,605	29.3%
Proprietary Total	-	14,528,211	-	14,528,211	10.5%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$115,273,563	\$14,528,211	\$7,963,076	\$137,764,850	
Percent - Total All Sources	83.7%	10.5%	5.8%		

The department's largest source of funding at 50.9% is state special revenue. This revenue is derived from permitting fees, fines, and bonds proceeds utilized to support specific department functions such as permitting, enforcement, and remediation. The federal revenue is provided from the U.S. Environmental Protection Agency (EPA) performance partnership grant, the Superfund Program, and other federal grant resources. The partnership grant is a block grant to the state to provide funding the EPA had previously made through individual grants. Federal grants have varying match requirements. Wetland grants require 25% match, drinking water capital improvement requires a 20% match, and nonpoint source funding can require as much as a 40% match. General fund is utilized for personal services and related operating expenses such as travel, communications, and equipment.

Resource Indemnity Trust

Article IX of the Montana Constitution provides for the protection and improvement of the Montana environment and requests that the legislature provide adequate remedies for environmental protection from degradation. It specifically requires "all lands disturbed by the taking of natural resources shall be reclaimed" and requires the existence of a resource indemnity trust (RIT) fund for that purpose, to be funded by taxes on the extraction of natural resources. The Constitution further states, "The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000) guaranteed by the state against loss or diversion." The state Constitution

requires a trust, but does not require the trust to be funded. The legislature utilized certain natural resource extraction tax proceeds as a revenue source for the trust. In February of 2002, the Governor certified that the balance of the trust had exceeded the \$100 million threshold. Tax proceeds previously directed to the RIT have been re-directed by the legislature ever since.

Accounts Receiving RIT Related Revenue

The biennial executive budget contains \$19.3 million in RIT related funding to support a number of natural resource activities from a number of accounts. The department is the largest recipient of these funds. The following discusses the accounts and the current uses. From those accounts, appropriations are made by the legislature to support natural resource agencies and activities. The major accounts of importance are as follows:

- Oil & Gas production mitigation account – funds utilized by the Montana Board of Oil and Gas for properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations
- Future Fisheries – funds provided to the Department of Fish, Wildlife and Parks to reclaim habitat and spawning areas of the bull and cutthroat trout
- Hazardous Waste/CERCLA - funds provided to the Remediation Division of the department for the implementation of the Montana Hazardous Waste Act and state expenses for overseeing the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)
- Environmental contingency account (ECA) - an account controlled by the Governor for the purpose of responding to emergent or imminent threats to the environment
- Environmental quality protection fund (EQPF) - utilized by the Remediation Division to identify, investigate, negotiate, and prosecute individuals/entities to achieve remedial action or recover costs and damages. This fund is also referred to as the state Superfund
- Water storage account – fund provided to the Water Resources Division of the Department of Natural Resources and Conservation for rehabilitation and major maintenance on state owned water projects
- Ground water assessment account - funds groundwater monitoring and characterization studies completed by the Montana Bureau of Mines and Geology at the University of Montana in Butte
- Orphan share account - used by the department to fund the percent of remediation activities at a contaminated site that is attributable to a bankrupt or otherwise insolvent entity
- Natural resources operations – funds operating costs of Montana’s natural resource agencies, including this department and the Department of Natural Resources and Conservation
- Natural resource projects - provides grants and loans to enhance Montana’s renewable resources through projects that measurably conserve, develop, manage or preserve resources or to repair, reclaim, and mitigate environmental damage to public resources. These funds are managed by the Conservation and Development Division of the Department of Natural Resources and Conservation

RIT Distributions and Tax Proceeds

Since the \$100 million RIT trust threshold was met and natural resource taxes were no longer required to be deposited to the trust, the legislature has statutorily allocated these three taxes: 1) resource indemnity and ground water assessment, 2) metalliferous mine, and 3) applicable portions of the oil & gas tax.

- Resource indemnity and ground water assessment (RIGWA) taxes are paid by person(s) who engage in or carry on the business of mining, extracting, or producing a mineral from any quartz vein or lode, placer claim, dump or tailings, or other place or source. These taxes are distributed to a number of natural resource accounts.
 - The first \$296,156 is deposited into the Superfund debt service account
 - \$366,000 is deposited into the ground water assessment account
 - The remaining funds are distributed 50% into the reclamation and development grant program account
 - Any remaining funds to the Natural Resources Project Account
- The metalliferous mine tax is paid by persons engaged in the mining of gold, silver, copper, lead, and other metals or precious or semiprecious stones. 7% of this tax is deposited to the natural resources operations fund.

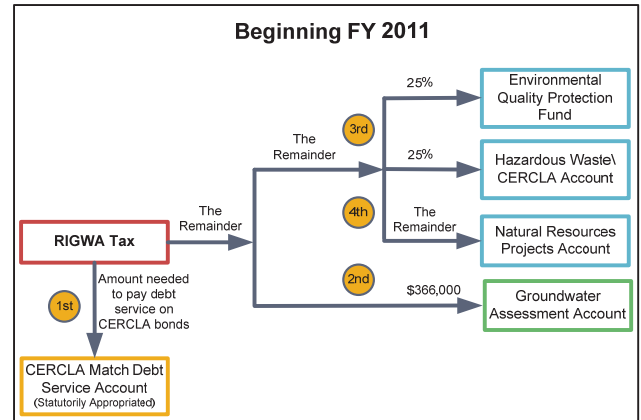
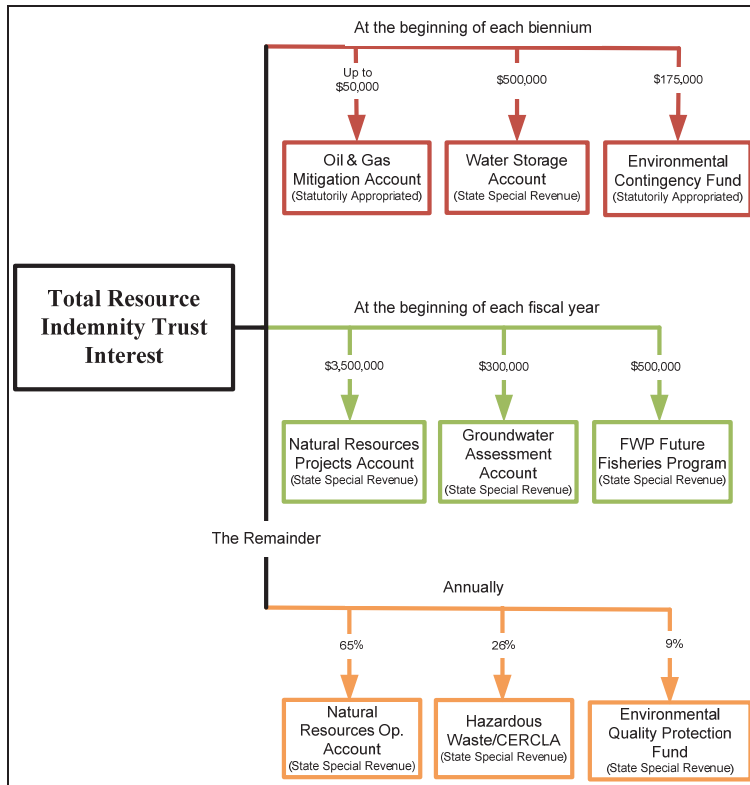
- A portion of oil and gas production taxes are used for natural resource activities. This portion is distributed 2.99% to the orphan share account and 1.45% to the natural resources operations and 1.45% to the natural resources project funds.

RIT Distributions –Interest Allocations

Allocations of RIT interest earnings are not restricted by the Constitution. The legislature has chosen to directly and indirectly allocate interest for a number of purposes. The statutory allocations are not directed to be funded in any particular order of preference.

- Direct allocations: 15-38-202, MCA directs where the interest from the RIT is allocated. Direct allocations are made to a number of sources.
 - Made at the beginning of the biennium:
 - Oil and gas production mitigation account (\$50,000)
 - Environmental contingency account (\$175,000)
 - Water storage account (\$500,000)
 - Made on an annual basis:
 - Allocations to the natural resources projects fund (\$3.5 million)
 - Ground water assessment account (\$0.3 million)
 - Future fisheries fund (\$0.5 million)
- Indirect allocations: After direct interest allocations are made, 15-38-202, MCA directs the remaining interest on a formula basis.
 - 65% to the natural resources operations fund
 - 26% to the hazardous waste/CERCLA fund
 - 9% to the environmental quality protection fund

The flow of taxes and interest into the related accounts is illustrated in the following figures.



Expenditures

The figure on the following page shows the executive’s requested use of the RIT interest and related funds. The figure provides the balance at the end of FY 2013, projected revenues and appropriations for FY 2015, and the biennial effect of revenues and the executive request for the 2015 biennium.

Resource Indemnity Funding										
Related Funds	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02107 ECA	02162 EQPF	02216 Wa Sto	02289 GRW	02472 Orphan Share	02576 Operations	2577 Projects
Beginning FY2013 Fund Balance	\$389,398	\$1,265,466	\$569,528	\$697,712	\$5,386,454	\$950,000	\$0	\$10,040,797	\$1,775,947	\$6,795,909
RIT Interest		\$494,479	\$93,860		\$32,490		\$300,000		\$234,650	\$3,500,000
STIP	\$1,000		1,726		10,000	\$1,500				
RIGWA			386,961		386,961		366,000		386,961	773,922
Metal Mines Tax									1,339,000	
Oil and Gas Tax	50,000							\$3,189,018	2,183,666	2,335,010
Other Income	0				792,311	35,000			3,500	3,525
FY 2013 Total Revenues & Fund Balance	\$440,398	\$1,759,945	\$1,052,075	\$697,712	\$6,608,216	\$986,500	\$666,000	\$13,229,815	\$5,923,724	\$13,408,366
FY 2013 Appropriations	<u>(\$166,216)</u>		<u>(\$621,637)</u>	<u>(\$25,000)</u>	<u>(\$4,099,429)</u>	<u>(\$250,768)</u>	<u>(\$666,000)</u>	(\$4,119,422)	(\$3,995,487)	
FY 2013 Budget Amendment										
Transfers									(11,756)	
Reserved for Capital Appropriations										
HB 6 and HB 7 Appropriation		<u>(\$1,765,366)</u>						<u>(\$5,825,311)</u>	<u>(\$623,000)</u>	(12,191,663)
Project Line Item Veto Richland County HB 7										<u>\$293,000</u>
Projected Fund Balance Ending FY 2013	\$274,182	(\$5,421)	\$430,438	\$672,712	\$2,508,787	\$735,732	\$0	\$3,285,082	\$1,293,481	\$1,509,703
Revenues for 2015 Biennium										
RIT Interest - Direct		<u>\$985,521</u>	\$94,640		\$32,760	\$485,521	\$591,313		\$236,600	\$6,898,646
RIGWA			957,922		957,922		732,000			1,915,844
Anticipated reversions										
Short Term Investment Pool - Interest	\$2,000		<u>\$3,473</u>		20,000	3,000		\$45,000		
Admin Fees					1,553,586					
Metal Mines Tax									2,534,000	
Oil and Gas Tax	<u>\$100,000</u>							<u>\$6,428,717</u>	<u>\$4,402,037</u>	4,707,128
Agency Generated Revenues					7,530,000	<u>\$70,000</u>				<u>\$31,000</u>
Transfers - Other										
Other Income					<u>\$1,036</u>					
Projected Fund Balance Beginning FY 2014	\$376,182	\$980,100	\$1,486,473	\$672,712	\$12,603,055	\$1,294,253	\$1,323,313	\$9,758,799	\$8,466,118	\$15,062,321
Appropriations for 2015 Biennium										
UM-Bureau of Mines							(\$1,332,000)		(\$351,772)	
DNRC - Centralized Services									(76,404)	
DNRC - Conservation and Resource Devel. Division									(1,362,355)	
DNRC-Water Resources Division									(415,867)	
DNRC - Board of Oil & Gas	<u>(\$200,000)</u>									
DNRC - Forestry/Trust Lands									(187,314)	
DEQ-Central Management									(266,492)	
DEQ-Planning, Prevention & Assistance			(\$155,504)						0	
DEQ-Enforcement			(1,406)						(12,544)	
DEQ-Remediation			(161,594)		<u>(\$7,596,939)</u>			<u>(\$872,529)</u>	0	
DEQ-Permitting & Compliance			<u>(480,562)</u>						(3,796,414)	
Judiciary-Water Court									<u>(2,062,727)</u>	
HB 6 and HB 7 Request										<u>(14,967,628)</u>
Total Appropriations	<u>(\$200,000)</u>	\$0	<u>(\$799,066)</u>	\$0	<u>(\$7,596,939)</u>	\$0	<u>(\$1,332,000)</u>	<u>(\$872,529)</u>	<u>(\$8,531,889)</u>	<u>(\$14,967,628)</u>
Adjustments for Agency 5% plans	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Ending Fund Balance	\$176,182	\$980,100	\$687,407	\$672,712	\$5,006,116	\$1,294,253	(\$8,687)	\$8,886,270	(\$65,771)	\$94,693

The largest requests are:

- o \$7.6 million from the environmental quality protection fund (EQPF) for the DEQ Remediation Division
- o \$8.5 million from natural resources operations, of which \$6.1 million is for support of the DEQ Permitting and Compliance Division.

In total, the executive is requesting \$19.3 million in RIT related authority, \$13.3 million of which is for the department.

The condition of these funds represents some key issues of RIT funding.

LFD
ISSUE

Funds would be Over Expended

The executive request results in negative ending fund balances in FY 2015 for two accounts:

- o Natural resources operations fund is projected to be a negative \$65,771
 - o The revenues for this account since it was created in 2008 have averaged \$351,769 annually, compared to the current estimate of \$0 for FY 2014 and \$236,660 for FY 2015
- o Groundwater fund is projected to be a negative \$8,687

The executive assumes sufficient revenues to make all statutory allocations in full as well as historically average amounts. Due primarily to low interest rates, and that certain allocations must be made at the beginning of each biennium, the Legislative Fiscal Division (LFD) revenue estimates are expected to be lower than the amount necessary to fulfill the statutory allocations for FY 2014 and have been allocated proportionately among the funds receiving RIT interest. The chart below shows the amounts that the funds are expected to receive according to statute and what the LFD is estimating the revenues to be and how they are being allocated.

RIT Interest Receiving Funds									
Statutory Revenues vs. Estimated Revenues									
	02010	02022	02070	02107	02162	02216	02289	02576	2577
	Oil & Gas	Future Fish	HazWas	ECA	EQPF	Wa Sto	GRW	Operations	Projects
Statutory requirements									
FY 2014	\$0	\$500,000	26% of the	\$0	9% of the	\$0	\$300,000	65% of the	\$3,500,000
FY 2015	0	500,000	remainder of	0	remainder	0	300,000	remainder of	3,500,000
2015 Biennium	<u>50,000</u>	<u>0</u>	interst	<u>175,000</u>	of interst	<u>500,000</u>	<u>0</u>	interst	<u>0</u>
Total	<u>\$50,000</u>	<u>\$1,000,000</u>	income	<u>\$175,000</u>	income	<u>\$500,000</u>	<u>\$600,000</u>	income	<u>\$7,000,000</u>
Revenue Estimates									
FY 2014	\$0	\$485,521	\$0	\$0	\$0	\$0	\$291,313	\$0	\$3,398,646
FY 2015	0	500,000	94,640	0	0	0	300,000	236,600	3,500,000
2015 Biennium	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>485,521</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$985,521</u>	<u>\$94,640</u>	<u>\$0</u>	<u>\$0</u>	<u>\$485,521</u>	<u>\$591,313</u>	<u>\$236,600</u>	<u>\$6,898,646</u>

The legislature has the following option as to how to proceed:

- o A temporary or permanent reallocation of RIT interest
- o Transfer funds from a healthier fund, such as the orphan share fund. Per the main RIT table, the fund has a projected ending fund balance of \$8.9 million. The risk to this transfer is that the liability for the orphan share is unknown
- o Amend the statute to prioritize the funds receiving revenue from the RIT interest
- o Take no action, and if the fund balances do not meet approved appropriations limits then the departments will be unable to spend the full amount of the appropriation

LFD ISSUE	<u>Impacts of the Federal Budget Control Act of 2011 and Other Federal Action</u>
	<p>The Budget Control Act (BCA) includes automatic spending reductions, called sequesters, that are currently scheduled to take effect January 2, 2013. For discretionary non-defense spending the estimated amount of the reduction is 8.2%. The major federal funding sources of this agency would be subject to sequester in the current bill.</p> <p>As a result of the various conditions included in the BCA funding for the Department of Environmental Quality may be reduced beyond what is shown in the executive’s proposed budget. The legislature may wish to discuss the potential impact on federal funds with the agency as the federal budget negotiations picture becomes clearer.</p>

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	5,162,636	5,162,636	10,325,272	81.57%	47,694,153	47,694,153	95,388,306	82.75%
Statewide PL Adjustments	91,581	93,616	185,197	1.46%	1,785,331	1,813,975	3,599,306	3.12%
Other PL Adjustments	295,932	295,471	591,403	4.67%	7,537,293	7,535,416	15,072,709	13.08%
New Proposals	907,053	648,829	1,555,882	12.29%	736,847	476,395	1,213,242	1.05%
Total Budget	\$6,457,202	\$6,200,552	\$12,657,754		\$57,753,624	\$57,519,939	\$115,273,563	

Language and Statutory Authority

The department requests the following language in HB 2.

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

"If federal funds are received to help meet the annual shortfall in operating and maintenance costs at the Zortman-Landusky mine sites, this general fund spending authority will be reduced by the same amount"

"The department is appropriated up to \$1,000,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2015 biennium for the purpose of paying contract expenses related to the recovery of funds."

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	9.00	9.00	8.00	8.00	9.00	8.00	(1.00)	(11.11%)
Personal Services	754,893	837,783	730,827	731,225	1,592,676	1,462,052	(130,624)	(8.20%)
Operating Expenses	801,179	1,063,929	1,212,340	1,211,938	1,865,108	2,424,278	559,170	29.98%
Total Costs	\$1,556,072	\$1,901,712	\$1,943,167	\$1,943,163	\$3,457,784	\$3,886,330	\$428,546	12.39%
General Fund	314,978	370,706	426,288	426,283	685,684	852,571	166,887	24.34%
State Special	940,718	1,189,782	1,191,480	1,151,906	2,130,500	2,343,386	212,886	9.99%
Federal Special	300,376	341,224	325,399	364,974	641,600	690,373	48,773	7.60%
Total Funds	\$1,556,072	\$1,901,712	\$1,943,167	\$1,943,163	\$3,457,784	\$3,886,330	\$428,546	12.39%

Program Description

The Central Management Program consists of:

- o Director's Office
- o Financial Services office
- o Information Technology Office

It is the organizational component of DEQ responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out the department's mission and statutory responsibilities.

Program Highlights

Central Management Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the division’s budget by 12.4% from the 2013 biennium due to statewide present law adjustments and including request to increase base operating expenses by \$539,648 over the biennium ◆ The executive is requesting to transfer 1.0 FTE attorney position, and approximately \$85,000 to the Remediation Division

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Central Management Program							
Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
	HB 2	Budgeted Proprietary					
General Fund	\$852,571	\$0	\$0	\$852,571	4.6%		
State Special Total	\$2,343,386	\$0	\$0	\$2,343,386	12.7%		
02075 Ust Leak Prevention Program	\$25,085	\$0	\$0	\$25,085	0.1%		
02097 Environmental Rehab & Response	\$200,000	\$0	\$0	\$200,000	1.1%		
02157 Solid Waste Management Fee	\$72,870	\$0	\$0	\$72,870	0.4%		
02201 Air Quality-operating Fees	\$133,458	\$0	\$0	\$133,458	0.7%		
02202 Asbestos Control	\$50,269	\$0	\$0	\$50,269	0.3%		
02204 Public Drinking Water	\$18,120	\$0	\$0	\$18,120	0.1%		
02278 Mpdcs Permit Program	\$89,089	\$0	\$0	\$89,089	0.5%		
02370 Energy Conserv Repayment Acct	(\$4)	\$0	\$0	(\$4)	0.0%		
02542 Mt Environ Policy Act Fee	\$1,435,894	\$0	\$0	\$1,435,894	7.8%		
02555 Alternative Energy Rev Loan	\$12,571	\$0	\$0	\$12,571	0.1%		
02576 Natural Resources Operations Ssr Fu	\$266,492	\$0	\$0	\$266,492	1.4%		
02845 Junk Vehicle Disposal	\$39,544	\$0	\$0	\$39,544	0.2%		
02954 Septage Fees	(\$2)	\$0	\$0	(\$2)	0.0%		
Federal Special Total	\$690,373	\$0	\$0	\$690,373	3.7%		
03067 Dsl Federal Reclamation Grant	\$617	\$0	\$0	\$617	0.0%		
03151 2012 Exchange Network Grant	\$48,358	\$0	\$0	\$48,358	0.3%		
03152 Dw Srf Fy15 Grant	\$2,515	\$0	\$0	\$2,515	0.0%		
03228 L.u.s.t./trust	(\$72)	\$0	\$0	(\$72)	0.0%		
03262 Epa Ppg	\$374,443	\$0	\$0	\$374,443	2.0%		
03337 2011 Exchange Network Grant	\$182,000	\$0	\$0	\$182,000	1.0%		
03430 Dw Srf Fy14 Grant	\$2,514	\$0	\$0	\$2,514	0.0%		
03433 Epa Ppg Fy10-11	(\$206)	\$0	\$0	(\$206)	0.0%		
03436 Nps 09 Staffing & Support	\$20,015	\$0	\$0	\$20,015	0.1%		
03437 Doe-state Energy Program	(\$2)	\$0	\$0	(\$2)	0.0%		
03586 Dw Srf Fy12 Grant	(\$18)	\$0	\$0	(\$18)	0.0%		
03691 Non Pt Source Staffing/support	\$19,992	\$0	\$0	\$19,992	0.1%		
03816 Doi Osm A&e Grant	\$40,217	\$0	\$0	\$40,217	0.2%		
Proprietary Total	\$0	\$14,528,211	\$0	\$14,528,211	78.9%		
06509 Deq Indirects	\$0	\$14,528,211	\$0	\$14,528,211	78.9%		
Total All Funds	\$3,886,330	\$14,528,211	\$0	\$18,414,541	100.0%		
Percent - Total All Sources	21.1%	78.9%	0.0%				

The majority of the functions in the division are funded with non-budgeted proprietary funds that are not appropriated through HB 2. The proprietary funding is based upon a negotiated indirect rate with the Environmental Protection Agency (EPA). The indirect rate is assessed against funding for all personal services, temporary services, and work study projects as well as contracted services within each division, and transferred to fund operating costs. This funding currently supports 55.00 FTE who provide management tasks, budgeting, accounting, payroll, procurement, contract management, and information technology services to other divisions. A further discussion of the proposed rate for the proprietary fund is at the end of the division narrative.

The appropriated funds provide support for the agency's legal services, the Board of Environmental Review, and Montana Environmental Protection Act (MEPA) activities. The appropriated funds consist of general fund, a number of state special revenue fees, and small federal grants. The majority of the funding comes from MEPA review fees.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	314,978	314,978	629,956	73.89%	1,556,072	1,556,072	3,112,144	80.08%
Statewide PL Adjustments	20,640	20,757	41,397	4.86%	62,289	62,924	125,213	3.22%
Other PL Adjustments	90,782	90,660	181,442	21.28%	325,298	324,659	649,957	16.72%
New Proposals	(112)	(112)	(224)	(0.03%)	(492)	(492)	(984)	(0.03%)
Total Budget	\$426,288	\$426,283	\$852,571		\$1,943,167	\$1,943,163	\$3,886,330	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					95,878					96,151
Vacancy Savings					(34,032)					(34,040)
Inflation/Deflation					443					813
Total Statewide Present Law Adjustments		\$20,640	\$55,734	(\$14,085)			\$20,757	\$16,511	\$25,656	\$62,924
DP 1001 - Legal Challenges (OTO)	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 1002 - EPA FY11 Exchange Network Grant	0.00	0	0	91,000	91,000	0.00	0	0	91,000	91,000
DP 1004 - Move Attorney from PGM 10 to PGM 40	(1.00)	(30,186)	0	(55,726)	(85,912)	(1.00)	(30,053)	0	(55,726)	(85,779)
DP 1005 - Central Management Program Base Adjustment HB2	0.00	70,968	195,234	4,008	270,210	0.00	70,713	194,883	3,842	269,438
Total Other Present Law Adjustments	(1.00)	\$90,782	\$195,234	\$39,282	\$325,298	(1.00)	\$90,660	\$194,883	\$39,116	\$324,659
Grand Total All Present Law Adjustments	(1.00)	\$111,422	\$250,968	\$25,197	\$387,587	(1.00)	\$111,417	\$211,394	\$64,772	\$387,583

DP 1001 - Legal Challenges (OTO) – The executive requests funding to serve as a contingency if the department is ordered to pay another party's legal fees for a lost legal action. The department does not currently have a funding source for such expenses. Such costs are not eligible for federal funding, nor can they be passed on to responsible parties. The decision package is requested as a restricted biennial appropriation. This decision package would provide a mechanism to meet these costs when they occur.

**LFD
COMMENT**

The legislature may wish to make this appropriation contingent upon the provision of a report to the Legislative Finance Committee should this payment occur.

DP 1002 - EPA FY11 Exchange Network Grant – The executive requests authority for EPA grant funding to continue work on the existing Montana Exchange Network Node. The funding has been used to improve data accuracy of underground storage tank/leaking underground storage tank (UST/LUST) site location data and to establish UST/LUST data partnerships with states, tribes, local governments, and interested parties.

DP 1004 - Move Attorney from PGM 10 to PGM 40 – The executive proposes a reduction in funds and 1.0 FTE to adjust for the transfer of an attorney from the Central Management Program to the Remediation Division. This transfer aligns the position with workload requirements. The request is budget neutral (DP 4007) and nets zero across the two programs.

DP 1005 - Central Management Program Base Adjustment HB2 – The executive requests an adjustment to the base due to several factors:

- o An increase pertaining to the Montana Environmental Policy Act (MEPA). The department was completing two Environmental Impact Statements (EIS) in the base year and did not have any new projects. However, new projects have already been received and the expenditures for contracted services will increase over the base by \$409,636
- o An increase in costs for the hourly rate of the Department of Justice legal services of \$67,450 for the Board of Environmental Review
- o An increase in operating and personal services indirects for the attorney pool and education for the attorney pool at \$45,602
- o A small increase for ITSD services of \$950 for the biennium

New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	10	0.00	(112)	(206)	(174)	(492)	0.00	(112)	(206)	(174)	(492)
Total	0.00	(\$112)	(\$206)	(\$174)	(\$492)	0.00	(\$112)	(\$206)	(\$174)	(\$492)	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

Proprietary Program Description

The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department utilizes two rates: one applied to personal services and a second applied to operating expenses to achieve a more equitable basis for funding proprietary services.

The customers of this program are all divisions and employees of the department. Use of these services is mandated by agency policies and procedures. There are no alternative sources for the Central Management Program as a whole. The department contracts for legal services whenever it is cost effective to do so, to obtain specific expertise for a case, or when legal jurisdiction of the case requires an attorney licensed in that state. The department contracts for information technology database development and for hosting of the department's enterprise database.

Proprietary Revenues and Expenses

Funding is collected from all non-proprietary sources expended within the department.

Expenditures

The major cost drivers within this program are personal services costs and fixed costs. Additional costs for overtime are incurred when workload changes, such as upgrades to the state accounting system (SABHRS), a special legislative session, and increased monitoring and oversight of budgets due to revenue shortfalls. Fixed costs are a significant cost to

the proprietary fund. The cost of providing support services is directly related to the number of staff served and the number of contracts and payments processed. Non-typical and one-time expenses are backed out of the cost of providing services before calculating the indirect rate. Salaries are constant throughout the fiscal year, except during fiscal year end, executive budget preparation, and legislative sessions. Supplies are purchased on an as needed basis, except during peak times noted above.

Proprietary Rate Explanation

The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 24% percent on personal services and 4% on operating expenses in FY 2014 and 2015, which are the same rates as the 2013 biennium. Revenues generated by the current indirect cost rate fund 55.50 FTE.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	83.50	83.50	83.50	83.50	83.50	83.50	0.00	0.00%
Personal Services	5,713,653	6,111,850	6,090,720	6,098,317	11,825,503	12,189,037	363,534	3.07%
Operating Expenses	5,035,015	6,853,257	7,033,683	6,884,554	11,888,272	13,918,237	2,029,965	17.08%
Equipment & Intangible Assets	0	28,000	0	0	28,000	0	(28,000)	(100.00%)
Grants	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$10,748,668	\$12,993,107	\$13,124,403	\$12,982,871	\$23,741,775	\$26,107,274	\$2,365,499	9.96%
General Fund	2,604,298	2,627,355	2,867,070	2,718,139	5,231,653	5,585,209	353,556	6.76%
State Special	2,155,346	2,716,726	3,153,261	3,153,861	4,872,072	6,307,122	1,435,050	29.45%
Federal Special	5,989,024	7,649,026	7,104,072	7,110,871	13,638,050	14,214,943	576,893	4.23%
Total Funds	\$10,748,668	\$12,993,107	\$13,124,403	\$12,982,871	\$23,741,775	\$26,107,274	\$2,365,499	9.96%

Program Description

- The Planning, Prevention, and Assistance Division responsibilities consist of:
 - Financing construction and improvement of community drinking water and wastewater systems
 - Providing engineering review and technical assistance to community water infrastructure planners
 - Financing energy saving retrofits of public buildings and renewable energy systems for homeowners and small businesses
 - Providing technical assistance and education to builders, homeowners, and businesses on energy efficiency and renewable energy, indoor air quality, radon, recycling, and solid waste reduction
 - Assisting small businesses in reducing emissions and complying with environmental regulations
 - Monitoring water quality conditions, assesses potential pollution problems, and aids industry to achieve cost effective compliance with water quality laws and regulations
 - Assisting communities in planning for energy, watershed, air shed, and solid and hazardous waste management
 - Developing water quality restoration plans (Total Maximum Daily Loads or TMDLs)
 - Proposing rules, drafting policy, and developing water quality standards

The division consists of three bureaus:

- Technical and Financial Assistance
- Water Quality Planning and Energy and Pollution Prevention
- Financial Management and Budgeting Unit

Program Highlights

Planning, Prevention, and Assistance Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the division’s budget by 10.6% from the 2013 biennium due to: ◆ State wide present law adjustments <ul style="list-style-type: none"> ● A base operating increase of \$3.3 million ● \$400,000 for database development and maintenance

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Plan.Prevent. & Assist.Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,585,209	\$0	\$0	\$5,585,209	21.4%		
State Special Total	\$6,307,122	\$0	\$0	\$6,307,122	24.2%		
02070 Hazardous Waste-cercla	\$155,504	\$0	\$0	\$155,504	0.6%		
02157 Solid Waste Management Fee	\$271,508	\$0	\$0	\$271,508	1.0%		
02201 Air Quality-operating Fees	\$245,058	\$0	\$0	\$245,058	0.9%		
02206 Agriculture Monitoring	\$10,194	\$0	\$0	\$10,194	0.0%		
02223 Wastewater Srf Special Admin	\$2,251,282	\$0	\$0	\$2,251,282	8.6%		
02278 Mpdcs Permit Program	\$383,710	\$0	\$0	\$383,710	1.5%		
02291 Alternative Energy Loan Arra	\$100,142	\$0	\$0	\$100,142	0.4%		
02370 Energy Conserv Repayment Acct	\$420,704	\$0	\$0	\$420,704	1.6%		
02491 Drinking Water Spec Admin Cost	\$789,848	\$0	\$0	\$789,848	3.0%		
02555 Alternative Energy Rev Loan	\$183,160	\$0	\$0	\$183,160	0.7%		
02955 State Energy Conservation Arra	\$985,018	\$0	\$0	\$985,018	3.8%		
02973 Univ System Benefits Program	\$510,994	\$0	\$0	\$510,994	2.0%		
Federal Special Total	\$14,214,943	\$0	\$0	\$14,214,943	54.4%		
03003 Wetland Dev-prof Capacity	\$47,326	\$0	\$0	\$47,326	0.2%		
03007 Doe Special Projects	\$32,740	\$0	\$0	\$32,740	0.1%		
03033 Wetland Develop-If	\$98,484	\$0	\$0	\$98,484	0.4%		
03091 106 Monitor Suppl Initiative	\$246,598	\$0	\$0	\$246,598	0.9%		
03152 Dw Srf Fy15 Grant	\$743,302	\$0	\$0	\$743,302	2.8%		
03199 Stripper Wells	\$222,784	\$0	\$0	\$222,784	0.9%		
03212 Stripper-secp	\$29,980	\$0	\$0	\$29,980	0.1%		
03217 Wetland Watershed Grant	\$172,694	\$0	\$0	\$172,694	0.7%		
03218 Diamond Shamrock-admin.	\$42,950	\$0	\$0	\$42,950	0.2%		
03262 Epa Ppg	\$3,851,952	\$0	\$0	\$3,851,952	14.8%		
03430 Dw Srf Fy14 Grant	\$743,302	\$0	\$0	\$743,302	2.8%		
03436 Nps 09 Staffing & Support	\$1,350,217	\$0	\$0	\$1,350,217	5.2%		
03437 Doe-state Energy Program	\$753,952	\$0	\$0	\$753,952	2.9%		
03459 Doe Competitive Special Proj	\$206,996	\$0	\$0	\$206,996	0.8%		
03465 Doe Washington State Univ	\$147,676	\$0	\$0	\$147,676	0.6%		
03481 Nps 14 Project Grant	\$1,386,584	\$0	\$0	\$1,386,584	5.3%		
03482 Nps 15 Project Grant	\$1,386,584	\$0	\$0	\$1,386,584	5.3%		
03676 Bureau Of Land Management	\$161,488	\$0	\$0	\$161,488	0.6%		
03691 Non Pt Source Staffing/support	\$1,343,526	\$0	\$0	\$1,343,526	5.1%		
03695 Srf St Tribal Rel Agrmt Grant	\$284,202	\$0	\$0	\$284,202	1.1%		
03723 Clean Diesel Ds-97867001	\$568,854	\$0	\$0	\$568,854	2.2%		
03814 Epa Water Quality 205j	\$213,186	\$0	\$0	\$213,186	0.8%		
03817 Wetland 401 Certification Grnt	\$179,566	\$0	\$0	\$179,566	0.7%		
Total All Funds	\$26,107,274	\$0	\$0	\$26,107,274	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded with general fund and a variety of state special and federal revenue sources. The division's primary state special revenue funds are the fees collected for air quality permits and the interest from the investments made in community drinking water projects. The largest portion of federal funds is provided through the Environmental Protection Agency (EPA) programs, including the performance partnership grant and funds for non-point source water projects under the federal Clean Water Act. General fund is utilized for the Total Maximum Daily Loads (TMDL) program and for matching of federal grants.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,604,298	2,604,298	5,208,596	93.26%	10,748,668	10,748,668	21,497,336	82.34%
Statewide PL Adjustments	26,440	27,509	53,949	0.97%	375,090	383,558	758,648	2.91%
Other PL Adjustments	36,908	36,908	73,816	1.32%	1,802,477	1,802,477	3,604,954	13.81%
New Proposals	199,424	49,424	248,848	4.46%	198,168	48,168	246,336	0.94%
Total Budget	\$2,867,070	\$2,718,139	\$5,585,209		\$13,124,403	\$12,982,871	\$26,107,274	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					630,850					638,765
Vacancy Savings					(253,783)					(254,101)
Inflation/Deflation					(1,977)					(1,106)
Total Statewide Present Law Adjustments		\$26,440	\$160,774	\$187,876	\$375,090		\$27,509	\$161,374	\$194,675	\$383,558
DP 2001 - Planning, Prevention & Assist Operations Adjustmnt	0.00	36,908	667,451	928,118	1,632,477	0.00	36,908	667,451	928,118	1,632,477
DP 2002 - Water Pollution Control State Special Authority	0.00	0	170,000	0	170,000	0.00	0	170,000	0	170,000
Total Other Present Law Adjustments	0.00	\$36,908	\$837,451	\$928,118	\$1,802,477	0.00	\$36,908	\$837,451	\$928,118	\$1,802,477
Grand Total All Present Law Adjustments	0.00	\$63,348	\$998,225	\$1,115,994	\$2,177,567	0.00	\$64,417	\$998,825	\$1,122,793	\$2,186,035

DP 2001 - Planning, Prevention & Assist Operations Adjustment – The executive requests to add funds to the level appropriated by the 2011 Legislature, primarily due to American Recovery and Reinvestment Act (ARRA) funding in the base year that reduced expenditures for ongoing projects.

Major biennial increases in the request include \$765,216 for consulting services, \$400,000 for lab testing expenses, \$745,650 for contracts, and \$896,592 for indirect personal services.

DP 2002 - Water Pollution Control State Special Authority – The executive requests to fund various activities related to water quality. Activities include advanced training, wetland program projects, and pilot projects. The funding in this decision package is requested for expanded uses of the state special administrative account to fund advanced training for staff, consultants, and wastewater treatment operators; wetland program activities; and possible pilot projects related to water quality.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2005 - Database Development OTO/BIEN/RST Approp	20	0.00	150,000	0	0	150,000	0.00	0	0	0	0
DP 2006 - Database & Application Maintenance	20	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 6101 - Professional Development Center Fee Allocation	20	0.00	(576)	(310)	(946)	(1,832)	0.00	(576)	(310)	(946)	(1,832)
Total	0.00	\$199,424	(\$310)	(\$946)	\$198,168	0.00	\$49,424	(\$310)	(\$946)	\$48,168	

DP 2005 - Database Development OTO/BIEN/RST Approp – The executive requests restricted biennial one-time-only funding for a database development and enhancement project. The project’s purpose is to complete the phased development of the bureau’s Water Quality Assessment, Reporting, and Documentation (WARD) information management system.

LFD COMMENT	DP 2005 is the last phase of this project and is being matched by a \$200,000 federal grant. Authority for this grant is in the base of the office of technology information in the Central Services Division.
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DP 2006 - Database & Application Maintenance – The executive requests funding to provide for the ongoing maintenance of the department’s water quality database and related technical systems.

The database systems include the water quality assessment, reporting, and documentation database, environmental quality information system for water quality exchange database, contracts database, quality assurance database, reference manager, and water quality geo-databases. Applications include professional, data processor, enterprise, EZ view, sample planning module, and data gathering engine; node interface application; clean water act information center; library internet search application; inventory manager; sediment-habitat assessment tool; periphyton data assessment tool; temperature assessment tool; and public comment submittal application.

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	14.73	14.73	14.73	14.73	14.73	14.73	0.00	0.00%
Personal Services	954,426	1,044,982	1,013,791	1,014,663	1,999,408	2,028,454	29,046	1.45%
Operating Expenses	329,721	343,235	366,262	364,381	672,956	730,643	57,687	8.57%
Total Costs	\$1,284,147	\$1,388,217	\$1,380,053	\$1,379,044	\$2,672,364	\$2,759,097	\$86,733	3.25%
General Fund	506,701	547,775	559,080	558,671	1,054,476	1,117,751	63,275	6.00%
State Special	433,707	468,717	461,138	460,800	902,424	921,938	19,514	2.16%
Federal Special	343,739	371,725	359,835	359,573	715,464	719,408	3,944	0.55%
Total Funds	\$1,284,147	\$1,388,217	\$1,380,053	\$1,379,044	\$2,672,364	\$2,759,097	\$86,733	3.25%

Program Description

The Enforcement Division is responsible for formal enforcement of the public health and environmental protection laws and rules administered by the department. Division staff works with department attorneys and regulatory programs to draft administrative orders, calculate penalties, negotiate settlements, and monitor compliance with orders issued by the department. The division also manages a complaint clearinghouse that responds to and tracks citizen complaints and reports of spills or releases of materials.

Program Highlights

Enforcement Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the division's budget by 3.3% from the 2013 biennium due to state wide present law adjustments and in increase in base operating expenses of \$78,767 for the biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Enforcement Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,117,751	\$0	\$0	\$1,117,751	40.5%		
State Special Total	\$921,938	\$0	\$0	\$921,938	33.4%		
02070 Hazardous Waste-ces	\$48,674	\$0	\$0	\$48,674	1.8%		
02075 Ust Leak Prevention	\$63,621	\$0	\$0	\$63,621	2.3%		
02157 Solid Waste Managem	\$57,039	\$0	\$0	\$57,039	2.1%		
02201 Air Quality-operating	\$190,106	\$0	\$0	\$190,106	6.9%		
02202 Asbestos Control	\$68,415	\$0	\$0	\$68,415	2.5%		
02204 Public Drinking Wate	\$285,155	\$0	\$0	\$285,155	10.3%		
02278 Mpdcs Permit Progr	\$99,308	\$0	\$0	\$99,308	3.6%		
02418 Subdivision Plat Revi	(\$40)	\$0	\$0	(\$40)	0.0%		
02576 Natural Resources O	\$12,544	\$0	\$0	\$12,544	0.5%		
02845 Junk Vehicle Dispos	\$97,116	\$0	\$0	\$97,116	3.5%		
Federal Special Total	\$719,408	\$0	\$0	\$719,408	26.1%		
03228 L.u.s.t./trust	(\$26)	\$0	\$0	(\$26)	0.0%		
03262 Epa Ppg	\$701,609	\$0	\$0	\$701,609	25.4%		
03433 Epa Ppg Fy10-11	(\$370)	\$0	\$0	(\$370)	0.0%		
03816 Doi Osm A&e Grant	\$9,109	\$0	\$0	\$9,109	0.3%		
Total All Funds	\$2,759,097	\$0	\$0	\$2,759,097	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded with general fund and a variety of state special and federal revenue sources. The division’s primary state special revenue funds are the fees collected for air, asbestos control, and discharge permits, as well as subdivision review fees. The largest percentage of federal funds is provided through the Environmental Protection Agency (EPA) programs, predominantly the performance partnership grant.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	506,701	506,701	1,013,402	90.66%	1,284,147	1,284,147	2,568,294	93.08%
Statewide PL Adjustments	36,344	36,725	73,069	6.54%	56,346	57,288	113,634	4.12%
Other PL Adjustments	16,350	15,560	31,910	2.85%	40,359	38,408	78,767	2.85%
New Proposals	(315)	(315)	(630)	(0.06%)	(799)	(799)	(1,598)	(0.06%)
Total Budget	\$559,080	\$558,671	\$1,117,751		\$1,380,053	\$1,379,044	\$2,759,097	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					101,607					102,515
Vacancy Savings					(42,242)					(42,278)
Inflation/Deflation					(3,019)					(2,949)
Total Statewide Present Law Adjustments		\$36,344	\$14,216	\$5,786	\$56,346		\$36,725	\$14,531	\$6,032	\$57,288
DP 3001 - Enforcement Operations Adjustments	0.00	16,350	13,486	10,523	40,359	0.00	15,560	12,833	10,015	38,408
Total Other Present Law Adjustments	0.00	\$16,350	\$13,486	\$10,523	\$40,359	0.00	\$15,560	\$12,833	\$10,015	\$38,408
Grand Total All Present Law Adjustments	0.00	\$52,694	\$27,702	\$16,309	\$96,705	0.00	\$52,285	\$27,364	\$16,047	\$95,696

DP 3001 - Enforcement Operations Adjustments - The executive requests an adjustment for base expenditures that were low in the base year because of extensive work done on the Yellowstone oil spill, the costs for which were reimbursed by Exxon Mobile. Among the larger costs are the following:

- o Personal services that were related to the oil spill of \$79,360 for the 2015 biennium
- o Replacement computers, anticipated increases in legal services charges, and increased mailing expenses associated with an anticipated rulemaking.
- o Decreases in office supplies, office equipment, and handyman charges totaling \$28,956.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Professional Development Center Fee Allocation	30	0.00	(315)	(271)	(213)	(799)	0.00	(315)	(271)	(213)	(799)
Total	0.00	(\$315)	(\$271)	(\$213)	(\$799)	0.00	(\$315)	(\$271)	(\$213)	(\$799)	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	63.01	63.01	64.01	64.01	63.01	64.01	1.00	1.59%
Personal Services	3,779,059	4,280,194	4,367,429	4,370,489	8,059,253	8,737,918	678,665	8.42%
Operating Expenses	6,240,712	7,613,450	6,820,337	6,822,584	13,854,162	13,642,921	(211,241)	(1.52%)
Benefits & Claims	0	0	425,000	425,000	0	850,000	850,000	n/a
Transfers	9,364	7,500	9,364	9,364	16,864	18,728	1,864	11.05%
Total Costs	\$10,029,135	\$11,901,144	\$11,622,130	\$11,627,437	\$21,930,279	\$23,249,567	\$1,319,288	6.02%
General Fund	0	0	0	0	0	0	0	n/a
State Special	5,223,156	5,762,678	6,144,084	6,145,997	10,985,834	12,290,081	1,304,247	11.87%
Federal Special	4,805,979	6,138,466	5,478,046	5,481,440	10,944,445	10,959,486	15,041	0.14%
Total Funds	\$10,029,135	\$11,901,144	\$11,622,130	\$11,627,437	\$21,930,279	\$23,249,567	\$1,319,288	6.02%

Program Description

The Remediation Division protects human health and the environment by preventing exposure to hazardous substances that have been released to soil, sediment, surface water, or groundwater. The division also ensures compliance with state and federal regulations. The division's responsibilities include: oversight, investigation, and cleanup activities at state and federal Superfund sites, and voluntary cleanup activities; reclamation of abandoned mine lands; implementation of corrective actions at sites with leaking underground storage tanks; and oversight of groundwater remediation at sites where improper placement of wastes has caused groundwater contamination.

This division is divided into two bureaus:

- The Hazardous Waste Site Cleanup Bureau (HWSCB) oversees or conducts the investigation and cleanup of sites contaminated by chemical spills, hazardous substances, and petroleum released by industrial and commercial operations other than mining. The bureau works with the Petroleum Tank Release Compensation Board for eligibility and reimbursement determinations
- The Mine Waste Cleanup Bureau (MWCBC) is responsible for administering and overseeing remedial actions at historical mine sites, abandoned mines, ore-transport, and processing facilities. It also oversees the provisions of the federal Comprehensive Environmental Response and Liability Act (CERCLA or federal Superfund Program)

Program Highlights

Remediation Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the division's budget by 6.0% from the 2013 biennium primarily due to state wide present law adjustments and an increase in base operating expenditures ◆ The executive would transfer 1.0 FTE attorney position from the Central Services Division ◆ The executive requests OTO funding of \$850,000 to reimburse the orphan share expenses for the remedial investigation and feasibility studies being conducted during the 2015 biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Remediation Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$12,290,081	\$0	\$0	\$12,290,081	52.9%		
02058 Petroleum Storage Tank Cleanup	\$2,565,109	\$0	\$0	\$2,565,109	11.0%		
02070 Hazardous Waste-cercla	\$161,594	\$0	\$0	\$161,594	0.7%		
02162 Environmental Quality Protecti	\$7,596,858	\$0	\$0	\$7,596,858	32.7%		
02206 Agriculture Monitoring	\$21,615	\$0	\$0	\$21,615	0.1%		
02314 Dnrc Grants - Remediation	\$200,000	\$0	\$0	\$200,000	0.9%		
02438 Pegasus - Beal Mountain	\$303,896	\$0	\$0	\$303,896	1.3%		
02472 Orphan Share Fund	\$872,529	\$0	\$0	\$872,529	3.8%		
02520 Fy06 Cercla Bond Proceeds	\$69,618	\$0	\$0	\$69,618	0.3%		
02565 Lust Cost Recovery	\$399,926	\$0	\$0	\$399,926	1.7%		
02940 Pegasus - Basin	\$98,936	\$0	\$0	\$98,936	0.4%		
Federal Special Total	\$10,959,486	\$0	\$0	\$10,959,486	47.1%		
03036 Deq Federal Aml Grant	\$569,571	\$0	\$0	\$569,571	2.4%		
03158 Blm Interagency Agreement	\$624,118	\$0	\$0	\$624,118	2.7%		
03221 Epa Lust Trust Fy2010	\$1,061,893	\$0	\$0	\$1,061,893	4.6%		
03256 Epa Superfund Core Fy2010	\$431,016	\$0	\$0	\$431,016	1.9%		
03257 Superfund Multi-site	\$1,925,275	\$0	\$0	\$1,925,275	8.3%		
03260 Carpenter Snow Creek Superfund	\$165,100	\$0	\$0	\$165,100	0.7%		
03261 Lust Supplemental Grant	\$141,607	\$0	\$0	\$141,607	0.6%		
03262 Epa Ppg	\$406,683	\$0	\$0	\$406,683	1.7%		
03295 Tank Closure Grant	\$100,000	\$0	\$0	\$100,000	0.4%		
03351 Mgmt Assist - Butte Mine Flood	\$100,000	\$0	\$0	\$100,000	0.4%		
03353 Management Assist - Spec Acct	\$570,180	\$0	\$0	\$570,180	2.5%		
03360 Management Assistance - Bulk	\$1,013,155	\$0	\$0	\$1,013,155	4.4%		
03438 Brownsfield State Response	\$158,068	\$0	\$0	\$158,068	0.7%		
03463 Mine Lease/reclamation	\$125,517	\$0	\$0	\$125,517	0.5%		
03721 Libby Asbestos/troy	\$2,355,545	\$0	\$0	\$2,355,545	10.1%		
03973 Brownfields Grants	\$1,211,758	\$0	\$0	\$1,211,758	5.2%		
Total All Funds	\$23,249,567	\$0	\$0	\$23,249,567	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Remediation Division is funded with a mix of state special and federal revenue sources. State special revenue comes from the \$.0075 gas tax for petroleum tank cleanup, registration fees for underground storage tanks, and interest proceeds from the Resource Indemnity Trust (RIT) deposited to the environmental quality protection, orphan share, and hazardous waste funds. Federal special revenue is derived from the federal Environmental Protection Agency (EPA) for Superfund oversight and various other activities, and the federal Office of Surface Mining for the Abandoned Mine Lands (AML) program.

For a further discussion of the RIT funds, see the Summary section of this agency's narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	10,029,135	10,029,135	20,058,270	86.27%
Statewide PL Adjustments	0	0	0	0.00%	500,513	504,743	1,005,256	4.32%
Other PL Adjustments	0	0	0	0.00%	1,095,560	1,096,637	2,192,197	9.43%
New Proposals	0	0	0	0.00%	(3,078)	(3,078)	(6,156)	(0.03%)
Total Budget	\$0	\$0	\$0		\$11,622,130	\$11,627,437	\$23,249,567	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					680,857					684,183
Vacancy Savings					(178,399)					(178,532)
Inflation/Deflation					(1,945)					(908)
Total Statewide Present Law Adjustments		\$0	(\$46,731)	\$547,244	\$500,513		\$0	(\$44,831)	\$549,574	\$504,743
DP 4001 - Remediation Division Operating Adjustment	0.00	0	85,621	90,153	175,774	0.00	0	85,630	90,944	176,574
DP 4003 - Orphan Share Claims Feas Studies (BIEN/RST/OTO)	0.00	0	425,000	0	425,000	0.00	0	425,000	0	425,000
DP 4004 - LUST Trust Cost Recovery Expenditures	0.00	0	199,455	0	199,455	0.00	0	199,455	0	199,455
DP 4005 - Beal & Basin Reclamation Bond Expend. (BIEN/RST)	0.00	0	201,416	0	201,416	0.00	0	201,416	0	201,416
DP 4006 - Remediation Division Additional Leased Vehicle	0.00	0	0	8,003	8,003	0.00	0	0	8,413	8,413
DP 4007 - Move Attorney from PGM 10 to PGM 40	1.00	0	56,751	29,161	85,912	1.00	0	56,755	29,024	85,779
Total Other Present Law Adjustments	1.00	\$0	\$968,243	\$127,317	\$1,095,560	1.00	\$0	\$968,256	\$128,381	\$1,096,637
Grand Total All Present Law Adjustments	1.00	\$0	\$921,512	\$674,561	\$1,596,073	1.00	\$0	\$923,425	\$677,955	\$1,601,380

DP 4001 - Remediation Division Operating Adjustment – The executive requests additional funds up to the previously appropriated level. Operating adjustments for the Hazardous Waste Site Cleanup Bureau (HWSCB) reflect increased activity for preliminary assessment and site investigation (PA/SI), litigation on state superfund sites and contractual activity at other state superfund sites. Base activity included emergency response to the Yellowstone pipeline spill. The Mine Waste Cleanup Bureau (MWCB) is requesting authority for completion of hard rock abandoned mine cleanup projects for which cash has already been received, and the MWCB has anticipated increased contractual activity for certain federal superfund sites.

DP 4003 - Orphan Share Claims Feas Studies (BIEN/RST/OTO) – The executive requests one-time-only, biennial, and restricted funds to reimburse the orphan share expenses for the remedial investigation and feasibility studies being conducted during the 2015 biennium. Claims are anticipated under the Controlled Allocation of Liability Act (CALA) for two sites: the S&W Sawmill in Darby and the Joslyn Street Tailings in Helena.

DP 4004 - LUST Trust Cost Recovery Expenditures – The executive requests the authority to compensate for reductions in federal grants funds. The purpose of these expenditures is to continue the department's efforts to investigate and clean up petroleum releases from certain underground storage tanks to prevent human health and environmental impacts where the cleanup is not eligible for reimbursement from the petroleum tank release compensation fund. Leaking Underground Storage Tank (LUST) Trust Cost Recovery funds are monies from recalcitrant responsible parties that have reimbursed the department for expenditures to clean up certain petroleum release sites.

LFD ISSUE	<u>Information Not Provided</u> Staff requested information from the department on the reasons for the reduction in federal funds and did not receive a response. The fund will be able to sustain the expenditures for the 2015 biennium. However, if expenditures continue at the requested level, the fund will be negative in FY 2016. If the agency expects an increase in expenditures that are not eligible for reimbursement, another source of funding would have to be found.
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DP 4005 - Beal & Basin Reclamation Bond Expend. (BIEN/RST) – The executive requests biennial restricted forfeited reclamation bond monies over the 2015 biennium. The funds are the remaining forfeited reclamation bond monies for the Beal and Basin mine sites and would be used to continue utilizing contracted services for ongoing reclamation activity. At Beal, these funds would supplement Forest Service expenditures for site maintenance and water monitoring needs. At the Basin site, these funds would be used to reclaim abandoned mine infrastructure and conduct site maintenance to supplement EPA expenditures at the regional mine waste repository located at the former mine site.

DP 4006 - Remediation Division Additional Leased Vehicle – The executive requests funding for an additional vehicle to better access remote sites.

DP 4007 - Move Attorney from PGM 10 to PGM 40 - The executive requests funding for the transfer of an attorney from the Central Management Program (DP 1004) to the Remediation Division. This transfer aligns the position with workload requirements. The request is budget neutral and nets to zero across the two divisions.

New Proposals

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6101 - Professional Development Center Fee Allocation	40	0.00	0	(584)	(2,494)	(3,078)	0.00	0	(584)	(2,494)	(3,078)
Total	0.00	\$0	(\$584)	(\$2,494)	(\$3,078)	0.00	\$0	(\$584)	(\$2,494)	(\$3,078)	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	207.14	207.14	209.14	209.14	207.14	209.14	2.00	0.97%
Personal Services	13,323,147	14,081,666	14,260,156	14,270,331	27,404,813	28,530,487	1,125,674	4.11%
Operating Expenses	8,441,458	11,112,640	13,045,131	12,938,519	19,554,098	25,983,650	6,429,552	32.88%
Equipment & Intangible Assets	60,755	90,872	101,740	101,740	151,627	203,480	51,853	34.20%
Grants	1,635,863	1,806,461	1,635,863	1,635,863	3,442,324	3,271,726	(170,598)	(4.96%)
Transfers	23,034	22,832	23,034	23,034	45,866	46,068	202	0.44%
Total Costs	\$23,484,257	\$27,114,471	\$29,065,924	\$28,969,487	\$50,598,728	\$58,035,411	\$7,436,683	14.70%
General Fund	1,736,659	1,742,085	2,604,764	2,497,459	3,478,744	5,102,223	1,623,479	46.67%
State Special	15,313,001	18,498,895	19,596,738	19,605,055	33,811,896	39,201,793	5,389,897	15.94%
Federal Special	6,434,597	6,873,491	6,864,422	6,866,973	13,308,088	13,731,395	423,307	3.18%
Total Funds	\$23,484,257	\$27,114,471	\$29,065,924	\$28,969,487	\$50,598,728	\$58,035,411	\$7,436,683	14.70%

Program Description

The Permitting and Compliance Division administers all DEQ permitting and compliance activities based on 25 state regulatory and 5 related federal authorities.

The division:

- Reviews and assesses environmental permit applications (coordinating with other state, local, and federal agencies) to determine control measures needed to ensure compliance with the law and to prevent land, water, and air conditions detrimental to public health, welfare, safety, and the environment
- Prepares supporting environmental documents under the Montana Environmental Policy Act and provides training and technical assistance when needed
- Inspects to determine compliance with permit conditions, laws, and rules
- Provides assistance to resolve the facility's compliance issues, and when necessary recommends formal enforcement actions to the Enforcement Division

Activities are organized into the Air Resources Management Bureau (air); Industrial and Energy Minerals Bureau (coal, uranium, and openpit mining); Environmental Management Bureau (hard rock and facility siting); Public Water and Subdivision Bureau (public water supply and subdivision); Water Protection Bureau (water discharge); and Waste and Underground Tank Management Bureau (solid waste, junk vehicles, septage pumpers, hazardous waste, asbestos, and underground storage tanks).

Program Highlights

Permitting and Compliance Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase the division's budget primarily due to: ◆ State wide present law adjustments and ◆ \$5.6 million for projects administered by the Hard Rock and Major Facility Siting Act (MFSA), authority which would be used for cost reimbursement projects ◆ An additional 2.0 FTE and funding for an systems specialist and an opencut science specialist ◆ The executive would expand the use of general fund in this division: <ul style="list-style-type: none"> • Provide grants to counties for air quality activities to replace federal funds that have not kept up with costs • Supplement funding for Zortman Landusky reclamation and water treatment operating costs, which surpass revenue from the relevant bonds • Provide ongoing funding for the Subdivision Review Program to supplement subdivision review fees

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Permitting & Compliance Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,122,931	\$0	\$0	\$5,122,931	8.8%		
State Special Total	\$39,122,267	\$0	\$0	\$39,122,267	67.5%		
02036 Opencut Fees	\$554,020	\$0	\$0	\$554,020	1.0%		
02054 Ust-installer Lic & Permit Acc	\$97,334	\$0	\$0	\$97,334	0.2%		
02070 Hazardous Waste-cercla	\$716,586	\$0	\$0	\$716,586	1.2%		
02075 Ust Leak Prevention Program	\$609,685	\$0	\$0	\$609,685	1.1%		
02096 Reclamation - Bond Forfeitures	\$108,092	\$0	\$0	\$108,092	0.2%		
02157 Solid Waste Management Fee	\$1,156,390	\$0	\$0	\$1,156,390	2.0%		
02201 Air Quality-operating Fees	\$7,935,741	\$0	\$0	\$7,935,741	13.7%		
02202 Asbestos Control	\$520,858	\$0	\$0	\$520,858	0.9%		
02204 Public Drinking Water	\$1,694,575	\$0	\$0	\$1,694,575	2.9%		
02278 Mpdcs Permit Program	\$4,494,553	\$0	\$0	\$4,494,553	7.8%		
02418 Subdivision Plat Review	\$931,494	\$0	\$0	\$931,494	1.6%		
02420 Bd Of Cert For W&ww Op	\$293,437	\$0	\$0	\$293,437	0.5%		
02421 Hazardous Waste Fees	\$456,652	\$0	\$0	\$456,652	0.8%		
02428 Major Facility Siting	\$1,938,220	\$0	\$0	\$1,938,220	3.3%		
02521 Pegasus Bankruptcy/operations	\$1,462,642	\$0	\$0	\$1,462,642	2.5%		
02576 Natural Resources Operations Ssr Fu	\$3,796,414	\$0	\$0	\$3,796,414	6.5%		
02579 Coal & Uranium Mine Account	\$500,000	\$0	\$0	\$500,000	0.9%		
02845 Junk Vehicle Disposal	\$3,841,924	\$0	\$0	\$3,841,924	6.6%		
02954 Septage Fees	\$134,666	\$0	\$0	\$134,666	0.2%		
02988 Hard Rock Mining Reclamation	\$7,878,984	\$0	\$0	\$7,878,984	13.6%		
Federal Special Total	\$13,731,395	\$0	\$0	\$13,731,395	23.7%		
03028 Ust Energy Policy Act Prov	\$390,534	\$0	\$0	\$390,534	0.7%		
03067 Dsl Federal Reclamation Grant	\$1,465,503	\$0	\$0	\$1,465,503	2.5%		
03107 National Park Service - Yellowstone	\$43,200	\$0	\$0	\$43,200	0.1%		
03152 Dw Srf Fy15 Grant	\$511,524	\$0	\$0	\$511,524	0.9%		
03243 Blm-armb 9/30/16	\$91,414	\$0	\$0	\$91,414	0.2%		
03262 Epa Ppg	\$6,496,698	\$0	\$0	\$6,496,698	11.2%		
03309 Ust Leak Prevention Grant	\$390,578	\$0	\$0	\$390,578	0.7%		
03325 Pm 2.5 To 3/31/09	\$780,000	\$0	\$0	\$780,000	1.3%		
03326 Blm For Zortman & Landusky	\$744,926	\$0	\$0	\$744,926	1.3%		
03430 Dw Srf Fy14 Grant	\$810,274	\$0	\$0	\$810,274	1.4%		
03436 Nps 09 Staffing & Support	\$98,791	\$0	\$0	\$98,791	0.2%		
03438 Brownsfield State Response	\$21,387	\$0	\$0	\$21,387	0.0%		
03595 Dw Srf Fy13	\$299,846	\$0	\$0	\$299,846	0.5%		
03691 Non Pt Source Staffing/support	\$98,791	\$0	\$0	\$98,791	0.2%		
03816 Doi Osm A&e Grant	\$1,466,542	\$0	\$0	\$1,466,542	2.5%		
03973 Brownfields Grants	\$21,387	\$0	\$0	\$21,387	0.0%		
Total All Funds	\$57,976,593	\$0	\$0	\$57,976,593	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The division is funded with general fund and a variety of state and federal special revenue sources. The general fund supports operating expenses.

State special revenue consists of forfeited hard rock reclamation bonds, and fees collected for various activities such as air permits, junk vehicle fines, public water supply connections, and subdivision reviews. These funds are used to administer related permits and compliance operations in the division. The division also receives Resource Indemnity Trust (RIT) interest via the hazardous waste and natural resources operations funds.

Federal special revenue sources include the Environmental Protection Agency (EPA) and the Bureau of Land Management (BLM). Federal funds are directed toward specific sites or for primacy costs of the permitting programs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,736,659	1,736,659	3,473,318	67.80%	23,484,257	23,484,257	46,968,514	81.01%
Statewide PL Adjustments	8,157	8,625	16,782	0.33%	816,265	830,644	1,646,909	2.84%
Other PL Adjustments	151,892	152,343	304,235	5.94%	4,222,249	4,221,885	8,444,134	14.56%
New Proposals	718,557	610,039	1,328,596	25.93%	512,777	404,259	917,036	1.58%
Total Budget	\$2,615,265	\$2,507,666	\$5,122,931		\$29,035,548	\$28,941,045	\$57,976,593	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,411,711					1,422,486
Vacancy Savings					(589,402)					(589,834)
Inflation/Deflation					(5,945)					(1,909)
Fixed Costs					(99)					(99)
Total Statewide Present Law Adjustments		\$8,157	\$636,033	\$172,075	\$816,265		\$8,625	\$647,564	\$174,455	\$830,644
DP 5001 - Permitting & Compliance Division Operations Adjust	0.00	24,947	990,640	256,871	1,272,458	0.00	24,947	989,202	256,871	1,271,020
DP 5002 - Hard Rock Reclamation/MFSA Projects (RST/BIEN)	0.00	0	2,812,946	0	2,812,946	0.00	0	2,812,946	0	2,812,946
DP 5003 - County Air Program Funding Increase	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 5004 - Permitting & Compliance Division Leased Vehicles	0.00	1,945	6,691	3,209	11,845	0.00	2,396	7,143	3,380	12,919
Total Other Present Law Adjustments	0.00	\$151,892	\$3,810,277	\$260,080	\$4,222,249	0.00	\$152,343	\$3,809,291	\$260,251	\$4,221,885
Grand Total All Present Law Adjustments	0.00	\$160,049	\$4,446,310	\$432,155	\$5,038,514	0.00	\$160,968	\$4,456,855	\$434,706	\$5,052,529

DP 5001 - Permitting & Compliance Division Operations Adjust – The executive requests to increase spending authority to the appropriated level. Reduced base year expenditures are primarily due to staff vacancies, which led to reduced operating expenditures for activities including inspections, compliance work and permit review. Additionally, several staff were assigned to the Yellowstone oil spill response and charged their time there, the costs of which were reimbursed by Exxon Mobile.

DP 5002 - Hard Rock Reclamation/MFSA Projects (RST/BIEN) – The executive requests restricted biennial funding for projects administered by the Hard Rock and Major Facility Siting Act Programs (MFSA). Hard rock mining reclamation authority would be used for operation and maintenance of the Zortman/Landusky mine site and the funding would come from the hard rock mining reclamation fund. MFSA budget authority would be used for cost reimbursement projects for MFSA analysis of project applications that arise during the 2015 biennium. Bond forfeitures and settlements over the course of the biennium would be used for reclamation of specific mine sites and would be funded by settlement agreements or by forfeitures of various reclamation surety bonds.

LFD COMMENT
2013 biennium.

The 2011 legislature approved a biennial, restricted request for \$1,750,000 per year in state special revenue for projects administered by the the Hard Rock and MFSA programs. Hard Rock mining reclamation accounted for \$3,000,000 over the biennium used for operation and maintenance of the Zortman Landusky mine site and the funding came from the hard rock mining reclamation fund for the

DP 5003 - County Air Program Funding Increase – The executive requests funding for county air quality programs. The funds are requested to keep pace with inflation as well as for increased workload related to air quality within the division. County air quality programs conduct monitoring, permitting, and/or compliance activities either on behalf of or in lieu of the department. Federal grant funding, which is typically passed through to counties, has not increased, nor has it kept up with inflation and workload. County air quality programs have not received an increase in state assistance since the year 2000.

LFD COMMENT

Although the air quality fund could absorb this request during the 2015 biennium, it would not be able to sustain the expenditure. As shown in the figure below, the fund is not fiscally stable as expenditures exceed revenues.

Air Quality Operating Fee Fund				
	FY 2012	FY 2013	FY 2014	FY 2015
	Actuals	Approp.	Request	Request
Beginning Balance	\$1,733,342	\$2,317,811	\$1,490,860	\$1,144,416
Expenditures	3,670,512	4,811,186	4,250,994	4,253,369
Revenue	<u>4,188,230</u>	<u>3,984,235</u>	<u>3,904,550</u>	<u>3,826,459</u>
Ending Balance	<u>\$2,251,060</u>	<u>\$1,490,860</u>	<u>\$1,144,416</u>	<u>\$717,506</u>

DP 5004 - Permitting & Compliance Division Leased Vehicles – The executive is requesting funding to permanently lease vehicles from the MDT motor pool, including 1) five SUVs; 2) two sedans to replace currently rented vehicles; and 3) three additional SUV’s to replace three 1990 era SUVs with excessive miles and wear. Daily lease from the MDT motor pool is not an option due to location and continuing to rent vehicles is not an option due to availability.

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 5005 - Zortman/Landusky Additional Funding (OTO/RST/BIEN)	50	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 5006 - Opencut Mining Program Database (OTO/REST/BIEN)	50	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 5007 - IEMB (Coal and Opencut) Systems Specialist	50	1.00	40,876	40,877	0	81,753	1.00	38,649	38,649	0	77,298
DP 5008 - Opencut Science Specialist	50	1.00	86,428	0	0	86,428	1.00	80,431	0	0	80,431
DP 5009 - IEMB FileNet Data Storage	50	0.00	31,200	0	0	31,200	0.00	31,200	0	0	31,200
DP 5010 - Subdivisions Base Program (Funding Switch)	50	0.00	200,000	(200,000)	0	0	0.00	200,000	(200,000)	0	0
DP 6101 - Professional Development Center Fee Allocation	50	0.00	(448)	(3,450)	(2,330)	(6,228)	0.00	(448)	(3,450)	(2,330)	(6,228)
Total	2.00	\$708,056	(\$162,573)	(\$2,330)	\$543,153	2.00	\$599,832	(\$164,801)	(\$2,330)	\$432,701	

DP 5005 - Zortman/Landusky Additional Funding (OTO/RST/BIEN) – The executive requests one-time-only, restricted biennial funding for site reclamation and water treatment projects at the Zortman and Landusky mine sites. Annual site operating costs are approximately \$2.5 million dollars, over double the amount of the water treatment bond that is available annually. Costs also have increased substantially due to weather patterns and increasing costs of water treatment inputs such as lime, fuel, electricity, and labor.

LFD COMMENT	<p>The executive requests DP 5005 because the current income for operating costs, such as the power expenses, is \$2.5 million. Currently, the department receives 1) \$731,000 annually from the Pegasus settlement, which is set to expire in FY 2017; 2) \$1.5-2.0 million from the bond reclamation fund; and 3) \$2-500,000 from the Bureau of Land Management (BLM), which is expected to be less for the 2015 biennium since the BLM is no longer giving a set amount of funding, but rather whatever they have remaining at the end of the year.</p> <p>These expenses are dependent upon the weather (the more precipitation, the higher the costs). Depending upon actual weather conditions the amount utilized could be less than the request.</p>
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DP 5006 - Opencut Mining Program Database (OTO/REST/BIEN) – The executive requests one-time-only funding to replace an existing Access 2003 database to better support the programs business processes. In 2014, Access 2003 will no longer be supported by Microsoft.

DP 5007 - IEMB (Coal and Opencut) Systems Specialist – The executive requests 1.0 FTE to support the development and maintenance of system tools in support of coal and open cut mining regulatory programs.

LFD COMMENT	<p>The coal and uranium account has a balance that could support DP 5007 and DP 5009 for the 2015 biennium. The department did not respond when asked for their input on this option.</p>
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DP 5008 - Opencut Science Specialist - The executive requests 1.0 FTE to perform permit review, compliance assistance, inspections and bond release for the opencut mining program.

**LFD
COMMENT**

The department is requesting funding to transform a program acquired from the state of Colorado for a coal database into an opencut mining database and 1.0 FTE to support it, as well as 1.0 FTE to support additional permit applications. Applications received by the opencut mining program have increased by 136, or 80%, since 2008.

DP 5009 - IEMB FileNet Data Storage – The executive requests funding to cover additional costs of FileNet data storage. Storage charges have increased 600% in this program due to increased use and an eroding rate base for FileNet among state agencies.

DP 5010 - Subdivisions Base Program (Funding Switch) – The executive requests a funding switch of \$200,000 per year from state special to general fund in order to provide stable core funding for the Subdivision Review Program. The executive states part of the goal is to “preserve the ability to deal with sudden increases in activity.”

**LFD
COMMENT**

The subdivision account will not be structurally balanced in the 2015 biennium at the requested level of expenditure. The revenues declined 82% from FY 2007 to FY 2011 due to the economic decline, with a slight increase in FY 2012.

Historically, the revenue from large lot (100 – 500) subdivisions supplemented the program and review of the small lot subdivisions. Since the economic decline in 2008, the large lot subdivisions have become insubstantial and the majority of the work is on small lot subdivisions, which includes a lot of family transfers. Without the revenue from the large lot subdivisions, the department doesn’t have adequate revenue to cover the rest of the program activities such as administration, up front consultation, and training.

There has also been an increase in work due to the oil boom and significant housing issues in Eastern Montana. The department estimates the percentage of time employees are on Eastern Montana issues in the public water program is approximately equal to 0.52 FTE. The division has also reduced personnel from 11.5 FTE prior to the downturn to 3.25 FTE currently.

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	6.10	6.10	6.10	6.10	6.10	6.10	0.00	0.00%
Personal Services	385,201	411,405	359,994	359,924	796,606	719,918	(76,688)	(9.63%)
Operating Expenses	206,673	294,722	257,953	258,013	501,395	515,966	14,571	2.91%
Total Costs	\$591,874	\$706,127	\$617,947	\$617,937	\$1,298,001	\$1,235,884	(\$62,117)	(4.79%)
State Special	591,874	706,127	617,947	617,937	1,298,001	1,235,884	(62,117)	(4.79%)
Total Funds	\$591,874	\$706,127	\$617,947	\$617,937	\$1,298,001	\$1,235,884	(\$62,117)	(4.79%)

Program Description

The Petroleum Tank Release Compensation Board is responsible for administering the petroleum tank release cleanup fund. This includes reimbursement to petroleum storage tank owners and operators for corrective action costs and compensation paid to third parties for bodily injury and property damage resulting from a release of petroleum from a petroleum storage tank. The board is responsible for responding to and working with private individuals, corporations, other state agencies, the Governor’s Office, the legislature, federal agencies, and other interested parties with activities relative to petroleum storage tanks. It is attached to the DEQ for administrative purposes.

Program Highlights

Petro Tank Release Compensation Board Major Budget Highlights	
◆	The executive proposes to decrease the division’s budget by 4.8% from the 2013 biennium due to state wide present law adjustments and a new proposal requesting to increase funding to prior appropriated levels

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Environmental Quality Funding by Source of Authority 2015 Biennium Budget - Petro Tank Release Comp. Board							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$1,235,884	\$0	\$7,963,076	\$9,198,960	100.0%		
02058 Petroleum Storage Tank Cleanup	\$1,235,884	\$0	\$7,963,076	\$9,198,960	100.0%	75-11-313	Pass Thru
Total All Funds	\$1,235,884	\$0	\$7,963,076	\$9,198,960	100.0%		
Percent - Total All Sources	13.4%	0.0%	86.6%				

The program is funded entirely through a portion of the \$0.0075 fee on gasoline, diesel, heating oil, and aviation fuel distributed in Montana. The fund is fiscally stable and is expected to have an ending balance of 69.8% of FY 2015 expenditures.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	591,874	591,874	1,183,748	95.78%
Statewide PL Adjustments	0	0	0	0.00%	(25,172)	(25,182)	(50,354)	(4.07%)
Other PL Adjustments	0	0	0	0.00%	51,350	51,350	102,700	8.31%
New Proposals	0	0	0	0.00%	(105)	(105)	(210)	(0.02%)
Total Budget	\$0	\$0	\$0		\$617,947	\$617,937	\$1,235,884	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(10,208)					(10,280)
Vacancy Savings					(14,999)					(14,997)
Inflation/Deflation					35					95
Total Statewide Present Law Adjustments		\$0	(\$25,172)	\$0	(\$25,172)		\$0	(\$25,182)	\$0	(\$25,182)
DP 9001 - Petro Board Staff Operating Adjustments	0.00	0	51,350	0	51,350	0.00	0	51,350	0	51,350
Total Other Present Law Adjustments	0.00	\$0	\$51,350	\$0	\$51,350	0.00	\$0	\$51,350	\$0	\$51,350
Grand Total All Present Law Adjustments	0.00	\$0	\$26,178	\$0	\$26,178	0.00	\$0	\$26,168	\$0	\$26,168

DP 9001 - Petro Board Staff Operating Adjustments – The executive requests funding for operating adjustments, including \$80,552 for anticipated legal services, \$2,440 for computer replacement on a five- year schedule, and \$18,858 for operating and personal services indirects to support agency centralized services functions.

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Professional Development Center Fee Allocation	90	0.00	0	(105)	0	(105)	0.00	0	(105)	0	(105)
Total	0.00	\$0	(\$105)	\$0	(\$105)	0.00	\$0	(\$105)	\$0	(\$105)	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Total Department Of Environmental Quality Funding by Source of Authority
2015 Biennium Budget

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,828,462	\$0	\$0	\$12,828,462	9.3%
State Special Total	\$62,220,678	\$0	\$7,963,076	\$70,183,754	50.9%
02036 Opencut Fees	\$554,020	\$0	\$0	\$554,020	0.4%
02054 Ust-installer Lic & Permit Acc	\$97,334	\$0	\$0	\$97,334	0.1%
02058 Petroleum Storage Tank Cleanup	\$3,800,993	\$0	\$7,963,076	\$11,764,069	8.5%
02070 Hazardous Waste-cercla	\$1,082,358	\$0	\$0	\$1,082,358	0.8%
02075 Ust Leak Prevention Program	\$698,391	\$0	\$0	\$698,391	0.5%
02096 Reclamation - Bond Forfeitures	\$108,092	\$0	\$0	\$108,092	0.1%
02097 Environmental Rehab & Response	\$200,000	\$0	\$0	\$200,000	0.1%
02157 Solid Waste Management Fee	\$1,557,807	\$0	\$0	\$1,557,807	1.1%
02162 Environmental Quality Protecti	\$7,596,858	\$0	\$0	\$7,596,858	5.5%
02201 Air Quality-operating Fees	\$8,504,363	\$0	\$0	\$8,504,363	6.2%
02202 Asbestos Control	\$639,542	\$0	\$0	\$639,542	0.5%
02204 Public Drinking Water	\$1,997,850	\$0	\$0	\$1,997,850	1.4%
02206 Agriculture Monitoring	\$31,809	\$0	\$0	\$31,809	0.0%
02223 Wastewater Srf Special Admin	\$2,251,282	\$0	\$0	\$2,251,282	1.6%
02278 Mpdes Permit Program	\$5,066,660	\$0	\$0	\$5,066,660	3.7%
02291 Alternative Energy Loan Arra	\$100,142	\$0	\$0	\$100,142	0.1%
02314 Dnrc Grants - Remediation	\$200,000	\$0	\$0	\$200,000	0.1%
02370 Energy Consv Repayment Acct	\$420,700	\$0	\$0	\$420,700	0.3%
02418 Subdivision Plat Review	\$931,454	\$0	\$0	\$931,454	0.7%
02420 Bd Of Cert For W&ww Op	\$293,437	\$0	\$0	\$293,437	0.2%
02421 Hazardous Waste Fees	\$456,652	\$0	\$0	\$456,652	0.3%
02428 Major Facility Siting	\$1,938,220	\$0	\$0	\$1,938,220	1.4%
02438 Pegasus - Beal Mountain	\$303,896	\$0	\$0	\$303,896	0.2%
02472 Orphan Share Fund	\$872,529	\$0	\$0	\$872,529	0.6%
02491 Drinking Water Spec Admin Cost	\$789,848	\$0	\$0	\$789,848	0.6%
02520 Fy06 Cercla Bond Proceeds	\$69,618	\$0	\$0	\$69,618	0.1%
02521 Pegasus Bankruptcy/operations	\$1,462,642	\$0	\$0	\$1,462,642	1.1%
02542 Mt Environ Policy Act Fee	\$1,435,894	\$0	\$0	\$1,435,894	1.0%
02555 Alternative Energy Rev Loan	\$195,731	\$0	\$0	\$195,731	0.1%
02565 Lust Cost Recovery	\$399,926	\$0	\$0	\$399,926	0.3%
02576 Natural Resources Operations Ssr Fu	\$4,075,450	\$0	\$0	\$4,075,450	3.0%
02579 Coal & Uranium Mine Account	\$500,000	\$0	\$0	\$500,000	0.4%
02845 Junk Vehicle Disposal	\$3,978,584	\$0	\$0	\$3,978,584	2.9%
02940 Pegasus - Basin	\$98,936	\$0	\$0	\$98,936	0.1%
02954 Septage Fees	\$134,664	\$0	\$0	\$134,664	0.1%
02955 State Energy Conservation Arra	\$985,018	\$0	\$0	\$985,018	0.7%
02973 Univ System Benefits Program	\$510,994	\$0	\$0	\$510,994	0.4%
02988 Hard Rock Mining Reclamation	\$7,878,984	\$0	\$0	\$7,878,984	5.7%
Federal Special Total	\$40,315,605	\$0	\$0	\$40,315,605	29.2%
03003 Wetland Dev-prof Capacity	\$47,326	\$0	\$0	\$47,326	0.0%
03007 Doe Special Projects	\$32,740	\$0	\$0	\$32,740	0.0%
03028 Ust Energy Policy Act Prov	\$390,534	\$0	\$0	\$390,534	0.3%
03033 Wetland Develop-ilf	\$98,484	\$0	\$0	\$98,484	0.1%

03036 Deq Federal Aml Grant	\$569,571	\$0	\$0	\$569,571	0.4%
03067 Dsl Federal Reclamation Grant	\$1,475,206	\$0	\$0	\$1,475,206	1.1%
03091 106 Monitor Suppl Initiative	\$246,598	\$0	\$0	\$246,598	0.2%
03107 National Park Service - Yellowstone	\$43,200	\$0	\$0	\$43,200	0.0%
03151 2012 Exchange Network Grant	\$48,358	\$0	\$0	\$48,358	0.0%
03152 Dw Srf Fy15 Grant	\$1,257,341	\$0	\$0	\$1,257,341	0.9%
03158 Blm Interagency Agreement	\$624,118	\$0	\$0	\$624,118	0.5%
03199 Stripper Wells	\$222,784	\$0	\$0	\$222,784	0.2%
03212 Stripper-secp	\$29,980	\$0	\$0	\$29,980	0.0%
03217 Wetland Watershed Grant	\$172,694	\$0	\$0	\$172,694	0.1%
03218 Diamond Shamrock-admin.	\$42,950	\$0	\$0	\$42,950	0.0%
03221 Epa Lust Trust Fy2010	\$1,061,893	\$0	\$0	\$1,061,893	0.8%
03228 L.u.s.t./trust	(\$98)	\$0	\$0	(\$98)	0.0%
03243 Blm-armb 9/30/16	\$91,414	\$0	\$0	\$91,414	0.1%
03256 Epa Superfund Core Fy2010	\$431,016	\$0	\$0	\$431,016	0.3%
03257 Superfund Multi-site	\$1,925,275	\$0	\$0	\$1,925,275	1.4%
03260 Carpenter Snow Creek Superfund	\$165,100	\$0	\$0	\$165,100	0.1%
03261 Lust Supplemental Grant	\$141,607	\$0	\$0	\$141,607	0.1%
03262 Epa Ppg	\$11,831,385	\$0	\$0	\$11,831,385	8.6%
03295 Tank Closure Grant	\$100,000	\$0	\$0	\$100,000	0.1%
03309 Ust Leak Prevention Grant	\$390,578	\$0	\$0	\$390,578	0.3%
03325 Pm 2.5 To 3/31/09	\$780,000	\$0	\$0	\$780,000	0.6%
03326 Blm For Zortman & Landusky	\$744,926	\$0	\$0	\$744,926	0.5%
03337 2011 Exchange Network Grant	\$182,000	\$0	\$0	\$182,000	0.1%
03351 Mgmt Assist - Butte Mine Flood	\$100,000	\$0	\$0	\$100,000	0.1%
03353 Management Assist - Spec Acct	\$570,180	\$0	\$0	\$570,180	0.4%
03360 Management Assistance - Bulk	\$1,013,155	\$0	\$0	\$1,013,155	0.7%
03430 Dw Srf Fy14 Grant	\$1,556,090	\$0	\$0	\$1,556,090	1.1%
03433 Epa Ppg Fy10-11	(\$576)	\$0	\$0	(\$576)	0.0%
03436 Nps 09 Staffing & Support	\$1,469,023	\$0	\$0	\$1,469,023	1.1%
03437 Doe-state Energy Program	\$753,950	\$0	\$0	\$753,950	0.5%
03438 Brownsfield State Response	\$179,455	\$0	\$0	\$179,455	0.1%
03459 Doe Competitive Special Proj	\$206,996	\$0	\$0	\$206,996	0.2%
03463 Mine Lease/reclamation	\$125,517	\$0	\$0	\$125,517	0.1%
03465 Doe Washington State Univ	\$147,676	\$0	\$0	\$147,676	0.1%
03481 Nps14 Project Grant	\$1,386,584	\$0	\$0	\$1,386,584	1.0%
03482 Nps15 Project Grant	\$1,386,584	\$0	\$0	\$1,386,584	1.0%
03586 Dw Srf Fy12 Grant	(\$18)	\$0	\$0	(\$18)	0.0%
03595 Dw Srf Fy13	\$299,846	\$0	\$0	\$299,846	0.2%
03676 Bureau Of Land Management	\$161,488	\$0	\$0	\$161,488	0.1%
03691 Non Pt Source Staffing/support	\$1,462,309	\$0	\$0	\$1,462,309	1.1%
03695 Srf St Tribal Rel Agrmt Grant	\$284,202	\$0	\$0	\$284,202	0.2%
03721 Libby Asbestos/troy	\$2,355,545	\$0	\$0	\$2,355,545	1.7%
03723 Clean Diesel Ds-97867001	\$568,854	\$0	\$0	\$568,854	0.4%
03814 Epa Water Quality 205j	\$213,186	\$0	\$0	\$213,186	0.2%
03816 Doi Osm A&e Grant	\$1,515,868	\$0	\$0	\$1,515,868	1.1%
03817 Wetland 401 Certification Grnt	\$179,566	\$0	\$0	\$179,566	0.1%
03973 Brownfields Grants	\$1,233,145	\$0	\$0	\$1,233,145	0.9%
Proprietary Total	\$0	\$14,528,211	\$0	\$14,528,211	10.5%
06509 Deq Indirects	\$0	\$14,528,211	\$0	\$14,528,211	10.5%
Total All Funds	\$115,364,745	\$14,528,211	\$7,963,076	\$137,856,032	100.0%
Percent - Total All Sources	83.7%	10.5%	5.8%		

5% Base Budget Reduction Form

[17-7-111-3\(f\)](#)

AGENCY CODE & NAME: 53010 Department of Environmental Quality

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 248,912	\$ 586,976	
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings	
1	Reduce energy analyses and technical assistance for public buildings in the service territory of Montana Dakota Utilities in Program 20		\$ 18,732	
2	Cuts in Contracted Services in Program 50	\$ 72,112	\$ 253,041	
3	The reductions could be achieved by combining discontinuance of USGS gage monitoring on the Powder and Tongue Rivers with reduced contract support for TMDL development and statewide monitoring in Program 20.	\$ 94,343		
4	Cuts in the abandoned vehicle reimbursement program (\$83,068) Program 50.		\$ 83,068	
5	Reduce public information on household hazardous waste recycling and disposal in Program 20.	\$ 16,500		
6	Cuts in the general operating category consisting mainly of lab work, supplies, and printing (\$43,823) Program 50.	\$ 5,588	\$ 38,235	
7	Reduce technical assistance for public entities on energy performance contracting; information for consumers on energy efficiency and renewable energy; participation in energy emergency planning	\$ 19,372		
8	The Permitting and Compliance Division (PCD) proposes cuts in travel and training for employees (\$95,575).	\$ 9,128	\$ 86,447	
9	Personal Services reduction in Program 50 (.75 FTE)			60017
10	Reduction of Operating Expenses in Program 30	\$ 25,335	\$ 21,492	
11	Reduction of Operating Expenses in Program 10	\$ 6,534	\$ 25,944	
TOTAL SAVINGS		\$ 248,912	\$ 586,976	

DIFFERENCE

0

0

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Program 20

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce energy analyses and technical assistance for public buildings in the service territory of Montana Dakota Utilities

#2 THE SAVINGS THAT ARE EXPECTED:

\$18,732 from contracted services

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Cost savings due to energy improvements would not be identified.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

None identified

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes MCA 69-8-412

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 50

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Permitting and Compliance Division (PCD) has identified the following services for elimination. PCD proposes cuts in contracted services (\$325.158).

#2 THE SAVINGS THAT ARE EXPECTED:

The savings in Contracted Services (\$72,117 in general fund and \$253,041 in state special revenue funds) will primarily be reduced in contracts with environmental and IT contractors, other local governments, and other external contractors.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The elimination of these services will result in a reduction of fee collection activities with local

governments, less IT development (with corresponding slow down in the collection and transfer of data), reduced customer access and satisfaction, reduced environmental oversight, fewer inspections, and longer timelines for EAs and EISs.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The impacts to constituents and staff may possibly be mitigated by requiring local funding to assume costs where possible, requests to applicants and permitted entities for additional contracting of on-going activities (sampling, lab analysis, etc.), concentration on high priority items, and extending timelines when possible or applicable.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, many programs have both state and federal service requirements. The following statutes apply across PCD's bureaus: 75-2-101, MCA et.al, 82-4-101 MCA, et.al. and federal statutes, MCA:75-1-201-207, 75-20-101 though 232 (Environmental Impact Statements, Policy and General Provisions & Major Facility Siting Certification), 82-1,2,4 (Minerals, Oil, Gas; 1 General Provisions, 2 Reclamation, 4 Mining Generally), 75-6-101, MCA et. al. and federal statute, 75-5-401 MCA et.al. and federal statutes, Meth Cleanup (01100) - 75-10-1304 & 75-10-1306, MCA, Solid Waste (01100/02157) - 75-10-117(b), MCA / 75-10-101, 75-10-201; 75-10-501; 75-10-1201; 75-10-801; 75-10-1001, MCA, UST Installer License & Permit (02054) - 75-11-213, MCA, UST Leak Prevention Program (02075) - 75-11-502, MCA, Asbestos Control (02202) - 75-2-503, MCA, HazWaste (02421) - 75-10-406, MCA. In certain instances, specific activities that would be reduced may not be required by statute.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 20

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The reductions could be achieved by combining discontinuance of USGS gage monitoring on the Powder and Tongue Rivers with reduced contract support for TMDL development and statewide monitoring.

#2 THE SAVINGS THAT ARE EXPECTED:

\$94,343 from contracted services

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

USGS gage stations on the Powder and Tongue rivers continuously monitor flow and salinity at the border with Wyoming. These data are used by the agricultural producers in the watersheds to inform irrigation practices. General Fund monies also support development of Total Maximum Daily Loads (TMDLs) for impaired waters of the state. A portion of the reduction would have to come from the contractor support for TMDL development as well as the laboratory support for TMDL and monitoring programs at DEQ.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

For the USGS gage stations on the Powder and Tongue rivers, local producers are the primary users and could fund the gages since their business operations rely upon these data. Alternatively, the local producers could construct their own gaging systems and operate them for their own purposes (since USGS stations are so expensive). Loss of funding for TMDL development is likely to reduce the pace, quality, or both of TMDLs development in Montana. Loss of funding for monitoring will require that suites of monitoring parameters are reduced to reduce their cost.

For the USGS gage stations on the Powder and Tongue rivers, local producers are the primary users and could fund the gages since their business operations rely upon these data. Alternatively, the local producers could construct their own gaging systems and operate them for their own purposes (since USGS stations are so expensive). Loss of funding for TMDL development is likely to reduce the pace, quality, or both of TMDLs development in Montana. Loss of funding for monitoring will require that suites of monitoring parameters are reduced to reduce their cost.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, monitoring, in general, is required at 75-5-702 MCA. The statute does not specifically require that the USGS gages on the Powder and Tongue are included in the state's monitoring resource mix. Yes, TMDL development is required at 75-5-703 MCA. TMDL pace commitments are held between the EPA and DEQ in a federal lawsuit.

Yes, monitoring, in general, is required at 75-5-702 MCA. The statute does not specifically require that the USGS gages on the Powder and Tongue are included in the state's monitoring resource mix. Yes, TMDL development is required at 75-5-703 MCA. TMDL pace commitments are held between the EPA and DEQ in a federal lawsuit.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 50

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Permitting and Compliance Division (PCD) has identified the following service for elimination. PCD proposes cuts in the abandoned vehicle reimbursement program (\$83,068).

#2 THE SAVINGS THAT ARE EXPECTED:

State special revenue funds - \$83,068 in the operating category.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The potential reduction in abandoned vehicle reimbursements is to towing businesses for the removal of abandoned vehicles from Montana roadways.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The reduction would most likely still allow the program to reimburse for most towing claims.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, Junk-Abandoned Vehicle 15-1-122 and 61-12-401, MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 20

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce public information on household hazardous waste recycling and disposal.

#2 THE SAVINGS THAT ARE EXPECTED:

\$16,500 (Contracts \$13,000, travel \$1,500, printing \$2,000)

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reduced information on options for recycling, safe disposal and alternatives to certain products could result in lower amounts of recycling and improper disposal.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Provide information to local governments and request assistance in disseminating it.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes. MCA 75-20-215

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Permitting and Compliance Division (PCD) has identified the following services for elimination. PCD proposes cuts in the general operating category consisting mainly of lab work, supplies, and printing (\$43,823).

#2 THE SAVINGS THAT ARE EXPECTED:

The savings of \$5,588 in general fund and \$38,235 in SSR funds will come from reductions in general operating expenditures. These cuts will primarily be reductions of supplies, printing, and lab work.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The reduction will result in the reduced ability to send environmental samples to labs of analysis of possible pollutants. The cutback in supplies and printing would create customer dissatisfaction with only mandatory communication available to the programs.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The public and departmental impacts may be mitigated by requesting additional reporting from the regulated community (sampling, lab analysis, and data submittals), causing additional expense to permitted constituents and permit applicants. PCD will explore opportunities to conserve supplies and streamline resource use.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, many programs have both state and federal service requirements. The following statutes apply across PCD's bureaus: 75-2-101, MCA et.al, 82-4-101 MCA, et.al. and federal statutes, MCA:75-1-201-207, 75-20-101 though 232 (Environmental Impact Statements, Policy and General Provisions & Major Facility Siting Certification), 82-1,2,4 (Minerals, Oil, Gas; 1 General Provisions, 2 Reclamation, 4 Mining Generally), 75-6-101, MCA et. al. and federal statute, 75-5-401 MCA et.al. and federal statutes, Meth Cleanup (01100) - 75-10-1304 & 75-10-1306, MCA, Solid Waste (01100/02157) - 75-10-117(b), MCA / 75-10-101, 75-10-201; 75-10-501; 75-10-1201; 75-10-801; 75-10-1001, MCA, UST Installer License & Permit (02054) - 75-11-213, MCA, UST Leak Prevention Program (02075) - 75-11-502, MCA, Asbestos Control (02202) - 75-2-503, MCA, HazWaste (02421) - 75-10-406, MCA. In certain instances, specific activities that would be reduced may not be required by statute.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 20

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce technical assistance for public entities on energy performance contracting; information for consumers on energy efficiency and renewable energy; participation in energy emergency planning

#2 THE SAVINGS THAT ARE EXPECTED:

\$19,372 (contracts \$14,000; printing \$3,000; travel \$2,372)

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Less energy savings in buildings and reduced readiness for energy emergencies should they occur.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

None identified

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes MCA 90-4-1101 et.seq; 90-4-301 et.seq.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 50

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Permitting and Compliance Division (PCD) proposes cuts in travel and training for employees (\$95,575).

#2 THE SAVINGS THAT ARE EXPECTED:

The reduction of \$87,569 will come from \$9,128 in general fund and \$86,447 in SSR expenditures.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The impacts would affect the ability of division personnel to meet with constituents, legislators and citizens, which would result in reduced customer service and satisfaction. Stakeholder outreach would be reduced, resulting in decreased compliance assistance to the regulated community and reduced customer service to the public. Reduction in these budget items would decrease staff's ability to attend essential training necessary to job performance on new federal rules and requirements. These reductions will also affect professional certifications, resulting in fewer staff with professional certifications.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

PCD will attempt to respond to constituents, legislators, and citizens through written or verbal communications. PCD will reduced travel for inspections that are statutorily required by combining trips when possible. PCD will attempt to identify and find ways to train staff internally and with on-line training to maintain certifications where possible.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, many programs have both state and federal service requirements. The following statutes apply across PCD's bureaus: 75-2-101, MCA et.al, 82-4-101 MCA, et.al. and federal statutes, MCA:75-1-201-207, 75-20-101 though 232 (Environmental Impact Statements, Policy and General Provisions & Major Facility Siting Certification), 82-1,2,4 (Minerals, Oil, Gas; 1 General Provisions, 2 Reclamation, 4 Mining Generally), 75-6-101, MCA et. al. and federal statute, 75-5-401 MCA et.al. and federal statutes, Meth Cleanup (01100) - 75-10-1304 & 75-10-1306, MCA, Solid Waste (01100/02157) - 75-10-117(b), MCA / 75-10-101, 75-10-201; 75-10-501; 75-10-1201; 75-10-801; 75-10-1001, MCA, UST Installer License & Permit (02054) - 75-11-213, MCA, UST Leak Prevention Program (02075) - 75-11-502, MCA, Asbestos Control (02202) - 75-2-503, MCA, HazWaste (02421) - 75-10-406, MCA. In certain instances, specific activities that would be reduced may not be required by statute.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 50

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Permitting and Compliance Division (PCD) has identified the following personal services for elimination (\$60,017).

#2 THE SAVINGS THAT ARE EXPECTED:

PCD will eliminate the funding equivalent to approximately .75 FTE (\$60,017 in SSR expenditures). These cuts are .25 FTE of an environmental engineer position and .50 FTE of an environmental science specialist position.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

There will be an increased workload per review engineer which will increase the amount of time submittals must wait before review begins. The consequences of a reduced environmental science specialist FTE will result in delayed permit and renewal issuances, which may increase the backlog of permit issuance.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There is no reasonable option to reduce impacts caused by increased time to do Public Water Supply and subdivision plan reviews. Another option is to increase the operating budget to allow us to offset the personal service shortage with contractors and absorb the remaining duties with remaining staff.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, many programs have both state and federal service requirements. The following statutes apply across PCD's bureaus: 75-2-101, MCA et.al, 82-4-101 MCA, et.al. and federal statutes, MCA:75-1-201-207, 75-20-101 through 232 (Environmental Impact Statements, Policy and General Provisions & Major Facility Siting Certification), 82-1,2,4 (Minerals, Oil, Gas; 1 General Provisions, 2 Reclamation, 4 Mining Generally), 75-6-101, MCA et. al. and federal statute, 75-5-401 MCA et.al. and federal statutes, Meth Cleanup (01100) - 75-10-1304 & 75-10-1306, MCA, Solid Waste (01100/02157) - 75-10-117(b), MCA / 75-10-101, 75-10-201; 75-10-501; 75-10-1201; 75-10-801; 75-10-1001, MCA, UST Installer License & Permit (02054) - 75-11-213, MCA, UST Leak Prevention Program (02075) - 75-11-502, MCA, Asbestos Control (02202) - 75-2-503, MCA, HazWaste (02421) - 75-10-406, MCA. In certain instances, specific activities that would be reduced may not be required by statute.

5% Base Budget Reduction Form

AGENCY CODE & NAME: 53010 Department of Environmental Quality Program 30

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Operating reduction in 62100, 62200, 62300,62400, 62500, and 62800

#2 THE SAVINGS THAT ARE EXPECTED:

\$46,827 in 62000 Operating each year for FY14 and FY15

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Narrative: The ability to investigate and resolve citizen environmental complaints and respond to spills will be severely reduced. Formal enforcement activities will potentially be compromised by reducing funds to pay for legal fees, court costs and other legal services.

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Focus on formal enforcement activities and reduce citizen complaint and spill investigations. Eliminate focus on Eastern Montana complaints related to subdivisions, septic pumpers and solid or hazardous wastes.

#5

WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes, MCA: 75-2-101; 75-2-501; 75-5-101; 75-10-201; 75-10-401; 75-10-501; 75-10-701; 75-10-1201; 75-11-201; 75-11-501; 75-20-101; 75-6-101; 76-4-101; 82-4-201; 82-4-301; 82-4-401; 37-42-101

5% Base Budget Reduction Form

**AGENCY CODE & NAME: 53010 Department of Environmental Quality Program
10**

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Operating reduction in 62100, 62200, 62300, 62400, and 62800

#2

THE SAVINGS THAT ARE EXPECTED:

\$32,474 in 62000 Operating each year for FY14 and FY15

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

These reductions will impact the Attorney Pool, the Montana Environmental Policy Act Unit, and the Board of Environmental Review. The cuts to Contracted Services, Supplies, Travel and other operating expenses may adversely affect the department's ability to respond and communicate with constituents across the State.

#4

HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Use of social media or video conferencing may be used to mitigate these impacts.

#5

WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

Director's Office

Goals & Objectives

The Department of Environmental Quality (DEQ) Director's Office carries out the department's mission and statutory responsibilities by administering, managing, planning and evaluating total agency performance.

The director oversees the development of appropriate policies and procedures throughout all organizational units of the agency and makes sure the structure supports optimum efficiency, consistency and capability for planning, consultation and decision making.

The Director's Office includes the director's staff, a centralized Legal Services Unit and a centralized Personnel Office. The Centralized Services Division is an extension of the director's responsibility and ability to provide budgeting, accounting, procurement, contract management and information services support to the agency divisions.

DEQ Director's Office Goals & Objectives for 2015 Biennium

Increase the efficiency of internal and external Department processes to enhance quality, timeliness, and/or volume of work produced.

- Implement improvements to selected major business processes and several additional minor processes and procedures within the Department.

- Develop and implement new web-based applications to facilitate public interaction and customer service.

- Conduct quality management training for DEQ managers.

- Create a performance management system to provide staff with consistent feedback and to align individual and agency goals.

Improve relations with Department customers, including the general public and the regulated community.

- Improve the tone of Department correspondence to ensure documents are clear and direct, but not unnecessarily insulting or demanding.

- Publicly recognize good customer service among DEQ employees.

- Continue active stakeholder groups in key programs.

- Ensure stakeholder involvement in all major rulemaking efforts.

Enhance recruitment and retention of Department staff.

- Provide training for DEQ managers in supervision and leadership, project and program management, and meeting management and facilitation.

- Continue to develop and implement non-monetary work environment enhancements such as flexible work schedules, telework opportunities, and employee recognition.

- Conduct one all-Department meeting per year.

- Conduct two all-Bureau Chief and/or Section Supervisor meetings per year.

- Expand content that increase frequency of internal training and development programs.

- Improve overall efficiency and effectiveness of recruitment and selection process.

- Develop a succession plan to retain knowledge of veteran employees that will be retiring.

- Implement an EEO plan that enhances the diversity of our work force.

- Implement measures to help female employees obtain the necessary skills and experience to progress in management.

Financial Services Office

Goals & Objectives for 2013 Biennium

- Increase the efficiency of internal and external Department processes to enhance quality, timeliness and/or volume of work produced.
 - Provide efficient and cost effective accounting, payroll, budget, internal audit, and contract services for the Department of Environmental Quality.
 - Develop and maintain adequate controls to ensure fiscal activities are processed, recorded, and reported according to state and federal statutes and guidance, and in compliance with Generally Accepted Accounting Principles.
 - Promote electronic work solutions to improve efficiency and productivity while reducing paper documents and associated manual processing and records retention.
- Improve relations with Department customers, including the general public and the regulated community.
 - Continually strive to improve service and relationships with internal customers (DEQ Programs) and external customers.
- Enhance recruitment and retention of Department staff.
 - Maintain a work environment that promotes and rewards staff development, innovative thinking, teamwork, business efficiency, and superior customer service.

Office of Information Technology

Mission, Vision, Goals & Objectives

Mission

The Office of Information Technology (OIT) provides quality, cost-effective support for our customers in achieving the DEQ mission of protecting, sustaining and improving a clean and healthful environment to benefit present and future generations.

Vision

OIT exceeds our customers' expectations through the timely delivery of high quality, cost beneficial tools and services that facilitate each customer's success.

Goals & Objectives for the 2013 Biennium

- Establish clear, achievable objectives that positively contribute to the organization's strategic business plan.
- Facilitate an open, honest and constructive environment for communicating ideas, opinions and alternatives that support our customer's business goals.
- Assume appropriate risks and make informed decisions, accepting responsibility for decisions, actions and results.
- Cooperate with others as part of a team by employing collaborative work efforts and producing mutually acceptable outcomes.
- Develop quality, cost-effective solutions that are appropriate to the customer's business need.

Enforcement Division

Mission, Goals & Objectives

Mission

- ☐ To facilitate timely, consistent and appropriate enforcement of the laws and regulations administered by DEQ.

Goals & Objectives for the 2015 Biennium

Ensure that the public and the regulated community maintain compliance with Montana laws and regulations through effective enforcement.

Investigate spills and citizen complaints that allege a violation of laws and regulations administered by DEQ to determine if a violation has occurred.

Respond to citizen complaints and spill reports within 30 days of receipt and resolve within 90 days.

Implement timely, consistent, and appropriate enforcement of laws and regulations administered by the Department

Issue administrative orders or file judicial complaints within 120 days of an approved enforcement request.

Manage enforcement cases and monitor compliance with Department orders.

Permitting & Compliance Division

Goals & Objectives for the 2015 Biennium

Conduct effective permit programs designed to issue complete, accurate, environmentally sound, and legally defensible permits within statutory time frames.

Ensure that facilities are properly sited, designed, maintained, and operated in compliance with all permit conditions and state laws and rules.

Ensure appropriate public involvement through compliance with Montana Environmental Policy Act (MEPA) and other public notice and public participation statutes.

Provide pre-application consultation to prospective facility sponsors and, within established statutory time frames, evaluate and process applications.

Ensure multidisciplinary/interdisciplinary evaluations of resource plan and monitoring information are appropriately and effectively coordinated with professionals within the Department and within other state, federal, and local agencies.

Conduct environmental analysis of all applications, as required by MEPA, and as appropriate to federal lands, under the National Environmental Policy Act.

Provide technical and compliance assistance to facilities in order to maintain and enhance compliance.

Ensure that facility owners, operators, and the public have access to accurate and timely information on all division issues.

Provide training and technical assistance and disseminate information to all local government agencies concerning current program status and any anticipated program changes and to assist local governments with state and federal compliance.

Develop, adopt, and implement reasonable and practical administrative rules and procedures as necessary to achieve required regulatory authority.

Negotiate agreements with federal agencies that are consistent with state priorities.

Obtain and maintain authorization for all program components that have counterparts in a federal program.

Planning, Prevention, & Assistance Division

Goals & Objectives for the 2015 Biennium

Provide technical and financial assistance in the form of engineering review, grants, and loans to small businesses, community water systems, watershed citizens' groups, and conservation districts; develop and implement water quality protection plans that restore impaired waterways and protect community water supplies.

☞ Bureaus

- [Water Quality Planning Bureau](#)
- [Technical & Financial Assistance Bureau](#)
- [Energy & Pollution Prevention Bureau](#)

Water Quality Planning Bureau

- ☞ Develop Total Maximum Daily Loads (TMDLs) over the next two years, following the 2012 scheduled pace, and submit them to the Environmental Protection Agency (EPA) for federal approval.
- ☞ Provide financial assistance to local governments to participate in the development of approved TMDLs. Assist local stakeholders with the implementation of approved TMDLs.
- ☞ Assist and support statewide citizen volunteer water quality monitoring of lakes and streams, through training and participation as per the State Non-Point Source Plan.
- ☞ Assist with development of TMDLs by conducting statewide assessments of streams and lakes, revising the Clean Water Act's 303(d) Montana impaired waters list, conducting intensive surveys of pollution causes and sources, developing pollution allocations, identifying pollution control alternatives, and evaluating effectiveness of control measures.
- ☞ Perform a biennial statewide water quality assessment and contribute to the development of the Montana 303(d) and 305(b) reports.
- ☞ Review and update Montana's water quality standards to insure full support of beneficial uses such as drinking water, agriculture, fisheries, wildlife, and industrial uses.
- ☞ Support the development of water quality criteria and water quality standards revisions through sampling design, data collection, and assessment.
- ☞ Develop, maintain, and administer data management systems for the storage and processing of water quality metric data associated with federal and state-funded activities in an effort to support water quality assessments and investigations.

Technical & Financial Assistance Bureau

- ☞ Manage the Drinking Water State Revolving Fund program to provide low interest loan financing for drinking water treatment system construction and improvement.
- ☞ Provide technical assistance and training efforts to public water systems, including communities whose systems have chronic violations that threaten public health, communities requesting help to correct operation and maintenance problems or to develop needed water system improvement projects, and communities whose systems will benefit from regularly scheduled visits designed to enhance the system's fiscal, managerial, and technical capability.
- ☞ Manage water system construction and improvement projects funded through the State and Tribal Assistance Grant Program.

- Provide engineering review of drinking water system improvements necessary to ensure safe, reliable, high-quality water supplies.
 - Ensure that all new community and non-transient non-community public water supply systems and all systems receiving Drinking Water SRF loans have the necessary technical, financial, and managerial capability to comply with the primary requirements of the Safe Drinking Water Act.
 - Delineate sources, direction, and flow of ground and surface waters that supply public drinking water wells and intakes; assess potential threats to these source waters; compile data; and provide results to the public.
 - Develop and implement the Montana Wetland Program through education, technical assistance, and grants for local governments.
 - Educate Montanans on benefits of conserving wetlands for water quality, water quantity, habitat, and flood control purposes; and develop a statewide strategy to understand, protect, sustain, and enhance Montana wetlands through a collaborative process with agencies and citizens. Facilitate Wetland Council meetings, one wetland monitoring and assessment meeting, and four technical/coordination meetings each year.
 - Manage the Water Pollution Control Revolving Fund Program, which offers low-interest loans for wastewater system construction and improvements and for related water pollution control projects.
 - Manage wastewater system construction and improvement projects funded through the State and Tribal Assistance Grant Program.
 - Assist local governments in establishing and supporting local water quality districts to protect, maintain, and improve water quality through technical assistance and annual monitoring.
-

Energy & Pollution Prevention Bureau

Provide technical assistance to small businesses on pollution prevention and environmental management through site visits, workshops, and a toll-free hotline.

Increase the amount of recycling, reuse, and composting of solid waste by citizens, businesses, and governments through technical assistance and education.

Provide analysis, technical support, and recommendations on energy and pollution prevention issues, including energy assurance planning to local, state, and federal decision makers.

Assist consumers and small businesses to reduce energy use and costs through technical assistance and education.

Reduce energy use in state agencies by providing financial assistance for capital improvements in state owned buildings and by providing technical assistance on building energy use.

Increase the use of renewable energy in Montana both for cost effective applications, and to condition the market for future renewable energy development. Provide loans to consumers and small businesses for renewable energy applications. Provide technical assistance for renewable energy use for energy generation and transportation fuels. Provide technical and financial assistance to a small number of energy demonstration projects.

Reduce energy use in local government buildings and facilities through one-time grants and technical assistance.

Remediation Division

Goals & Objectives for the 2015 Biennium

Identify timely, cost effective, environmentally sound, and legally defensible remedial actions needed at contaminated sites addressed under Montana's remediation laws and applicable federal requirements.

Assess sites and responsible or liable parties in order to require or conduct appropriate investigations and to oversee or conduct cleanup actions to restore contaminated sites to a level that prevents exposure to hazardous substances that have been released to soil, sediment, surface water, or groundwater.

Prioritize sites for cleanup actions by evaluating risks to public health, public safety and the environment through initial sampling, field studies, or research.

Facilitate and encourage timely and consistent decisions for site cleanups by developing and maintaining rules, cleanup standards, and guidance.

Develop and enhance voluntary cleanup programs to increase number of voluntary cleanups and streamline the voluntary cleanup process.

Encourage "Green Remediation," the practice of considering environmental impacts of remediation activities at every stage of the remedial process in order to maximize the net environmental benefit of a cleanup and the use of renewable energy systems.

Communicate effectively and clearly in a timely fashion with liable or responsible persons, affected parties, applicable government agencies, and the public.

Communicate and coordinate with other agencies, local governments, and citizens by responding to inquiries and requests for information and providing brochures to the public that explain regulatory changes or guidelines for preventing or abating hazardous or deleterious substance releases to the environment.

Provide for public participation in the evaluation and selection of cleanup alternatives for sites with hazardous or deleterious substance releases by holding public meetings and soliciting comments on remedial plans and reports.

Provide education and outreach to regulated entities through websites, onsite visits, telephone assistance, public meetings, brochures, fact sheets, and public-service announcements.

Provide technical and management assistance to federal agencies as appropriate conduct coordinated remedial investigations and cleanup where responsibilities overlap.

Ensure enforcement actions are taken when responsible parties fail to address risk and fulfill cleanup responsibilities.

Meet financial responsibilities, and manage records and data in a timely and effective manner.

Recover costs, as required, for investigation and cleanup of sites by maintaining detailed records of work completed and costs incurred for that work, and by billing the responsible parties for those costs.

Manage contracts and grants in accordance with applicable state and federal requirements.

Maintain data and geographic information systems to facilitate program management, to support design and cleanup actions, and to track active and closed sites appropriately.

Participate in liability allocations for sites undergoing an orphan share allocation and oversee appropriate reimbursement of private parties conducting cleanup.

2015 Biennium Report on Internal Service and Enterprise Funds

Fund 6509	Fund Name DEQ Indirects	Agency # 5301	Agency Name DEQ	Program Name Central Management Division
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	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Operating Revenues:						
Fee revenue						
Revenue from State Services	-	-	-	-	-	-
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from State Services	4,361,952.00	3,998,446.00	3,997,135.00	4,264,547.00	4,399,928.00	4,396,717.00
Net Fee Revenue	4,361,952.00	3,998,446.00	3,997,135.00	4,264,547.00	4,399,928.00	4,396,717.00
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	8,997.17	6,139.00	7,932.00	12,250.00	12,250.00	12,250.00
Total Operating Revenue	4,370,949.17	4,004,585.00	4,005,067.00	4,276,797.00	4,412,178.00	4,408,967.00
Operating Expenses:						
Personal Services	3,899,671.00	3,865,096.00	3,909,050.00	3,959,635.00	4,286,825.00	4,127,619.00
Other Operating Expenses	2,954,162.87	2,676,477.95	2,685,656.56	2,819,830.00	3,077,882.00	2,921,597.00
Total Operating Expenses	6,853,833.87	6,541,573.95	6,594,706.56	6,779,465.00	7,364,707.00	7,049,216.00
Operating Income (Loss)	(2,482,884.70)	(2,536,988.95)	(2,589,639.56)	(2,502,668.00)	(2,952,529.00)	(2,640,249.00)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	(2,066.00)	-	-	-
Federal Indirect Cost Recoveries	2,743,971.83	2,670,961.00	2,668,860.00	2,645,654.00	2,307,280.00	2,315,828.00
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	2,743,971.83	2,670,961.00	2,666,794.00	2,645,654.00	2,307,280.00	2,315,828.00
Income (Loss) Before Operating Transfers	261,087.13	133,972.05	77,154.44	142,986.00	(645,249.00)	(324,421.00)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	261,087.13	133,972.05	77,154.44	142,986.00	(645,249.00)	(324,421.00)
Total Net Assets- July 1 - As Restated	430,239.00	691,051.13	825,024.18	902,178.62	1,045,164.62	399,915.62
Prior Period Adjustments	(275.00)	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	429,964.00	691,051.13	825,024.18	902,178.62	1,045,164.62	399,915.62
Net Assets- June 30	691,051.13	825,024.18	902,178.62	1,045,164.62	399,915.62	75,494.62
60 days of expenses (Total Operating Expenses divided by 6)	1,142,305.65	1,090,262.33	1,099,117.76	1,129,910.83	1,227,451.17	1,174,869.33

Requested Rates for Internal Service Funds Fee/Rate Information for Legislative Action						
	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Budgeted FY14	Budgeted FY15
Requested Rates for Internal Service Funds						
Personal Services	0.23	0.22	0.21	0.21	0.24	0.24
Operating	0.04	0.04	0.04	0.04	0.04	0.04
Rate 3 (per unit)						
Fee Group B						
Rate 4 (per unit)						
Rate 5 (per unit)						
Rate 6 (per unit)						
Rate 7 (per unit)						
Fee Group C						
Rate 8 (per unit)						
Rate 9 (per unit)						
Use this space for any specific narrative description of the rates requested.						

Authority
MCA 17-3-111

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Livestock

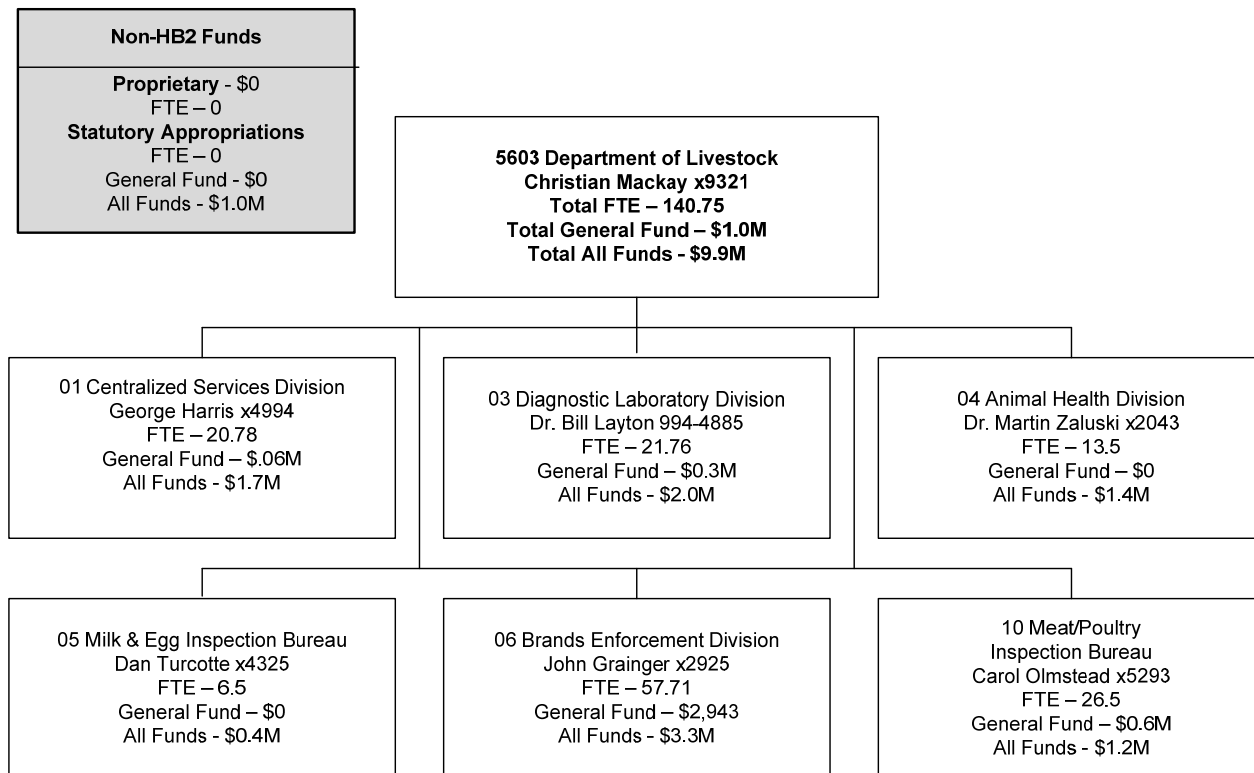
Contact: Contact: Christina Butler, Fiscal Analyst
Rm. 110 H, State Capitol Building
Phone: (406) 444-4581, e-mail: christinabutler@mt.gov

Updated December 2012

Agency Description

Definition of Terms

The Department of Livestock is responsible for controlling and eradicating animal diseases; preventing the transmission of animal diseases to humans; protecting the livestock industry from theft and predatory animals; meat, milk, and egg inspection; and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer, the Livestock Crimestoppers' Commission, the Milk Control Board, the Livestock Loss Reduction and Mitigation Board, and the Board of Horse Racing. The department is organized into six divisions: Centralized Services, Diagnostic Laboratory, Animal Health, Milk and Egg, Brands Enforcement, and Meat and Poultry Inspection. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.



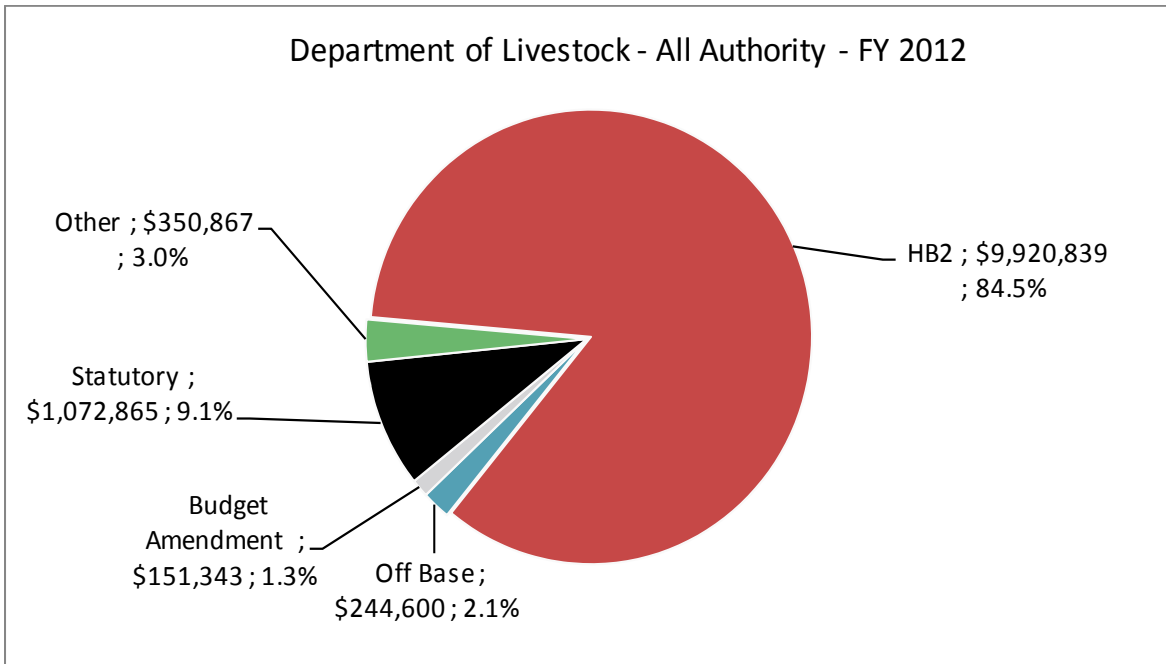
How Services are Provided

The Department of Livestock consists of six divisions with the following functions:

- **Centralized Services Division** provides budget, accounting, and other administrative functions to support department operations and administratively attached boards, and leadership through the Board of Livestock. The Predator Control Program provides protection from certain types of predators that threaten domestic livestock and may endanger human safety. 20.78 FTE are assigned to both functions.
- **Diagnostic Laboratory Division** provides veterinary lab testing and services to producers, veterinarians, animal owners, and other department divisions, as well as some public health related testing for other government entities (e.g. rabies, West Nile virus). 21.76 FTE are assigned to this function.
- **Animal Health Division** safeguards health and food production capacity of Montana's animals and poultry through prevention, diagnosis, control, and eradication of animal disease. This function has an assigned staff of 16.01 FTE.
- **Milk and Egg Division** ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption, through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies. 6.50 FTE are assigned to this function.
- **Brands Enforcement Division** provides professional law enforcement and investigative work to track livestock ownership, and record and inspect livestock brands. This work is managed by 57.21 FTE.
- **Meat and Poultry Inspection Division** implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service. 20.50 FTE are assigned to this function.

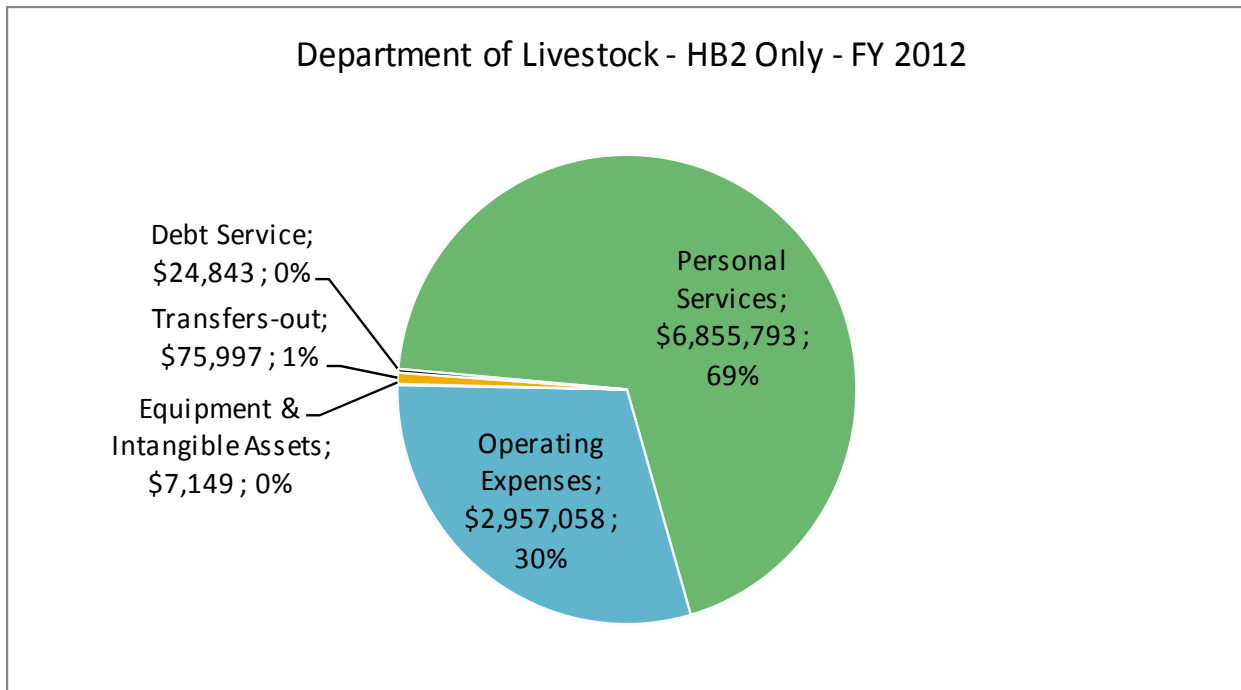
Sources of Spending Authority

The chart at the top of the next page shows the sources of authority for the Department of Livestock. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



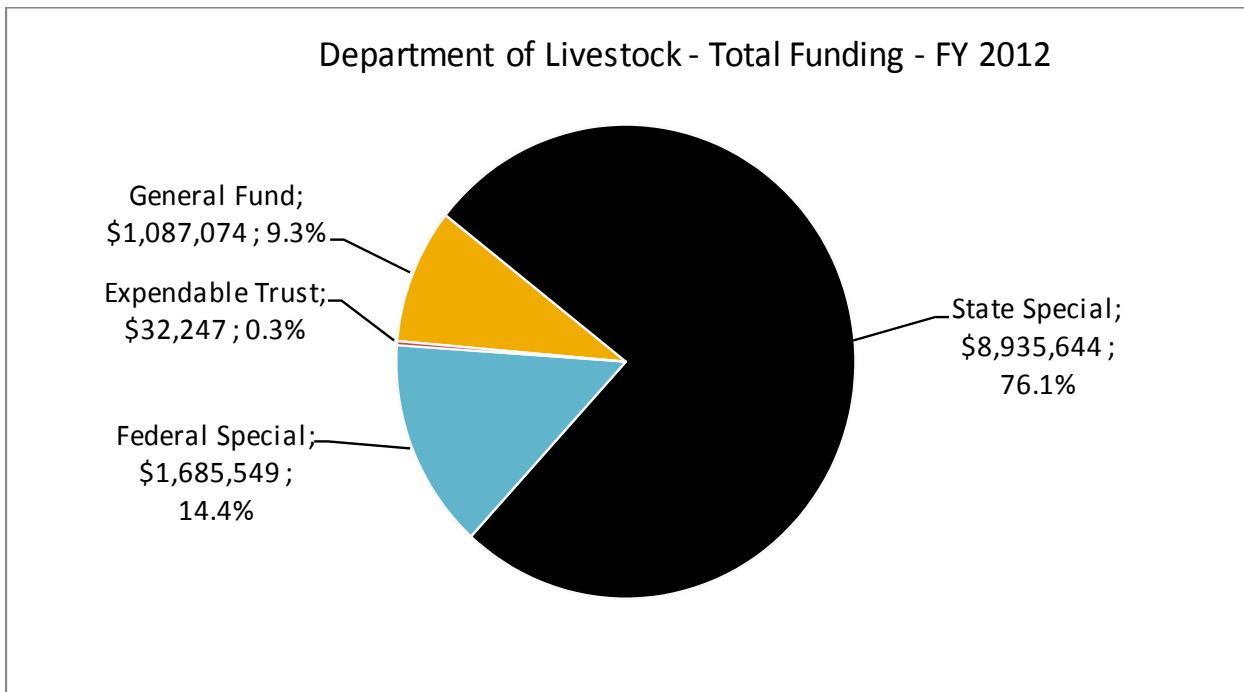
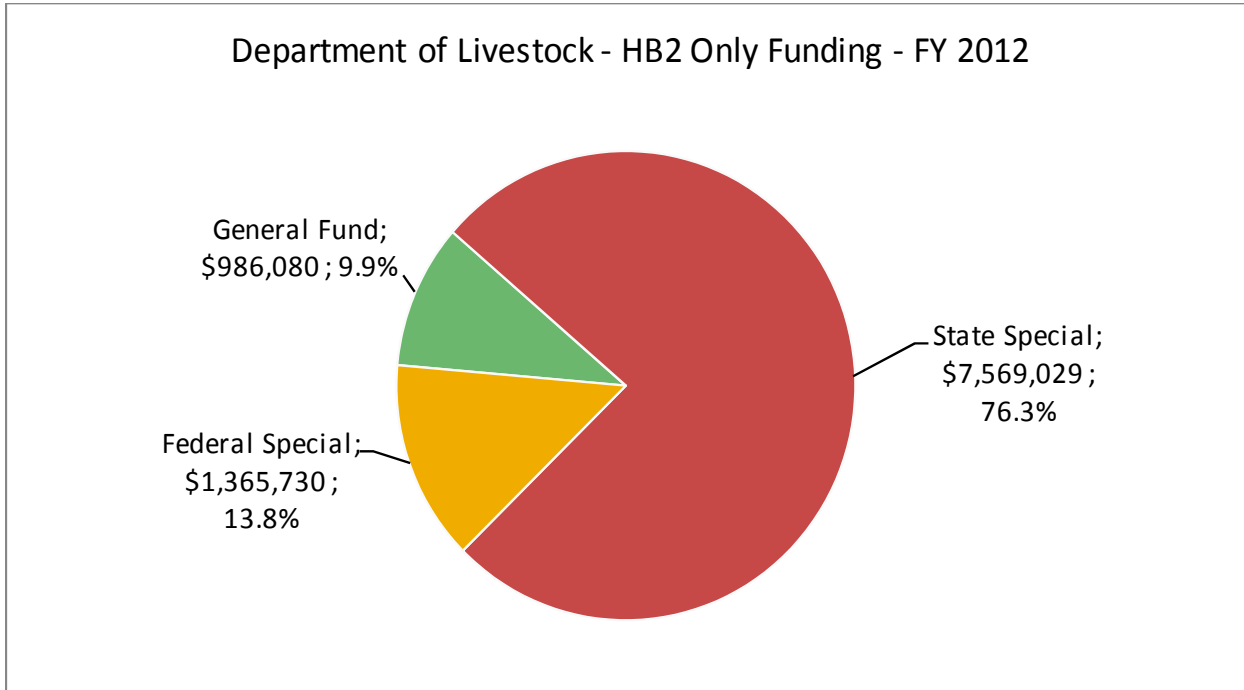
Expenditures

This chart explains how the HB 2 authority is spent. This chart matches the agency chart found in the 2015 Budget Analysis.



Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



How the 2013 Legislature Can Effect Change

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

- Inspection regulations—although most livestock inspections (meat, poultry, milk, eggs, etc.) are defined by federal regulation (USDA and FDA), the State of Montana could develop inspection regulations and requirements. The number of facilities (slaughterhouses and meat processing plants) and the number of animals to be inspected are the multipliers for the regulations themselves. Although these numbers are beyond some level of control (a function of the livestock economy and animal raising conditions), regulation can also address the percent of animals that are to be inspected and the frequency of inspecting processing facilities.
- Brands enforcement and animal health—the commerce and movement (interstate, intrastate and international) of livestock is regulated and controlled by brands (for economic and animal health reasons), with state FTE charged with monitoring that commerce. Expenditure levels can be changed based upon changing policies related to ensuring livestock transactions occur in accordance with regulations as well as in accordance with animal disease control methods. Also, new or emerging animal health issues may require new surveillance and inspection regulations (e.g. Brucellosis, BSE [mad cow disease] and avian flu).
- Predator control—these activities are driven by the definition of which animals are predators and what means are used to kill/control these animals (e.g. a hunting season, helicopter patrols, etc.).
- Bison management—although this program is funded by federal special revenue, the costs of the program are related to the state decision that bison from Yellowstone National Park pose a brucellosis threat to the state cattle industry.
- General fund expenditures—in the Department of Livestock, general fund is used to support meat/poultry inspections, brucellosis testing supplies, and some public health testing in the diagnostic laboratory.
- The USDA funded inspection program requires a 50/50 general fund match, so this general fund expenditure is a factor of federal regulation and not readily subject to state influence.
- Public health testing in the diagnostic veterinary laboratory is primarily rabies and west Nile virus, so this general fund expenditure is a function of state policy on control and eradication of these diseases.

The legislature can evaluate the amount that fees are set at statutorily for the per capita fee, inspection fees, milk and egg grading, and lab fees to increase state special funds revenue, and that funding could then replace general fund.

Major Cost Drivers

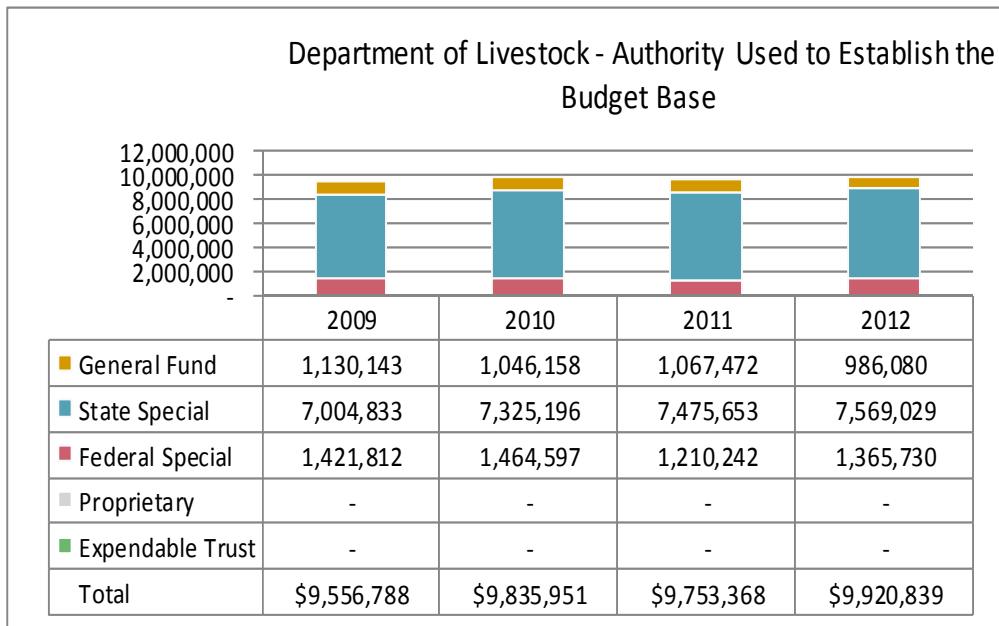
<i>Element</i>	<i>2010</i>	<i>2012</i>	<i>Significance of Data</i>
Number of cattle in MT	1,771,102	1,794,744	Per capita fees are primary revenue
Number of brands recorded	53,172	46,685	Primary workload and revenue for major division
Number of cattle inspected at market	628,861 CY 2010	585,637 CY 2011	Workload for brand inspectors
Number of cattle inspected by MDOL outside of markets	187,779	231,000	Workload for brand inspectors
Number of licensed milk producers	71	69	Dictates level of inspections needed
Number of dairy inspections	530	550	Workload for milk/egg inspection functions
Number of lab test performed	260,207	278,122	Workload and demand for diagnostic laboratory
Egg Inspections	222	169	Workload for milk/egg inspection functions *Outside of Great Falls Inspection Plant
Number of bison incidents	134	29	Workload for bison management functions
Number of horse tracks	6	1	Workload for horse racing regulation
Quantity of milk sold	282,068,61 lbs	281,807,338 lbs	Workload for milk control functions

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

State FTE - state employees perform many of the functions of the Department of Agriculture. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 33 percent of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

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

Funding/Expenditure History



The table shows the historical changes in the department's base budget authority. As shown, funding has been fairly stable over the period, with state special revenue assuming a greater share of overall funding.

The agency has also been appropriated several OTO appropriation from the general fund for horse racing and brucellosis monitoring over the last four years that do not appear in the chart.

Major Legislative Changes in the Last Ten Years

Brucellosis

- The 2011 Legislature approved one-time-only authority to continue brucellosis surveillance in Montana. The Designated Surveillance Area (DSA) plan covering parts of Beaverhead, Madison, Gallatin, and Park counties requires continued testing and risk mitigation activities. The source of funding requested is 50% general fund and 50% per capita fee.
- The 2011 Legislature approved a reduction of \$278,770 as a result of a request from the agency to reduce the costs associated with the Brucellosis Designated Surveillance Area (DSA).
- The 2011 Legislature approved funding for the Brucellosis Action Plan (BAP). The BAP was funded in two parts. Immediate, short term costs of \$2.4 million general fund were approved in HB 3 for the 2009 calendar year. The ongoing testing and surveillance activities were funded in HB 2, including \$0.5 million general fund and \$678,400 in livestock per capita fees for the 2011 biennium. The legislature approved the general fund portion as one-time-only in order to re-evaluate the need for general fund for the 2013 biennium.

Major Legislative Changes in the Last Ten Years, cont.

Predator Control

- The 2011 Legislature passed HB 622, which transferred and statutorily appropriated money for use in predator control and for reimbursement of livestock owners for predatory loss. \$200,000 general fund is provided for livestock predation reimbursement in each fiscal year, while \$350,000 is provided each fiscal year for predator control from the livestock per capita state special fund. Both transfers establish accounts that are allowed to carry over any unused balance into following fiscal years. This action sunsets June 30, 2017.

Horseracing

- The 2011 Legislature passed SB 16, which placed authority with the Board of Horse Racing to enter into contracts to provide simulcast racing through a simulcast paramutuel network and provides a statutory appropriation for the Board of Horse Racing to utilize funds raised through these contracts.

The 2007 Legislature made several changes:

- Included \$350,000 state general fund for a biennial, one-time-only appropriation in the 2009 biennium for the Board of Horse Racing. The infusion of state funds into the Board of Horse Racing will be used to pay a portion of the regulatory costs, primarily salaries for race track officials, which have been paid in the past by those tracks putting on the event
- Authorized the Board of Livestock to conduct and supervise advance deposit wagering for horseracing by internet or phone (HB 390). Spending authority for the revenue generated from HB 390 is included in HB 2
- Created revenue for the Board of Horse Racing state special revenue account through pari-mutuel wagering on fantasy sports leagues (HB 616). Administrative costs are included in HB 2. HB 616 limits administrative costs to no more than 10 percent of the amount collected. The remaining portion is statutorily appropriated to the Board of Horse Racing for distribution to live race purses and for other purposes the Board considers appropriate for the good of the existing horseracing industry

For further information, you may wish to contact the agency at:

Department of Livestock

301 North Roberts

P.O. Box 202001

Helena, MT 59620-2001

Phone: (406) 444-9431

webpage: <http://liv.mt.gov/default.mcp>

Agency Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	140.75	140.75	134.01	134.01	140.75	134.01	(6.74)	(4.79%)
Personal Services	6,855,799	7,329,156	7,074,414	7,079,424	14,184,955	14,153,838	(31,117)	(0.22%)
Operating Expenses	2,957,157	3,040,519	3,179,702	3,129,966	5,997,676	6,309,668	311,992	5.20%
Equipment & Intangible Assets	7,149	62,689	7,149	7,149	69,838	14,298	(55,540)	(79.53%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	75,997	0	75,997	75,997	75,997	151,994	75,997	100.00%
Debt Service	24,842	25,000	24,842	24,842	49,842	49,684	(158)	(0.32%)
Total Costs	\$9,920,944	\$10,457,364	\$10,362,104	\$10,317,378	\$20,378,308	\$20,679,482	\$301,174	1.48%
General Fund	986,083	991,064	1,526,113	1,515,716	1,977,147	3,041,829	1,064,682	53.85%
State Special	7,569,126	7,977,812	7,422,493	7,394,464	15,546,938	14,816,957	(729,981)	(4.70%)
Federal Special	1,365,735	1,488,488	1,413,498	1,407,198	2,854,223	2,820,696	(33,527)	(1.17%)
Total Funds	\$9,920,944	\$10,457,364	\$10,362,104	\$10,317,378	\$20,378,308	\$20,679,482	\$301,174	1.48%

Agency Description

Mission Statement: To control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock industry from theft and predatory animals.

For additional information see the agency profile.

Agency Highlights

Department of Livestock Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor’s proposed budget increases by 1.48% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources ◆ The Board of Horse Racing assumed a general fund loan of \$628,428, to be repaid over a period of ten years with annual payments of \$62,842 ◆ The executive recommends deleting 8.71 FTE and funding in brands enforcement due to issues with revenues to the primary funding source ◆ Major initiatives in the executive budget are: <ul style="list-style-type: none"> • Funding brucellosis surveillance • Maintaining the animal health system ◆ General fund increases by 53.85% over the biennium primarily due to the brucellosis surveillance program, DSA veterinarian and compliance specialist funding, and animal health system network support fees ◆ The agency did not provide pay plan pay increases during the 2013 biennium
Legislative Action Issues
<ul style="list-style-type: none"> ◆ Major/Agency Wide Issues <ul style="list-style-type: none"> • The per capita fee fund and the animal health fund need to be reviewed for stagnant revenues • The Board of Horseracing is not self-sufficient and required a large general fund loan in the 2013 biennium

Agency Discussion

Agency Personal Services

- The department strives to have salaries for all employees, including new hires, at 90% of the 2006 market survey
- Currently, employees average at 78% of the 2012 market midpoints
- No general pay increases were provided in the 2013 biennium
- Turnover is generally low. Based on a comparison of budgeted to utilized hours, the agency had an overall vacancy savings rate of 8.2% in FY 2012 compared to a legislatively budgeted 4%
- Just over 16% of employees are eligible for retirement in the 2015 biennium

Agency Wide Decision Packages

In the previous biennium, the legislature approved several vehicle purchases across the department. In the 2015 biennium, the executive is proposing to lease vehicles from the state motor pool. The figure below shows the number of leased vehicles requested by division, along with the number of vehicles the legislature provided funding to buy in the 2013 biennium.

Program	Vehicles Purchased			Vehicles Leased		
	FY 2012	FY 2013		FY 2014	FY 2015	
Animal Health	1	\$0	\$26,000	1	\$2,487	\$2,420
Brands	0	0	0	4	5,154	9,679
Milk and Egg	<u>2</u>	<u>26,000</u>	<u>26,000</u>	<u>2</u>	<u>2,487</u>	<u>4,840</u>
Total	<u>3</u>	<u>\$26,000</u>	<u>\$52,000</u>	<u>7</u>	<u>\$10,128</u>	<u>\$16,939</u>

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$3,041,829	\$0	\$0	\$3,041,829	13.7%
State Special Total	14,816,957	-	1,469,766	16,286,723	73.5%
Federal Special Total	2,820,696	-	-	2,820,696	12.7%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$20,679,482</u>	<u>\$0</u>	<u>\$1,469,766</u>	<u>\$22,149,248</u>	
Percent - Total All Sources	93.4%	0.0%	6.6%		

The Department of Livestock is funded with general fund, state special revenue, and federal special revenue. General fund provides support for some administrative functions, the diagnostic lab, and meat and poultry inspections. The executive budget contains a 53.85 % increase in general fund from the 2013 biennium. The increase is mainly attributable to present law adjustments; costs associated with the brucellosis designated surveillance area (DSA), and funding for a DSA veterinarian and compliance specialist. A further discussion is included in the Animal Health Division.

Federal special revenue comes from the bison operations cooperative agreement, the Greater Yellowstone Interagency Brucellosis Committee grant for contracted research, and from the U.S. Department of Agriculture in match funds for meat and poultry inspection.

State special revenue in the Department of Livestock is derived primarily from taxes and fees assessed to livestock owners on a per capita basis and accounts for 72% of the total budget. Three state special revenue funds comprise over 90% of state special revenues in the department. While two of the funds are used for specific activities, they are both supplemented by the primary funding state special revenue source, the per capita fee fund. Therefore, the fates of each of the accounts are intertwined and must be looked at in total. The following table shows the functions of the department and the related funding sources.

2015 Biennium Funding							
Funding Source	Division						Total
	Central Services	Laboratory	Animal Health	Milk & Egg	Brands	Meat & Poultry	
General Fund	\$165,431	\$579,108	\$1,013,028	\$0	\$5,886	\$1,278,376	\$3,041,829
Per Capita Fee	2,734,121	1,278,613	1,299,735	0	3,382,356	0	8,694,825
Animal Health	0	2,051,319	77,888	686,418	0	11,435	2,827,060
Inspection & Control	0	0	0	0	2,464,432	0	2,464,432
Other State Special	710,542	0	0	120,098	0	0	830,640
Federal	0	0	1,485,340	56,980	0	1,278,376	2,820,696
Total	\$3,610,094	\$3,909,040	\$3,875,991	\$863,496	\$5,852,674	\$2,568,187	\$20,679,482

There are two primary issues with the three dominant state special revenue funds:

- 1) Two of the funds are not sustainable over time with current anticipated revenues and requested expenditures
- 2) The per capita fee is being used to provide supplementary funding for both funds

LFD
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Two State Special Funds are not Sustainable

The inspection and control fund and the animal health fund are not sustainable over time. In addition, the executive is proposing reductions in operations in the Brands Enforcement Division and the Diagnostic Laboratory and further supplementary funding from the per capita fund in the 2015 biennium.

Inspection and Control Fund

The inspection and control fund supports brand enforcement functions and derives its revenues from brand recordings and market and local inspections. The following table shows actual expenditures through FY 2012, and appropriated and requested expenditures and projected revenues through the 2015 biennium.

As shown, the fund is structurally imbalanced in FY 2012 and FY 2013, with structural imbalance prevented in subsequent years by a sharp decrease in expenditures from the fund in the proposed FY 2014 budget, and maintenance of reductions in FY 2015. This reduction is due to the combination of two factors:

- o A proposed reduction of 8.71 FTE brands inspectors; and
- o A one-year increase in supplemental funding from the livestock per capita fund in FY 2014

The following shows actual and appropriated funding in the 2013 biennium and proposed funding for the Brands Enforcement Division in the 2015 biennium. As shown, additional funding from the per capita fee would be used to help stabilize the fund in FY 2014, with continued additional support from the per capita fee in subsequent years.

Department of Livestock Inspection and Control Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request	
			FY 2014	FY 2015
Beginning Balance	\$256,353	\$81,645	(\$207,666)	\$753,120
Revenues	1,926,537	1,831,819	1,706,319	1,721,319
<i>Expenditures</i>				
Brands Enforcement	(2,101,245)	(2,121,130)	(745,533)	(1,718,899)
Ending Fund Balance	<u>\$81,645</u>	<u>(\$207,666)</u>	<u>\$753,120</u>	<u>\$755,540</u>
FTE	57.71	57.71	49.00	49.00

**LFD
ISSUE CONT.**

Brands Enforcement Division 2013 and 2015 Biennia							
State Fiscal Year	Total	General Fund	Percent of Total	Inspection Control	Percent of Total	Livestock Per Capita	Percent of Total
Actual 2012	\$3,253,883	\$2,943	0.1%	\$2,100,786	64.6%	\$1,150,154	35.3%
Appropriated 2013	\$3,232,738	2,943	0.1%	2,092,199	64.7%	1,137,596	35.2%
Proposed 2014	\$2,920,547	2,943	0.1%	745,533	25.5%	2,172,071	74.4%
Proposed 2015	\$2,932,127	2,943	0.1%	1,718,899	58.6%	1,210,285	41.3%

A further discussion is in the Brands Enforcement Division in this agency’s narrative.

Animal Health Fund

The animal health fund derives revenue from lab testing fees and milk and egg inspection fees. The diagnostic lab and the milk and egg functions are supported by this fund. The department has had challenges balancing expenditures with revenues. The following shows actuals through FY 2012, and appropriated and requested expenditures and projected revenues through the 2015 biennium. Milk and egg fees are driven by industry inspection requirements. The fees for lab activities have not been adjusted since December 2007; therefore, any increase in revenues is dependent upon lab activities. Total revenues are as estimated by LFD staff based on historical data.

Department of Livestock Animal Health Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request	
			FY 2014	FY 2015
Beginning Balance	\$268,023	\$12,498	(\$77,264)	\$36,087
Revenues*	1,185,927	1,332,021	1,332,021	1,332,021
<u>Expenditures</u>				
Central Services	\$0	\$0	\$0	\$0
Laboratory	1,123,370	1,139,269	974,975	1,076,344
Animal Health	6,934	60,829	38,970	38,918
Milk & Egg	305,222	358,177	341,216	345,202
Brands	0	0	0	0
Meat & Poultry	<u>5,926</u>	<u>5,717</u>	<u>5,718</u>	<u>5,717</u>
Total Expenditures	<u>\$1,441,452</u>	<u>\$1,563,992</u>	<u>\$1,360,879</u>	<u>\$1,466,181</u>
Ending Fund Balance	\$12,498	(\$219,473)	(\$106,122)	(\$98,073)

As shown, the account is projected to be negative at the end of FY 2013 if all appropriations are expended, even with no support provided to the Central Services Division. The executive proposes to reduce expenditures in the 2015 biennium. However, this reduction is not enough to restore a positive fund balance, and the account remains structurally unbalanced.

If this fund is to achieve balance without further supplementary funding from the per capita fee or the general fund, either laboratory fees must be raised or expenditures further curtailed.

A further discussion of this fund, including proposed operational adjustments, is in the narrative for the Diagnostic Laboratory.

Livestock Per Capita Fee Fund

Fund Balance

The livestock per capita fund is the largest state special revenue fund supporting this agency and supports animal health functions in the Animal Health Division and the Diagnostic Laboratory, predator control, the Centralized Services Division, and a portion of the Brand Enforcement Division. Per capita revenue is derived by taxation on the ownership of livestock and interest earnings on the fund balance, with fees set by the Board of Livestock annually. The following table shows the revenues to and actual and proposed expenditures from the fund through the 2015 biennium. Estimated revenues reflect recent increases in revenues adopted by the board.

Department of Livestock Per Capita Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request	
			FY 2014	FY 2015
Beginning Balance	\$1,097,858	\$871,362	\$913,675	\$291,737
Revenues	\$4,028,207	\$4,268,823	\$4,278,823	\$4,288,823
<u>Expenditures</u>				
Central Services	\$1,680,742	\$1,542,588	\$1,389,141	\$1,344,980
Laboratory	551,252	564,700	689,701	588,912
Animal Health	871,942	973,357	649,848	649,887
Milk & Egg	1,695	0	0	0
Brands	1,149,072	1,145,865	2,172,071	1,210,285
Meat & Poultry	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$4,254,703</u>	<u>\$4,226,510</u>	<u>\$4,900,761</u>	<u>\$3,794,064</u>
Ending Fund Balance	<u>\$871,362</u>	<u>\$913,675</u>	<u>\$291,737</u>	<u>\$786,496</u>

As shown in the table and discussed above, the executive is using this account to float the inspection and control fund and the animal health fund in FY 2014. While the per capita fee fund balance is not jeopardized by this action, the question for the legislature is whether the other two funds should be adjusted to be more sustainable over the long-term.

**LFD
ISSUE**
Brucellosis Control in the Animal Health Division

The executive is requesting \$1.0 million in general fund over the biennium for brucellosis control in the Animal Health Division. In the 2013 biennium this function was appropriated by the legislature on a one-time-only basis using 50% general fund and 50% per capita funds. The executive states that it is requesting 100% general fund because the per capita fee is not sustainable for this purpose.

As shown in the table, the fund would have sufficient resources to cover one-half of this cost over the biennium in FY 2015 without sacrificing structural balance. In FY 2014, only the subsidization of both the laboratory and brands enforcement puts the fund into temporary imbalance.

Option

Fund a portion of the request for funds for brucellosis control with per capita fees.

Revenues

The Board of Livestock annually evaluates a number of factors to determine if and how much the per capita tax rate should change. The change is limited in statute (15-24-922, MCA) to 110% of the average of the past three years less a reasonable nonpayment rate. The board increased the per capita fee in FY 2012 and again in FY 2013. Increased revenues totaled about \$310,400 in FY 2012 and \$271,500 in FY 2013. The executive budget assumes a further increase of about 3.3% in the 2015 biennium, or about \$270,616 in additional revenues above the 2013 biennium.

**LFD
ISSUE**
Alternative Collection Method

As stated, the Board of Livestock is by statute the entity that determines fees, within statutory limitations. However, the legislature could take action if it feels a revenue increase is necessary by seeking an alternative method to collect fees.

Currently, the Department of Revenue releases a survey to registered livestock owners to obtain information regarding animal count. The owner returns the survey to the department and receives an invoice for the per capita amount owed. The Department of Revenue does not actively seek out individuals who owe this fee. Either the livestock owner has to contact the department, or it is noted in an onsite visit to appraise real estate and a survey is sent out.

The current process does not reach all livestock owners, and therefore does not maximize revenues to the department. Revenues could potentially be increased if the process was simplified. The legislature could consider establishing a new collection method, such as via income tax returns, by completing the tax form as part of the routine tax filing process.

Legislative Option

Direct the agency to pursue alternate collection strategies with the Department of Revenue and report to the appropriate legislative interim committee.

**LFD
COMMENT**

Board of Horse Racing (BOHR)

In 2011, the legislature passed SB 16, which required a person conducting simulcast racing through a simulcast parimutual network to enter into a contract with the BOHR.. The BOHR was funded in the 2013 biennium from a statutory appropriation (23-4-105, MCA) from the BOHR operations fund and the BOHR simulcast fund.

The activities of the BOHR were intended to be self-sufficient by entering into simulcast contracts. However, in the first 18 months of operation in the 2013 biennium the board had a projected funding deficit of more than \$600,000. The primary causes of the shortfall include not collecting revenues from contracts and entering into contracts without having revenues to support them.

In March FY 2012, the board received a general fund loan of \$609,638, to be repaid over a period of eight years. By the end of the fiscal year, the board had accumulated additional debt and the final loan was revised to \$628,428, to be repaid over a period of ten years with annual payments of \$62,842. There is no interest paid on loans made from the general fund to other funds.

The board authorized repayment of the loan from advance deposit wagering and fantasy sports revenue. The board receives a portion of revenues (16% of the total funds deposited for the fantasy sports league wagering) from the Montana Lottery. Additionally, 1% of advance deposit wagering handled through the pari-mutuel system is used for repayment of the loan. These funds would have been used by the board for operating expenses. These sources appear to be steady, albeit small amounts, of revenue. The first payment was made at the end of FY 2012.

Currently, the board has hired a simulcast manager that had previously run the program successfully. The executive is proposing to reduce 1.03 FTE and \$68,519 in FY 2014 and \$68,427 in FY 2015 of state special revenue funding associated with board activities in order to align funding to projected revenue. The board anticipates to continue fully functioning during the 2015 biennium. The executive projects \$664,744 over the biennium from the statutory appropriation provided in 23-4-105, MCA.

The board is currently running a positive balance with current revenues.

The most recent audit report can be found at
http://www.leg.mt.gov/css/publications/audit/audit_reports_AgencyAlpha.asp

The report presented to the Legislative Finance Committee can be found at
http://www.leg.mt.gov/content/Publications/fiscal/interim/2012_financemty_Sept/BOHR%20Memo.pdf

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	986,083	986,083	1,972,166	64.83%	9,920,944	9,920,944	19,841,888	95.95%
Statewide PL Adjustments	(13,433)	(11,903)	(25,336)	(0.83%)	378,702	348,295	726,997	3.52%
Other PL Adjustments	27,212	15,487	42,699	1.40%	(13,348)	(24,514)	(37,862)	(0.18%)
New Proposals	526,251	526,049	1,052,300	34.59%	75,806	72,653	148,459	0.72%
Total Budget	\$1,526,113	\$1,515,716	\$3,041,829		\$10,362,104	\$10,317,378	\$20,679,482	

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.78	20.78	19.75	19.75	20.78	19.75	(1.03)	(4.96%)
Personal Services	1,138,874	1,190,550	1,162,364	1,161,731	2,329,424	2,324,095	(5,329)	(0.23%)
Operating Expenses	509,872	762,037	583,979	535,728	1,271,909	1,119,707	(152,202)	(11.97%)
Equipment & Intangible Assets	7,149	9,352	7,149	7,149	16,501	14,298	(2,203)	(13.35%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	75,997	0	75,997	75,997	75,997	151,994	75,997	100.00%
Total Costs	\$1,731,892	\$1,961,939	\$1,829,489	\$1,780,605	\$3,693,831	\$3,610,094	(\$83,737)	(2.27%)
General Fund	67,374	70,100	85,077	80,354	137,474	165,431	27,957	20.34%
State Special	1,664,518	1,891,839	1,744,412	1,700,251	3,556,357	3,444,663	(111,694)	(3.14%)
Total Funds	\$1,731,892	\$1,961,939	\$1,829,489	\$1,780,605	\$3,693,831	\$3,610,094	(\$83,737)	(2.27%)

Program Description

The Centralized Services Division is responsible for:

- Budgeting
- Accounting
- Payroll
- Personnel
- Legal services
- Purchasing
- Administrative
- Information technology
- Public information
- General services functions
- Supervising the Milk Control Bureau and Livestock Loss Board staff, both of which are administratively attached to the department

The Predator Control Program is administered by the Board of Livestock and the executive officer. The Livestock Crimestoppers Commission and the Beef Research and Marketing Committee are also administratively attached. The 57th Legislature administratively attached the Board of Horse Racing (BOHR) to the Department of Livestock. The BOHR and its staff report directly to the executive officer.

Program Highlights

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor’s proposed budget increases by 2.3% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources ◆ The Board of Horse Racing was given a general fund loan of \$628,428, to be repaid over a period of ten years with annual payments of \$62,842. ◆ The executive proposes to reduce 1.03 FTE and \$68,519 in FY 2014 and \$68,427 in FY 2015 of state special revenue funding associated with the Board of Horse Racing (BOHR) activities in order to align expenditures with available funding

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Centralized Services Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$165,431	\$0	\$0	\$165,431	3.3%		
State Special Total	\$3,444,663	\$0	\$1,469,766	\$4,914,429	96.7%		
02029 Board Of Horse Racing	\$174,978	\$0	\$258,000	\$432,978	8.5%	23-4-105	Pass Thru
02063 Bohr Simulcast	\$120,000	\$0	\$111,766	\$231,766	4.6%	23-4-105	Pass Thru
02117 Predatory Animal Ssr	\$0	\$0	\$700,000	\$700,000	13.8%	81-7-106	Direct
02124 Llbn Restricted	\$0	\$0	\$400,000	\$400,000	7.9%	81-1-110	Pass Thru
02426 Lvstk Per Capita	\$2,734,121	\$0	\$0	\$2,734,121	53.8%		
02817 Milk Control Bureau	\$415,564	\$0	\$0	\$415,564	8.2%		
Total All Funds	\$3,610,094	\$0	\$1,469,766	\$5,079,860	100.0%		
Percent - Total All Sources	71.1%	0.0%	28.9%				

The Centralized Services Division is primarily funded by livestock per capita fees, accounting for 72% of funding. The remaining special revenue supports the administratively attached Milk Control Bureau and Board of Horse Racing. General fund accounts for just over 5%, which supports operations and payment for wolf losses.

Please refer to the summary portion of the analysis for an update on the Board of Horse Racing.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	67,374	67,374	134,748	81.45%	1,731,892	1,731,892	3,463,784	95.95%
Statewide PL Adjustments	1,377	1,654	3,031	1.83%	121,847	77,871	199,718	5.53%
Other PL Adjustments	16,326	11,326	27,652	16.72%	39,936	34,936	74,872	2.07%
New Proposals	0	0	0	0.00%	(64,186)	(64,094)	(128,280)	(3.55%)
Total Budget	\$85,077	\$80,354	\$165,431		\$1,829,489	\$1,780,605	\$3,610,094	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					141,569					140,813
Vacancy Savings					(50,960)					(50,929)
Inflation/Deflation					(107)					152
Fixed Costs					31,345					(12,165)
Total Statewide Present Law Adjustments		\$1,377	\$120,470	\$0	\$121,847		\$1,654	\$76,217	\$0	\$77,871
DP 101 - Replacement Personal Computers	0.00	0	18,610	0	18,610	0.00	0	18,610	0	18,610
DP 102 - Animal Health System Maintenance	0.00	5,000	5,000	0	10,000	0.00	5,000	5,000	0	10,000
DP 103 - Animal Health System Customization (OTO)	0.00	5,000	0	0	5,000	0.00	0	0	0	0
DP 106 - Livestock Loss Board Meetings	0.00	6,326	0	0	6,326	0.00	6,326	0	0	6,326
Total Other Present Law Adjustments	0.00	\$16,326	\$23,610	\$0	\$39,936	0.00	\$11,326	\$23,610	\$0	\$34,936
Grand Total All Present Law Adjustments	0.00	\$17,703	\$144,080	\$0	\$161,783	0.00	\$12,980	\$99,827	\$0	\$112,807

DP 101 - Replacement Personal Computers – The executive requests funding to continue replacing computers on a five year cycle. The amount requested, all from state special revenue, accounts for the additional amount above and beyond the base (\$9,990), which replaces 22 computers.

DP 102 - Animal Health System Maintenance – The executive requests 50% general fund and 50% state special revenue each year of the 2015 biennium for network support and software maintenance costs for the USAHerds system. The system came on line in January of 2011 and maintenance costs were not billed in FY 2012. This system is used by the department to manage the importing of animals into the state, and to track and manage animal diseases.

LFD COMMENT	This request would be an annual expense.
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DP 103 - Animal Health System Customization (OTO) - This proposal adds general fund one-time-only funding in FY 2014 for customization of the USAHerds system.

DP 106 - Livestock Loss Board Meetings – Expenditures in the base for the Livestock Loss Board (LLB) include two in-person meetings. The executive requests funding for four in-person meetings. The total cost for four meetings is \$12,652, or an increase of \$6,326 over base expenditures.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 109 - Board of Horse Racing Adjustment	01	(1.03)	0	(68,519)	0	(68,519)	(1.03)	0	(68,427)	0	(68,427)
DP 6101 - Professional Development Center Fee Allocation	01	0.00	0	4,333	0	4,333	0.00	0	4,333	0	4,333
Total		(1.03)	\$0	(\$64,186)	\$0	(\$64,186)	(1.03)	\$0	(\$64,094)	\$0	(\$64,094)

DP 109 - Board of Horse Racing Adjustment – The executive proposes to reduce 1.03 FTE and \$68,519 in FY 2014 and \$68,427 in FY 2015 of state special revenue funding associated with the Board of Horse Racing (BOHR) activities in order to align expenditures to available funding.

DP 6101 - Professional Development Center Training Fee Alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	21.76	21.76	21.76	21.76	21.76	21.76	0.00	0.00%
Personal Services	1,147,130	1,178,036	1,196,492	1,198,472	2,325,166	2,394,964	69,798	3.00%
Operating Expenses	793,588	751,342	733,166	731,226	1,544,930	1,464,392	(80,538)	(5.21%)
Equipment & Intangible Assets	0	5,258	0	0	5,258	0	(5,258)	(100.00%)
Debt Service	24,842	25,000	24,842	24,842	49,842	49,684	(158)	(0.32%)
Total Costs	\$1,965,560	\$1,959,636	\$1,954,500	\$1,954,540	\$3,925,196	\$3,909,040	(\$16,156)	(0.41%)
General Fund	302,657	303,837	289,824	289,284	606,494	579,108	(27,386)	(4.52%)
State Special	1,662,903	1,655,799	1,664,676	1,665,256	3,318,702	3,329,932	11,230	0.34%
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$1,965,560	\$1,959,636	\$1,954,500	\$1,954,540	\$3,925,196	\$3,909,040	(\$16,156)	(0.41%)

Program Description

The Diagnostic Laboratory provides livestock laboratory diagnostic support for livestock producers and the Animal Health and Milk and Egg programs. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners; veterinarians; the Department of Fish, Wildlife and Parks; and other agencies in protecting the health of animals, wildlife, and the public.

Program Highlights

Diagnostic Laboratory Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget decreases by 0.41% from the previous biennium due to statewide present law adjustments, offset by a \$55,000 operations reduction.
Major LFD Issues
<ul style="list-style-type: none"> ◆ The animal health fund is not structurally balanced ◆ Lab fees have not been increased since December 2007 despite rising costs

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Diagnostic Laboratory Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriatio	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$579,108	\$0	\$0	\$579,108	14.8%		
State Special Total	\$3,329,932	\$0	\$0	\$3,329,932	85.2%		
02426 Lvstk Per Capita	\$1,278,613	\$0	\$0	\$1,278,613	32.7%		
02427 Animal Health	\$2,051,319	\$0	\$0	\$2,051,319	52.5%		
Total All Funds	\$3,909,040	\$0	\$0	\$3,909,040	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Diagnostic Laboratory (lab) is supported with general fund, animal health fees, and per capita fees. The Diagnostic Laboratory (lab) is located on the Montana State University campus in Bozeman. The lab provides fee for-service testing to veterinarians, livestock producers, and public health and wildlife agencies. The legislature determined in previous sessions that a portion of the laboratory provided services in the general public interest, and began supplementing the lab fees with general fund to support those functions. In addition, the livestock per capita fee also supplements laboratory testing income.

The following shows the allocation of total funding since FY 2008, with appropriated FY 2013 and proposed 2015 biennium funding.

Diagnostic Laboratory Funding Selected FY 2008 through 2015 Biennium							
State Fiscal Year	Total Funds	General Fund	% of Total	Animal Health	% of Total	Livestock Per Capita	% of Total
Actual 2008*	\$1,664,732	\$446,155	26.8%	\$1,153,069	69.3%	\$55,457	3.3%
Actual 2010	1,699,890	410,574	24.2%	1,070,215	63.0%	219,101	12.9%
Actual 2012	1,965,560	302,657	15.4%	1,118,210	56.9%	544,693	27.7%
Proposed 2014	1,954,500	289,824	14.8%	974,975	49.9%	689,701	35.3%
Proposed 2015	1,954,540	289,284	14.8%	1,076,344	55.1%	588,912	30.1%
*Total includes \$10,051 of federal funds							

As shown, per capita fee support for this function increased between FY 2008 and FY 2012. For the 2015 biennium, the executive is requesting a further funding shift by increasing per capita fee authority and decreasing animal health and general fund authority (with a partial reversal in FY 2015). The legislature may wish to consider the impact of the proposed budget as well as evaluate other options.

Detailed information on funding impacts can be found in the summary.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	302,657	302,657	605,314	104.53%	1,965,560	1,965,560	3,931,120	100.56%
Statewide PL Adjustments	(12,833)	(13,373)	(26,206)	(4.53%)	33,632	36,466	70,098	1.79%
Other PL Adjustments	0	0	0	0.00%	6,808	7,514	14,322	0.37%
New Proposals	0	0	0	0.00%	(51,500)	(55,000)	(106,500)	(2.72%)
Total Budget	\$289,824	\$289,284	\$579,108		\$1,954,500	\$1,954,540	\$3,909,040	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					99,217					101,278
Vacancy Savings					(49,855)					(49,936)
Inflation/Deflation					(4,313)					(3,720)
Fixed Costs					(11,417)					(11,156)
Total Statewide Present Law Adjustments		(\$12,833)	\$46,465	\$0	\$33,632		(\$13,373)	\$49,839	\$0	\$36,466
DP 302 - Milk Lab Incubator (OTO)	0.00	0	2,000	0	2,000	0.00	0	0	0	0
DP 304 - Lab Recharges to MSU	0.00	0	4,808	0	4,808	0.00	0	7,514	0	7,514
Total Other Present Law Adjustments	0.00	\$0	\$6,808	\$0	\$6,808	0.00	\$0	\$7,514	\$0	\$7,514
Grand Total All Present Law Adjustments	0.00	(\$12,833)	\$53,273	\$0	\$40,440	0.00	(\$13,373)	\$57,353	\$0	\$43,980

DP 302 - Milk Lab Incubator (OTO) - The executive is requesting to replace a 20 year old incubator in the milk lab from state special revenue funds.

DP 307 - Lab Recharges to MSU - The executive is requesting an increase to the base in the 2015 biennium. MSU charges the lab for facility services. Lab recharges are assessed by MSU for facility services based upon square footage. Recharges for the Diagnostic Lab are scheduled to increase. (See previous page for explanation of charges.)

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
	DP 301 - Operational Reduction and Fund Switch										
	03	0.00	0	(55,000)	0	(55,000)	0.00	0	(55,000)	0	(55,000)
	DP 303 - PCR Shaker and Micro Centrifuge (OTO)										
	03	0.00	0	3,500	0	3,500	0.00	0	0	0	0
	Total	0.00	\$0	(\$51,500)	\$0	(\$51,500)	0.00	\$0	(\$55,000)	\$0	(\$55,000)

DP 301 - Operational Reduction and Fund Switch – The executive proposes to remove \$55,000 of per capita fee state special revenue funding and operational expenditures each year of the 2015 biennium. In addition, animal health state special revenue funding is replaced with per capita fee state special revenue in FY 2014 in order to balance the department's expenditures with available funding.

DP 305 - PCR Shaker and micro centrifuge - The executive requests OTO state special revenue to replace the PCR (Polymerase Chain Reaction) machine, a molecular biological test of DNA, that producers use to identify specific animal diseases in a timely manner. The testing procedure generates significant revenue for the department.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	13.50	13.50	15.50	15.50	13.50	15.50	2.00	14.81%
Personal Services	613,170	804,387	957,044	956,146	1,417,557	1,913,190	495,633	34.96%
Operating Expenses	760,180	715,128	981,743	981,058	1,475,308	1,962,801	487,493	33.04%
Equipment & Intangible Assets	0	38,831	0	0	38,831	0	(38,831)	(100.00%)
Total Costs	\$1,373,350	\$1,558,346	\$1,938,787	\$1,937,204	\$2,931,696	\$3,875,991	\$944,295	32.21%
General Fund	0	0	506,615	506,413	0	1,013,028	1,013,028	n/a
State Special	643,558	713,838	688,818	688,805	1,357,396	1,377,623	20,227	1.49%
Federal Special	729,792	844,508	743,354	741,986	1,574,300	1,485,340	(88,960)	(5.65%)
Total Funds	\$1,373,350	\$1,558,346	\$1,938,787	\$1,937,204	\$2,931,696	\$3,875,991	\$944,295	32.21%

Program Description

The Animal Health Division (State Veterinarian Office) provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and alternative livestock animals. The program cooperates with the Departments of Public Health and Human Services and Fish, Wildlife and Parks and the US Department of Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets. Rabies Control protects public and animal health from rabies by monitoring new rabies infections and enforcing quarantines.

Program Highlights

Animal Health Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases by 32.2% from the previous biennium due primarily to statewide present law adjustments and an adjustment to the base for brucellosis testing and an expanded testing area ◆ Although the department received funding to purchase vehicles during the 2013 biennium, the executive is requesting to lease vehicles in the next biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Animal Health Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,013,028	\$0	\$0	\$1,013,028	26.1%		
State Special Total	\$1,377,623	\$0	\$0	\$1,377,623	35.5%		
02426 Lvstk Per Capita	\$1,299,735	\$0	\$0	\$1,299,735	33.5%		
02427 Animal Health	\$77,888	\$0	\$0	\$77,888	2.0%		
Federal Special Total	\$1,485,340	\$0	\$0	\$1,485,340	38.3%		
03427 Bison Trap Funds	\$1,485,340	\$0	\$0	\$1,485,340	38.3%		
Total All Funds	\$3,875,991	\$0	\$0	\$3,875,991	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The program is predominantly funded with state special revenue from the per capita fund to support disease control, import/export activities, and alternative livestock activities. Federal funds support cattle health operations research and cooperative efforts. General fund is proposed to support brucellosis activities for the 2015 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,373,350	1,373,350	2,746,700	70.86%
Statewide PL Adjustments	0	0	0	0.00%	204,306	203,225	407,531	10.51%
Other PL Adjustments	0	0	0	0.00%	(145,484)	(145,784)	(291,268)	(7.51%)
New Proposals	506,615	506,413	1,013,028	100.00%	506,615	506,413	1,013,028	26.14%
Total Budget	\$506,615	\$506,413	\$1,013,028		\$1,938,787	\$1,937,204	\$3,875,991	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					244,744					244,018
Vacancy Savings					(34,317)					(34,287)
Inflation/Deflation					(2,106)					(1,150)
Fixed Costs					(4,015)					(5,356)
Total Statewide Present Law Adjustments		\$0	\$42,773	\$161,533	\$204,306		\$0	\$42,827	\$160,398	\$203,225
DP 403 - Vehicle Lease -Animal Health Division	0.00	0	2,487	0	2,487	0.00	0	2,420	0	2,420
DP 404 - Cattle Health (Bison) Fund Reduction	0.00	0	0	(147,971)	(147,971)	0.00	0	0	(148,204)	(148,204)
Total Other Present Law Adjustments	0.00	\$0	\$2,487	(\$147,971)	(\$145,484)	0.00	\$0	\$2,420	(\$148,204)	(\$145,784)
Grand Total All Present Law Adjustments	0.00	\$0	\$45,260	\$13,562	\$58,822	0.00	\$0	\$45,247	\$12,194	\$57,441

DP 403 - Vehicle Lease -Animal Health Division – The executive requests funding to replace one vehicle with a leased vehicle from the DOT motor pool over the biennium. The vehicle is used by animal health inspectors traveling over 40,000 miles a year investigating animal disease and import violations.

LFD COMMENT	Last biennium the executive request for additional funds to purchase vehicles was approved. However, the executive would like the department to begin leasing vehicles from the DOT motor pool and has several requests for this funding in several programs. For a further discussion, see the Summary section of this agency’s narrative.
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DP 404 - Cattle Health (Bison) Fund Reduction – The executive requests reducing cattle health (bison) federal funds to the amount anticipated to be received, or \$716,000. The reduction may have an impact on contracts with the Department of Fish, Wildlife, and Park, that do brucellosis testing of wildlife.

New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - DSA Vet and Compliance Specialist (OTO)										
04	2.00	133,447	0	0	133,447	2.00	133,245	0	0	133,245
DP 402 - DSA Brucellosis Testing (OTO)										
04	0.00	373,168	0	0	373,168	0.00	373,168	0	0	373,168
Total	2.00	\$506,615	\$0	\$0	\$506,615	2.00	\$506,413	\$0	\$0	\$506,413

DP 401 - DSA Vet and Compliance Specialist - The executive requests general fund for a veterinarian and a compliance specialist for the Designated Surveillance Area (DSA) for brucellosis control in Montana.

LFD COMMENT	The legislature approved an OTO appropriation for a DSA Veterinarian and Compliance Specialist for the 2013 biennium. The executive continues to request this appropriation as an OTO because it is unknown whether it would be a permanent need for the agency.
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DP 402 - Brucellosis Testing - Designated Surveillance Area OTO- The executive requests general fund for brucellosis surveillance in Montana to maintain brucellosis free status in Montana. The cost per test is estimated at \$9.89 and an

estimated 37,731 cattle tested = \$373,168 each year. The DSA has expanded over this last biennium and covers approximately 6,000 square miles, including parts of Park, Gallatin, Madison, and Beaverhead counties.

**LFD
COMMENT**

The legislature has funded this function for the previous two biennia: 1) \$1.1 million for the 2011 biennium; and 2) \$863,284 for the 2013 biennium. In previous years, the funding has been 50% general fund and 50% state special revenue. The executive is requesting funding for the DSA from the general fund because it states the department doesn't have special revenue that could carry the cost. However, the per capita fee could likely fund a portion of this request. For a further discussion, see the discussion of the per capita fund in the summary section of this agency narrative.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	6.50	6.50	6.50	6.50	6.50	6.50	0.00	0.00%
Personal Services	304,972	426,661	366,786	367,934	731,633	734,720	3,087	0.42%
Operating Expenses	65,008	53,720	62,969	65,807	118,728	128,776	10,048	8.46%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Total Costs	\$369,980	\$480,381	\$429,755	\$433,741	\$850,361	\$863,496	\$13,135	1.54%
State Special	341,490	451,893	401,265	405,251	793,383	806,516	13,133	1.66%
Federal Special	28,490	28,488	28,490	28,490	56,978	56,980	2	0.00%
Total Funds	\$369,980	\$480,381	\$429,755	\$433,741	\$850,361	\$863,496	\$13,135	1.54%

Program Description

The Milk and Egg Inspection program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws is accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

Program Highlights

Milk and Egg Program Major Budget Highlights	
◆	The Governor’s proposed budget increases by 1.5% from the previous biennium due to statewide present law adjustments.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Milk & Egg Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$806,516	\$0	\$0	\$806,516	93.4%		
02262 Egg Shielded Grading Program	\$120,098	\$0	\$0	\$120,098	13.9%		
02427 Animal Health	\$686,418	\$0	\$0	\$686,418	79.5%		
Federal Special Total	\$56,980	\$0	\$0	\$56,980	6.6%		
03032 Animal Health Sp. Rev	\$56,980	\$0	\$0	\$56,980	6.6%		
Total All Funds	\$863,496	\$0	\$0	\$863,496	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

State special revenue from milk industry fees is the primary funding source for this division. Federal special revenues are provided by the U.S. Department of Agriculture to conduct shell egg surveillance.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	369,980	369,980	739,960	85.69%
Statewide PL Adjustments	0	0	0	0.00%	57,288	58,921	116,209	13.46%
Other PL Adjustments	0	0	0	0.00%	2,487	4,840	7,327	0.85%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$429,755	\$433,741	\$863,496	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					77,097					78,293
Vacancy Savings					(15,283)					(15,331)
Inflation/Deflation					(1,260)					(811)
Fixed Costs					(3,266)					(3,230)
Total Statewide Present Law Adjustments		\$0	\$57,288	\$0	\$57,288		\$0	\$58,921	\$0	\$58,921
DP 501 - Milk and Egg Vehicle Lease	0.00	0	2,487	0	2,487	0.00	0	4,840	0	4,840
Total Other Present Law Adjustments	0.00	\$0	\$2,487	\$0	\$2,487	0.00	\$0	\$4,840	\$0	\$4,840
Grand Total All Present Law Adjustments	0.00	\$0	\$59,775	\$0	\$59,775	0.00	\$0	\$63,761	\$0	\$63,761

DP 501 - Milk and Egg Vehicle Lease - The executive requests funding to replace one vehicle with a leased vehicle from the DOT motor pool over the biennium. The vehicle is used by milk and egg inspectors traveling over 40,000 miles a year. This request replaces one of five pick-up trucks each year.

LFD COMMENT	Last biennium the legislature provided funding to purchase vehicles. However, the executive would like the department to begin leasing vehicles from the DOT motor pool and has several requests for this funding in several programs. For a discussion, see the Summary section of this agency’s narrative.
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Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison	Base	Approp.	Budget	Budget	Biennium	Biennium	Biennium	Biennium
Budget Item	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 12-13	Fiscal 14-15	Change	% Change
FTE	57.71	57.71	49.00	49.00	57.71	49.00	(8.71)	(15.09%)
Personal Services	2,737,255	2,802,797	2,431,700	2,433,757	5,540,052	4,865,457	(674,595)	(12.18%)
Operating Expenses	516,628	449,624	488,847	498,370	966,252	987,217	20,965	2.17%
Equipment & Intangible Assets	0	9,248	0	0	9,248	0	(9,248)	(100.00%)
Total Costs	\$3,253,883	\$3,261,669	\$2,920,547	\$2,932,127	\$6,515,552	\$5,852,674	(\$662,878)	(10.17%)
General Fund	2,943	2,943	2,943	2,943	5,886	5,886	0	0.00%
State Special	3,250,940	3,258,726	2,917,604	2,929,184	6,509,666	5,846,788	(662,878)	(10.18%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$3,253,883	\$3,261,669	\$2,920,547	\$2,932,127	\$6,515,552	\$5,852,674	(\$662,878)	(10.17%)

Program Description

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and livestock inspections.

Program Highlights

Brands Enforcement Division	
Major Budget Highlights	
◆	The Governor’s proposed budget decreases by 10.2% from the previous biennium due to statewide present law adjustments
Major LFD Issues	
◆	The executive proposes the elimination of 8.71 FTE for costs savings

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Brands Enforcement Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,886	\$0	\$0	\$5,886	0.1%		
State Special Total	\$5,846,788	\$0	\$0	\$5,846,788	99.9%		
02425 Inspection And Control	2,464,432	-	-	2,464,432	42.1%		
02426 Lvstk Per Capita	3,382,356	-	-	3,382,356	57.8%		
Total All Funds	\$5,852,674	\$0	\$0	\$5,852,674	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Brand Enforcement Division is funded with per capita fees and inspection and control funds. Inspection and control funds are generated from brand recordings, and market and local inspections. General fund comprises less than 1% of

the total. As shown, the per capita fund would be sharply increased in FY 2014. For a further discussion, see the LFD Issue in new proposal DP 603.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,943	2,943	5,886	100.00%	3,253,883	3,253,883	6,507,766	111.19%
Statewide PL Adjustments	0	0	0	0.00%	(40,074)	(33,476)	(73,550)	(1.26%)
Other PL Adjustments	0	0	0	0.00%	61,133	65,658	126,791	2.17%
New Proposals	0	0	0	0.00%	(354,395)	(353,938)	(708,333)	(12.10%)
Total Budget	\$2,943	\$2,943	\$5,886		\$2,920,547	\$2,932,127	\$5,852,674	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					96,200					97,867
Vacancy Savings					(113,339)					(113,406)
Inflation/Deflation					(10,113)					(5,525)
Fixed Costs					(12,822)					(12,412)
Total Statewide Present Law Adjustments		\$0	(\$40,074)	\$0	(\$40,074)		\$0	(\$33,476)	\$0	(\$33,476)
DP 601 - Brands Division Vehicle Lease	0.00	0	5,154	0	5,154	0.00	0	9,679	0	9,679
DP 602 - Brand Overtime	0.00	0	55,979	0	55,979	0.00	0	55,979	0	55,979
Total Other Present Law Adjustments	0.00	\$0	\$61,133	\$0	\$61,133	0.00	\$0	\$65,658	\$0	\$65,658
Grand Total All Present Law Adjustments	0.00	\$0	\$21,059	\$0	\$21,059	0.00	\$0	\$32,182	\$0	\$32,182

DP 601 - Brands Division Lease Vehicle Lease - The executive is requesting to replace five vehicles each year with leased vehicles from the DOT Motor Pool in a fleet of 30 brand enforcement vehicles.

DP 602 - Brand Overtime - The executive is requesting restoration of overtime authority at the FY 2012 level. The program works extensive overtime during the fall market and at other peak times of the year. Overtime funding is required to be approved every biennium.

LFD COMMENT	The division is requesting a continuation of FY 2012 level overtime while proposing a reduction in staff. For a further discussion see the LFD Issue for DP 603 in the new proposals section.
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New Proposals

New Proposals	Fiscal 2014					Fiscal 2015					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 603 - Brand FTE Reductions and Fund Switch											
06	(8.71)	0	(354,395)	0	(354,395)	(8.71)	0	(353,938)	0	(353,938)	
Total	(8.71)	\$0	(\$354,395)	\$0	(\$354,395)	(8.71)	\$0	(\$353,938)	\$0	(\$353,938)	

DP 603 - Brand FTE Reductions and Fund Switch – The executive proposes to permanently remove 8.71 FTE and \$354,395 of state special revenue per capita fee in FY 2014 and \$353,938 in FY 2015. In addition, \$921,736 of inspection and control state special revenue funding is replaced with per capita fee state special revenue in FY 2014 in order to balance the department’s expenditures with available funding.

LFD ISSUE The major funding source for this division is the inspection and control fund. Livestock owners pay a fee every ten years for brand re-record, which populates the fund. However, because of the timing of the revenues to the fund, the agency can only spend 10% of the total revenues that are received from brand re-record in any year. The following figure shows the actual expenditures in FY 2012, and appropriated FY 2013 and proposed 2015 biennium expenditures for the fund.

Department of Livestock Inspection and Control Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request FY 2014	Executive Request FY 2015
Beginning Balance	\$256,353	\$81,645	(\$207,666)	\$753,120
Revenues	1,926,537	1,831,819	1,706,319	1,721,319
Expenditures				
Brands Enforcement	(2,101,245)	(2,121,130)	(745,533)	(1,718,899)
Ending Fund Balance	<u>\$81,645</u>	<u>(\$207,666)</u>	<u>\$753,120</u>	<u>\$755,540</u>
FTE	57.71	57.71	49.00	49.00

Department Of Livestock 2015 Budget Requests for Inspection and Control			
	FY 2014	FY 2015	Biennial Total
Vehicle Lease Brands Div	\$5,154	\$9,679	\$14,833
Brand Overtime	55,979	55,979	\$111,958
Brand FTE Reduction	(354,395)	(353,938)	(708,333)
Total	<u>(\$293,262)</u>	<u>(\$288,280)</u>	<u>(\$581,542)</u>

2015 Biennium Funding							
Funding Source	Division						
	Central Services	Laboratory	Animal Health	Milk & Egg	Brands	Meat & Poultry	Total
General Fund	\$165,431	\$579,108	\$1,013,028	\$0	\$5,886	\$1,278,376	\$3,041,829
Per Capita Fee	2,734,121	1,278,613	1,299,735	0	3,382,356	0	8,694,825
Animal Health	0	2,051,319	77,888	686,418	0	11,435	2,827,060
Inspection & Control	0	0	0	0	2,464,432	0	2,464,432
Other State Special	710,542	0	0	120,098	0	0	830,640
Federal	0	0	1,485,340	56,980	0	1,278,376	2,820,696
Total	<u>\$3,610,094</u>	<u>\$3,909,040</u>	<u>\$3,875,991</u>	<u>\$863,496</u>	<u>\$5,852,674</u>	<u>\$2,568,187</u>	<u>\$20,679,482</u>

**LFD
ISSUE CONT.**

As shown, although revenues are expected to decrease slightly, expenditures from the fund would be sharply reduced. The Board of Livestock is the entity responsible for setting fees, which have not been raised since 2006. The agency has been overspending from the fund since FY 2009. The executive states that they are recommending a reduction in operations and further supplementary funding from the per capita fund rather than an increase in fees because the a fee increase was not desirable.

The department also states that they estimate the potential impact of a reduction in staffing levels to be 4.96 currently filled FTE, which would be expected to result in layoffs, mostly part-time employees. The remaining FTE reductions would be achieved through currently vacant positions. The department expects to see a reduction in market inspections and an impact of operation on sale days with this level of reduction in staff. If the legislature does not wish to have all or a portion of the reduction in staffing included in the executive budget, it has three primary options to increase revenue:

- Increase fees to the inspection and control fund
- Increase the percentage of the re-record fees that are able to be spent annually temporarily until additional revenue can be raised
- Provide additional supplement funding. If additional funding were to be provided by the per capita fund, it could jeopardize that fund's structural balance

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.50	20.50	21.50	21.50	20.50	21.50	1.00	4.88%
Personal Services	914,398	926,725	960,028	961,384	1,841,123	1,921,412	80,289	4.36%
Operating Expenses	311,881	308,668	328,998	317,777	620,549	646,775	26,226	4.23%
Total Costs	\$1,226,279	\$1,235,393	\$1,289,026	\$1,279,161	\$2,461,672	\$2,568,187	\$106,515	4.33%
General Fund	613,109	614,184	641,654	636,722	1,227,293	1,278,376	51,083	4.16%
State Special	5,717	5,717	5,718	5,717	11,434	11,435	1	0.01%
Federal Special	607,453	615,492	641,654	636,722	1,222,945	1,278,376	55,431	4.53%
Total Funds	\$1,226,279	\$1,235,393	\$1,289,026	\$1,279,161	\$2,461,672	\$2,568,187	\$106,515	4.33%

Program Description

The Meat and Poultry Inspection Program was established in 1987 by the Montana Meat and Poultry Inspection Act. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

Program Highlights

Meat and Poultry Inspection Major Budget Highlights	
○	The Governor’s proposed budget increases by 4.3% from the previous biennium due to statewide present law adjustments and a proposal to add an inspector position.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Meat/Poultry Inspection							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,278,376	\$0	\$0	\$1,278,376	49.8%		
State Special Total	\$11,435	\$0	\$0	\$11,435	0.4%		
02427 Animal Health	\$11,435	\$0	\$0	\$11,435	0.4%		
Federal Special Total	\$1,278,376	\$0	\$0	\$1,278,376	49.8%		
03209 Meat/poultry Inspection Sp Rev	\$1,278,376	\$0	\$0	\$1,278,376	49.8%		
Total All Funds	\$2,568,187	\$0	\$0	\$2,568,187	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The majority of meat and poultry inspection program funding is split evenly between federal funds and the general fund. Per cooperative agreement with the US Department of Agriculture, state special revenue funds cannot be used as match when they are derived through a fee on producers being inspected by the program. Since the majority of state special revenue funds are generated from fees on producers being inspected, general fund is used as match. A small portion of state special revenue derived from inspection fees on facilities are used in this division.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	613,109	613,109	1,226,218	95.92%	1,226,279	1,226,279	2,452,558	95.50%
Statewide PL Adjustments	(1,977)	(184)	(2,161)	(0.17%)	1,703	5,288	6,991	0.27%
Other PL Adjustments	10,886	4,161	15,047	1.18%	21,772	8,322	30,094	1.17%
New Proposals	19,636	19,636	39,272	3.07%	39,272	39,272	78,544	3.06%
Total Budget	\$641,654	\$636,722	\$1,278,376		\$1,289,026	\$1,279,161	\$2,568,187	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					45,867					47,329
Vacancy Savings					(38,411)					(38,468)
Inflation/Deflation					(5,631)					(3,696)
Fixed Costs					(122)					123
Total Statewide Present Law Adjustments		(\$1,977)	\$1	\$3,679	\$1,703		(\$184)	\$0	\$5,472	\$5,288
DP 1001 - Meat Inspector Training (OTO/BIEN)	0.00	4,161	0	4,161	8,322	0.00	4,161	0	4,161	8,322
DP 1002 - Meat Inspection Field Supplies (OTO/BIEN)	0.00	6,725	0	6,725	13,450	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$10,886	\$0	\$10,886	\$21,772	0.00	\$4,161	\$0	\$4,161	\$8,322
Grand Total All Present Law Adjustments	0.00	\$8,909	\$1	\$14,565	\$23,475	0.00	\$3,977	\$0	\$9,633	\$13,610

DP 1001 - Meat Inspector Training (OTO/BIEN) – The executive requests funding for training for the Food Safety Inspection Service (FSIS) meat inspection program to maintain equal status in the federal state cooperative agreement.

DP 1002 - Meat Inspection Field Supplies (OTO/BIEN) - The executive requests funding for meat inspection equipment for field and office work used for the FSIS cooperative agreement. Funding is for items such as antibiotic test kits incubators, data loggers, and thermal couplers. This request is funded with 50% general fund and 50% federal funds.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1003 - Meat Inspection - New Plants (OTO)										
10	1.00	19,636	0	19,636	39,272	1.00	19,636	0	19,636	39,272
Total	1.00	\$19,636	\$0	\$19,636	\$39,272	1.00	\$19,636	\$0	\$19,636	\$39,272

DP 1003 - Meat Inspection - New Plants - The executive requests funding for a meat inspector for new plants. Currently, there are six new plants that are requesting to begin operations. This proposal would add 1.00 FTE meat inspector in the 2015 biennium funded with 50% general fund and 50% federal funds.

LFD COMMENT	There are currently 14 inspectors for the current plants in various locations across the state. If inspectors work overtime they would be allotted time and a half overtime rate due to the co-operative matching agreement with the federal government.
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Total Department Of Livestock Funding by Source of Authority
2015 Biennium Budget

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$3,041,829	\$0	\$0	\$3,041,829	13.7%
State Special Total	\$14,816,957	\$0	\$1,469,766	\$16,286,723	73.5%
02029 Board Of Horse Racing	\$174,978	\$0	\$258,000	\$432,978	2.0%
02063 Bohr Simulcast	\$120,000	\$0	\$111,766	\$231,766	1.0%
02117 Predatory Animal Ssr	\$0	\$0	\$700,000	\$700,000	3.2%
02124 Llbn Restriced	\$0	\$0	\$400,000	\$400,000	1.8%
02262 Egg Shielded Grading Program	\$120,098	\$0	\$0	\$120,098	0.5%
02425 Inspection And Control	\$2,464,432	\$0	\$0	\$2,464,432	11.1%
02426 Lvstk Per Capita	\$8,694,825	\$0	\$0	\$8,694,825	39.3%
02427 Animal Health	\$2,827,060	\$0	\$0	\$2,827,060	12.8%
02817 Milk Control Bureau	\$415,564	\$0	\$0	\$415,564	1.9%
Federal Special Total	\$2,820,696	\$0	\$0	\$2,820,696	12.7%
03032 Animal Health Sp. Rev	\$56,980	\$0	\$0	\$56,980	0.3%
03209 Meat/poultry Inspection Sp Rev	\$1,278,376	\$0	\$0	\$1,278,376	5.8%
03427 Bison Trap Funds	\$1,485,340	\$0	\$0	\$1,485,340	6.7%
Total All Funds	\$20,679,482	\$0	\$1,469,766	\$22,149,248	100.0%
Percent - Total All Sources	93.4%	0.0%	6.6%		

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

Department of Livestock

Minimum Requirement

	General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET	\$ 49,304	\$ 3,002

Priority

SERVICE(S) TO BE ELIMINATED OR REDUCED

General Fund Annual Savings **State Special Revenue Annual Savings**

1	Operations Livestock Loss Board	\$ 3,369	
2	Operations Diagnostic Laboratory - Bozeman	\$ 15,133	
3	Brands personal services	\$ 147	
4	Meat Inspection	\$ 30,655	
5	Brands personal services		\$ 3,002
6			
7			
8			
9			
10			
11			
	TOTAL SAVINGS	\$ 49,304	\$ 3,002
	DIFFERENCE	0	0

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5603 Livestock

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The general fund reductions would occur in the operational costs of the Livestock Loss Board that deals with predation payments to producers due to wolf loss for \$3,369. The lab operations would reduce supplies for testing by \$15,133. The brand reduction is negligible. The reduction of \$30,655 in meat inspection would likely be in personal services. The state special revenue of 3002 had already been reduced in the FTE reductions in the executive budget.

#2 THE SAVINGS THAT ARE EXPECTED:

There would be a general fund savings in the LLB, the Lab and brands. There is a 50-50 match in federal funds in meat inspection.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Meat Inspection also loses \$30,655 in federal funds. That is \$61,310 combined. The consequence is that meat processing businesses would not be inspected and could not do business. The general fund reduction in the lab would be in supplies and materials. Testing supplies continually go up in cost not down. This would mean less testing. The general fund in Brands is inconsequential. The state special revenue reduction has already been made.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes. The meat inspection is required by state and federal law through the FSIS cooperative agreement established in 1987. It is a 50-50 match and legally requires an equal to status.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

#2 THE SAVINGS THAT ARE EXPECTED:

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:

#2 THE SAVINGS THAT ARE EXPECTED:

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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5% Base Budget Reduction Form

AGENCY CODE & NAME:

- #1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:**

- #2 **THE SAVINGS THAT ARE EXPECTED:**

- #3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:**

- #4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

- #5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

5% Base Budget Reduction Form

AGENCY CODE & NAME:

- #1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:**

- #2 **THE SAVINGS THAT ARE EXPECTED:**

- #3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:**

- #4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

- #5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

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- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:

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- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:

- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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- #2 THE SAVINGS THAT ARE EXPECTED:

- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:

- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

5% Base Budget Reduction Form

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#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION* OR *REDUCTION*:

#2 THE SAVINGS THAT ARE EXPECTED:

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION* OR *REDUCTION*:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

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AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION* OR *REDUCTION*:

#2 THE SAVINGS THAT ARE EXPECTED:



#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION* OR *REDUCTION*:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL
STATUTE - YES OR NO:**

Our Mission

Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana, while contributing to the quality of life for present and future generations.

- Montana Fish, Wildlife & Parks Strategic Plan-The Road Ahead ( 1.3 MB)
- FWP Goals and Objectives - FY2014/2015 ( 360 KB)

Vision for the 21st Century

Montana Fish, Wildlife & Parks will provide the leadership necessary to create a commitment in the hearts and minds of people to ensure that, in our second century, and in partnership with many others, we will sustain our diverse fish, wildlife, and parks resources and the quality recreational opportunities that are essential to a high quality of life for Montanans and our guests.

Guiding Principles

We understand that serving the people of Montana to achieve this vision is both a privilege and a responsibility. We also understand that we cannot achieve our vision alone. The following principles will guide FWP:

- We will maintain the long-term viability of Montana's natural, cultural, and recreational resources.
- We will actively involve people in decisions that affect them; help people to participate by providing them with credible and objective information; and, develop programs with a clear understanding of public expectations for FWP service.
- We will serve as an advocate for responsible management and for equitable allocation of public use of the limited resources which we are entrusted to manage.
- We will manage fish and wildlife resources with pride in Montana's hunting and angling heritage.
- We will create and strengthen working partnerships with individuals, organized groups, and other natural, historic, and cultural resource management agencies.
- We will use innovation and technology to improve our services.

Goals

- **Goal A:** Create a work environment where priorities are clear; the decision-making process is efficient and effective; and, where employees feel a sense of accountability, value, and satisfaction in their achievements and their contributions to the agency mission.
 - FWP will effectively and efficiently utilize our human and financial resources, while fulfilling our role in natural and cultural resource issues.

- FWP will complete strategic and six-year plans for fish, wildlife, and parks programs to clarify public expectations, allocate resources and define a common direction for FWP and our partners.
- FWP will foster personal and professional growth of employees by developing and using meaningful employee agreements and performance standards.
- FWP will create and maintain a professional, diverse, and responsive workforce by improving employee recruitment, selection, and career development.
- **Goal B:** Provide quality opportunities for public appreciation and enjoyment of fish, wildlife, and parks resources.
 - FWP management decisions will equitably balance the interests of hunters, anglers and other outdoor recreationists, visitors to historic sites, landowners, the general public and the needs of Montana's fish, wildlife, and parks resources.
 - FWP will manage its wildlife program to balance game damage, human/wildlife conflicts and landowner/recreations conflicts with the perpetuation and protection of wildlife populations.
 - FWP management decisions recognize that Montana's agricultural community is integral to the management of Montana's fish and wildlife populations and the habitats that support them.
 - FWP will provide diverse and equitable opportunities for people to experience a variety of outdoor recreation and historic and cultural experiences on public lands and in cooperation with private landowners.
 - FWP will provide quality services for people who use Montana state parks.
 - FWP will fairly and equitably enforce all regulations and maintain public safety at FWP sites.
- **Goal C:** Maintain and enhance the health of Montana's natural environment and the vitality of our fish, wildlife, cultural, and historic resources through the 21st century.
 - FWP programs will be consistent with ecologically sound and sustainable practices and managed within funding capabilities.
 - FWP will provide and support programs to conserve and enhance high quality aquatic habitat and protect native aquatic species.
 - FWP will provide and support programs to conserve and enhance Montana's terrestrial ecosystems and the diversity of species inhabiting them.
 - FWP will provide and support programs for the long-term protection and enhancement of Montana's cultural, historic, prehistoric, and natural resources.
- **Goal D:** Emphasize education, communication, and responsible behavior to afford citizens the opportunity to better understand and participate in the decision-making process that sustain our natural, recreational, and cultural resources for future generations.
 - FWP will help Montana citizens to understand and participate in FWP's decision-making processes.
 - FWP will provide regulations, program information, and educational materials that are accurate, reliable, and easy for people to use and understand.
 - FWP will help people to be aware of and appreciate Montana's fish, wildlife, cultural, historic, and natural resources.

- FWP will provide family-oriented educational opportunities to help all ages learn to participate in and enjoy Montana's many and varied outdoor recreation opportunities.
- FWP will encourage high standards of outdoor behavior by recreationists who participate in FWP regulated activities.

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Natural Resources and Conservation

Contact: Contact: Contact: Christina Butler, Fiscal Analyst
Rm. 110 H, State Capitol Building
Phone: (406) 444-458, e-mail: christinabutler@mt.gov

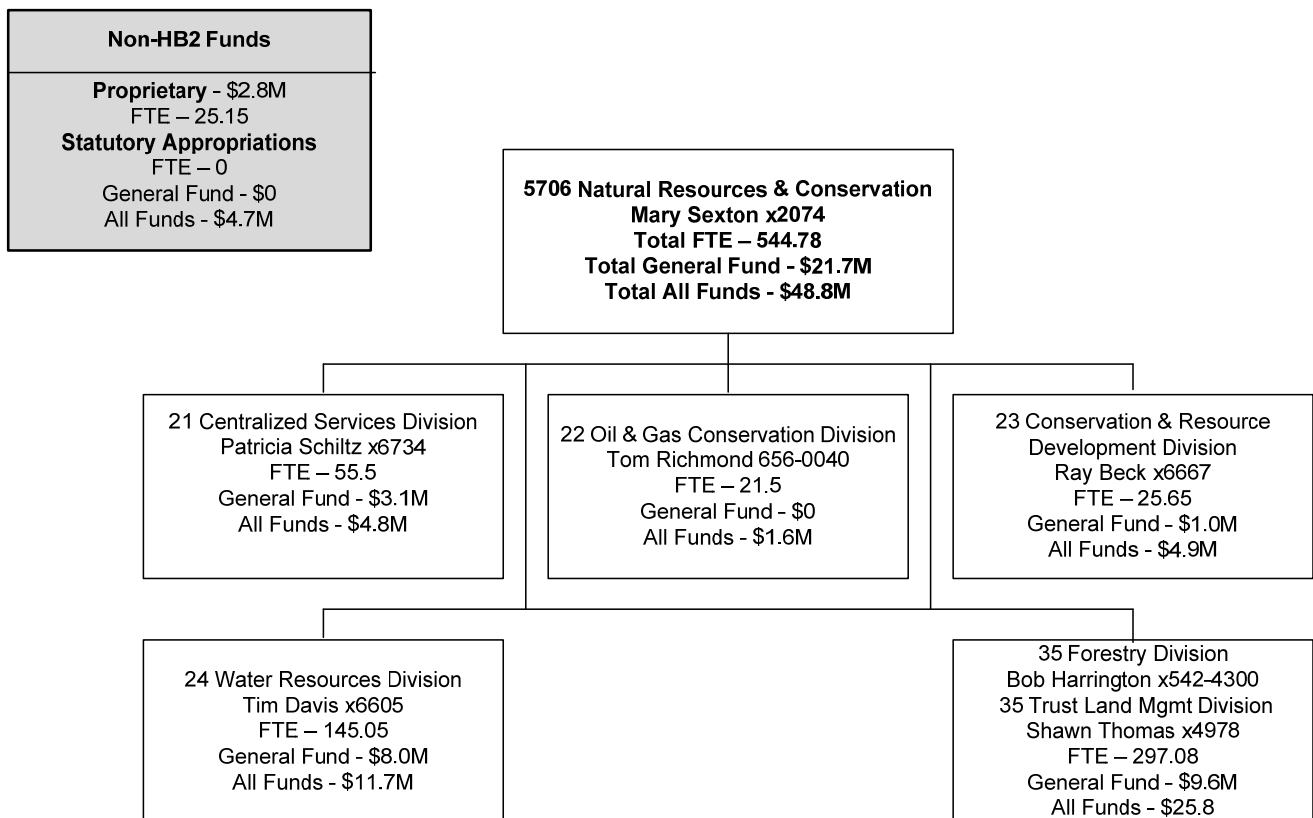
Updated December 2012

Agency Description

Definition of Terms

The department is responsible for managing state trust land, protecting Montana’s natural resources from wildfire; promoting stewardship of state water, soil, forest, and rangeland resources; providing assistance to the conservation districts; providing natural resource conservation education; and providing support to the Reserved Water Rights Compact Commission (will sunset July 2013) and the Board of Oil and Gas Conservation.

The department also administers the State Board of Land Commissioners, composed of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State. This board exercises general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.



How Services are Provided

The department consists of seven divisions with the following functions:

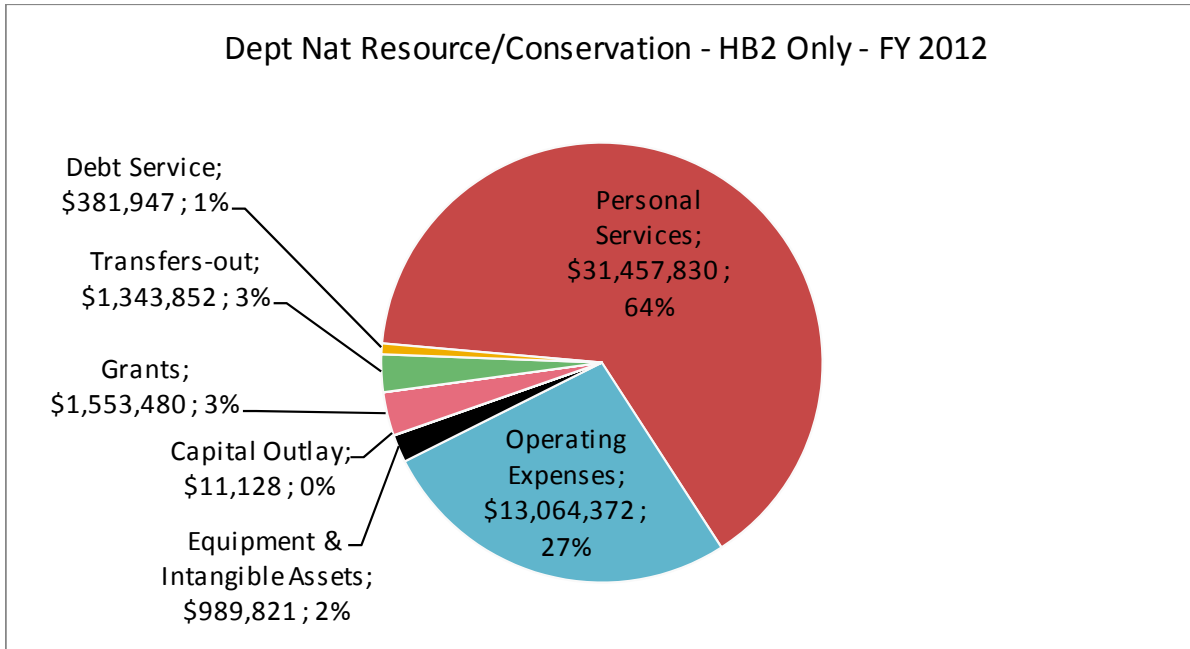
- **The Centralized Services Division** provides managerial and administrative support services to the entire department with 41.0 FTE.
- **The Oil and Gas Conservation Division** administers activities through the quasi-judicial Board of Oil and Gas Conservation and the technical and administrative staff of the division. Their activities include issuing orders and deficiency reports, classifying wells, issuing drilling permits, and administering bonds to ensure proper plugging and surface reclamation. The division also handles the plugging of orphaned, abandoned, or problem wells and is empowered to levy civil and criminal fines. There are seven board members supported by 21.5 FTE.
- **The Conservation and Resource Development Division** provides administrative, financial, and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The division is supported by 25.50 FTE.
- **The Water Resources Division** is responsible for programs associated with the uses, development, and protection of Montana's water, including the adjudication of water rights. The division also develops and recommends in-state, interstate, and international water policy to the director, Governor, and legislature. The division has a staff of 157 FTE.

The Forestry/Trust Lands Administration Division

- **The Forestry Division** is responsible for planning and implementing forestry programs statewide
- **The Trust Land Management Division** provides for the administration and management of trust lands granted to the State of Montana by The Enabling Act of 1889 and the Morrill Acts.

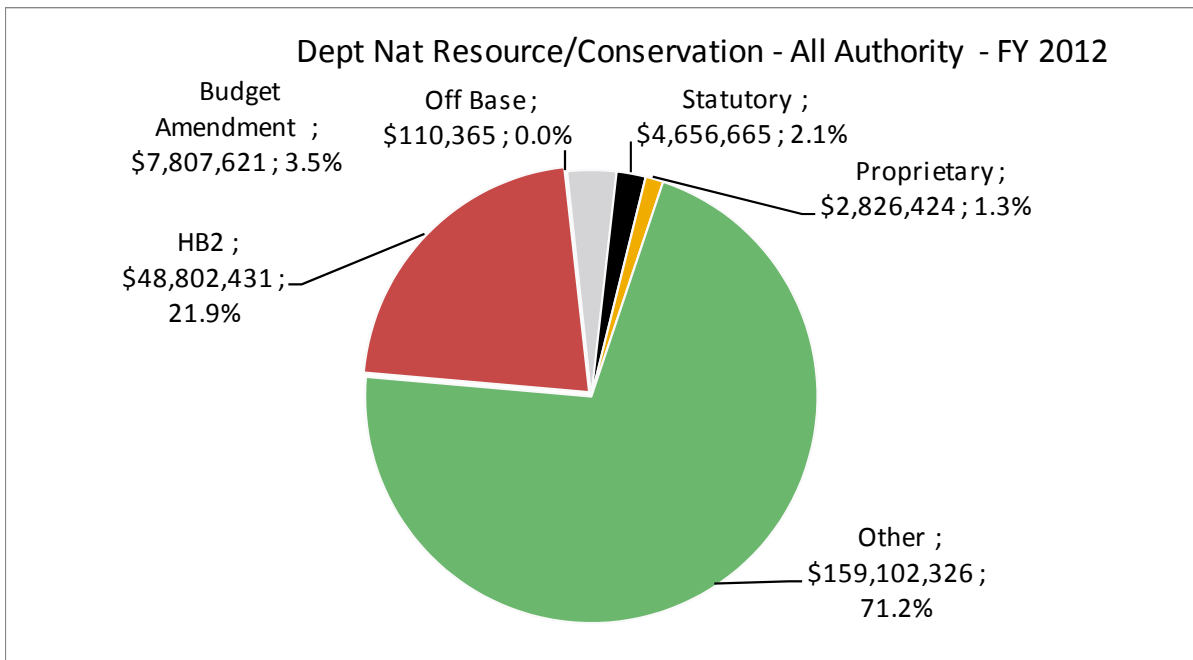
Sources of Spending Authority

The chart on the following page shows the sources of authority for the Department of Natural Resources and Conservation. The primary authority on the chart is accounts for transfers used for trust lands. The primary source of funds for ongoing agency operations comes from HB 2. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



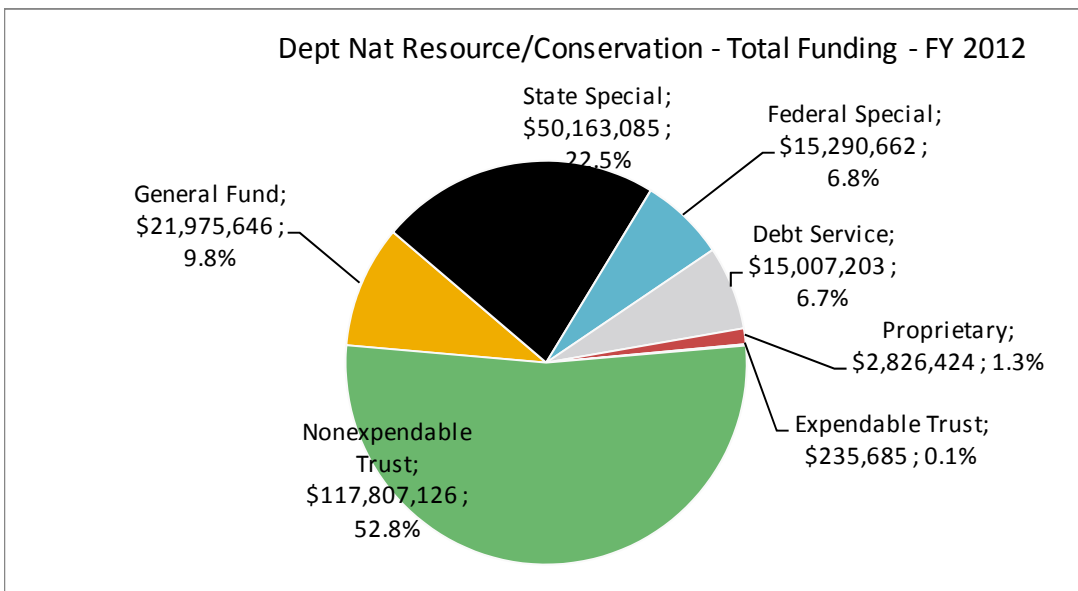
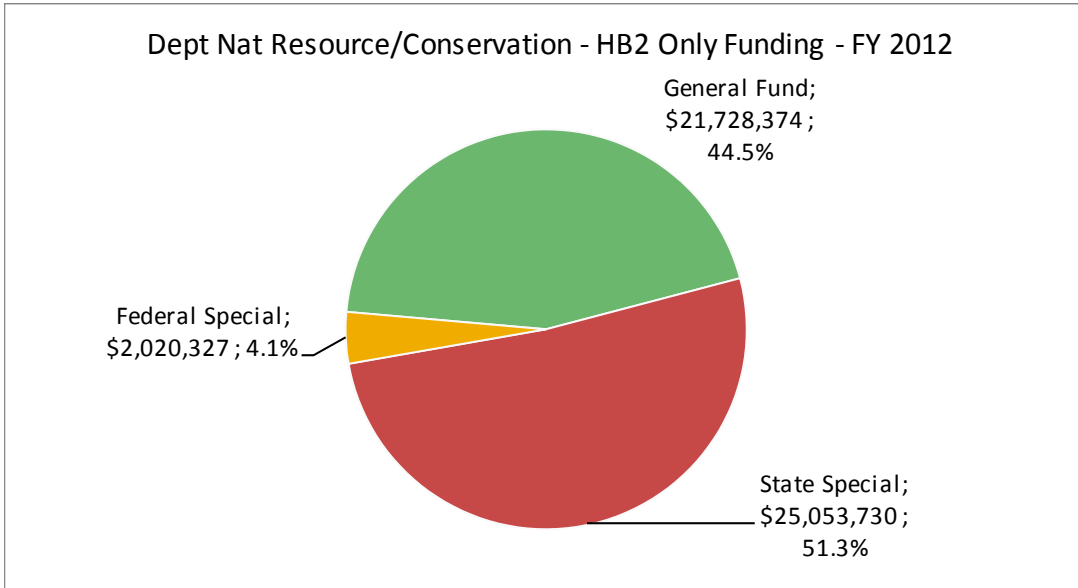
Expenditures

The next chart explains how the HB2 authority is spent. This chart matches the agency chart found in the 2015 Budget Analysis.



Funding

The following charts show the agency's HB2 funding authority by fund type and all sources of its total funding authority.



How the 2013 Legislature Can Effect Change

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

Land Management

The management of trust lands and direct protection of forestlands are major functions of the department. Department expenditures and activities can be affected through:

- Guiding the management of trust lands to increase revenue to beneficiaries
- Ensuring appropriate allocation of trust land management costs across all trusts
- Establishing appropriate fees related to timber harvest on state lands
- Providing appropriations for wildfire costs, prior to fire season
- Setting fire protection assessments on owners of land classified as forestland

Water Resources

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

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

Loan and Grant Programs

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

- Setting the amount that can be loaned out to entities
- Determining loan fees and interest rates
- Directing principal payments, fees, and interest dollars to a specific fund or activity
- Determining the types of grants and loans to be released
- Providing access to federal dollars to supplement the loan and grant programs

Permitting and Licensing Activities

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

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

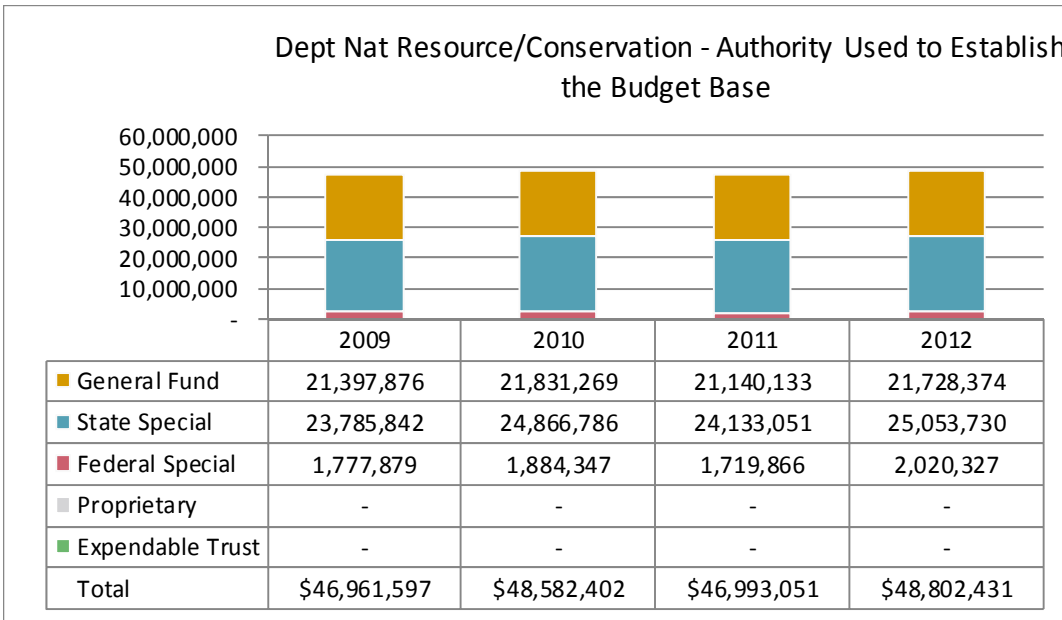
Major Cost Drivers

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time. State FTE - state employees perform many of the functions of the Department of Natural Resources and Conservation. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 64% of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

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

Element	2010	2012	Significance of Data
Oil and gas drilling permits	239	398	Workload, increase in drilling activities, CY
Dollar value of Resource Development Grant applications	\$18.57 million (RRG & RDG only, does not include Regional Water)	\$17.03 million (RRG & RDG only, does not include Regional Water)	Workload, pressure on grant program.
Number of water rights claims toward 2015 goal and post decree work hours	6,176 claims examined 6,410 post decree hours	9,179 2011 and 2012 claims examined 20,510 post decree hours	Workload, progress toward the goal of examining all remaining water rights claims by 2015 and amount of time assisting the Water Court
Acres of direct fire protection	5,173,219	5,138,786	Change in direct protection responsibilities
Total revenue generated from trust land	\$62.3 million*	\$61.0 million*	Revenue prior to expenses *With Interest *Otter Creek Bonus Payment
Value of loan portfolio, all programs	\$471.8 million	\$553.4 million	Workload, revenue, growth in loan programs
Number of drinking water loans closed or increased	22	23	Workload, growth in loan programs

Funding/Expenditure History



The table shows the historical changes in the department's base budget authority. The base for the department has stayed relatively stable, with no major increases in the last four years.

Major Legislative Changes in the Last Ten Years

Water Compacts

- HB 49 in the 2011 session authorized the sale of bonds to fund the Blackfeet water compact. The department was allowed to issue and sell \$16.0 million in general obligation bonds to pay the state's costs for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian reservation
- HB 645 in the 2009 session provided \$35.0 million in funding for development of wastewater and drinking water infrastructure, state and private forestry activities, and funds for the Blackfeet and Fort Belknap water compacts

Streambeds

- SB 35 in the 2011 session clarified state laws related to the beds of navigable rivers and defines a "navigable river." It provides rulemaking authority to the Board of Land Commissioners to provide for leases, license, or easements to use the beds of navigable rivers and requires authorizations from the Board of Land Commissioners to use the beds of navigable rivers

Fire Suppression

- HB 3 in the 2007 special session provided for the creation of a fire suppression account, transferred \$40 million general fund to the account, and statutorily appropriates the funds in the account for fire suppression activities beginning in FY 2009
- The 2007 Legislature approved \$1.0 million general fund to purchase the title to DNRC helicopters from the US Forest Service pending congressional approval

Trust Land Revenues

- HB 19 in the 2007 session prohibited diversions of Morrill Act Land revenues for administrative costs and provides a statutory appropriation of \$40,000 general fund each year to administer the trust

Water Adjudication

- HB 473 in the 2007 session provided for a \$25.0 million transfer from the general fund to the state special revenue fund for water adjudication activities. This legislation eliminated the water adjudication fee passed by the 2005 legislature

For further information, you may wish to contact the agency at:

Department of Natural Resources and Conservation

Helena, MT 59620-2001

Phone: (406) 444-

webpage:

Total Dept Of Natural Resources & Conservation Funding by Source of Authority
2015 Biennium Budget

Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds
	HB 2	Budgeted Proprietary			
General Fund	\$48,319,163	\$0	\$0	\$48,319,163	38.7%
State Special Total	\$66,129,838	\$0	\$200,000	\$66,329,838	53.1%
02010 Oil & Gas Damage Mitigation	\$0	\$0	\$200,000	\$200,000	0.2%
02015 Tsep Regional Water System	\$1,463,998	\$0	\$0	\$1,463,998	1.2%
02031 Land Banking - Pvt Closing Costs	\$431,772	\$0	\$0	\$431,772	0.3%
02039 Forestry-fire Protection Taxes	\$6,999,397	\$0	\$0	\$6,999,397	5.6%
02052 Rangeland Improvement Loans	\$1,052,406	\$0	\$0	\$1,052,406	0.8%
02073 Forestry - Slash Disposal	\$142,699	\$0	\$0	\$142,699	0.1%
02145 Broadwater O & M	\$1,026,078	\$0	\$0	\$1,026,078	0.8%
02316 Go94b/ban 93d Admin	\$53,478	\$0	\$0	\$53,478	0.0%
02340 Coal Sev. Tax Shared Ssr	\$4,419,763	\$0	\$0	\$4,419,763	3.5%
02351 Water Project Lands Lease Acct	\$19,834	\$0	\$0	\$19,834	0.0%
02404 Water Project Loans	\$616,410	\$0	\$0	\$616,410	0.5%
02430 Water Right Appropriation	\$1,042,010	\$0	\$0	\$1,042,010	0.8%
02431 Water Adjudication	\$4,441,947	\$0	\$0	\$4,441,947	3.6%
02432 Oil & Gas Era	\$4,018,135	\$0	\$0	\$4,018,135	3.2%
02433 Grazing District Fees	\$48,652	\$0	\$0	\$48,652	0.0%
02449 Forest Resources-forest Improv	\$2,245,305	\$0	\$0	\$2,245,305	1.8%
02470 State Project Hydro Earnings	\$2,657,837	\$0	\$0	\$2,657,837	2.1%
02490 Drinking Water Investment	\$400,000	\$0	\$0	\$400,000	0.3%
02576 Natural Resources Operations Ssr Fu	\$2,041,940	\$0	\$0	\$2,041,940	1.6%
02623 Contract Timber Harvesting	\$802,056	\$0	\$0	\$802,056	0.6%
02681 Historic Right-of-way Acct	\$24,778	\$0	\$0	\$24,778	0.0%
02694 Coal Bed Methane Protection	\$510,000	\$0	\$0	\$510,000	0.4%
02825 Water Well Contractors	\$174,375	\$0	\$0	\$174,375	0.1%
02912 Tlmd Land Exchange Admin	\$100,000	\$0	\$0	\$100,000	0.1%
02938 Tlmd - Administration	\$22,396,968	\$0	\$0	\$22,396,968	17.9%
02971 Srf Go Bond 2000f Tax Nps/rcb	\$9,000,000	\$0	\$0	\$9,000,000	7.2%
Federal Special Total	\$4,114,693	\$0	\$0	\$4,114,693	3.3%

03034 Yellowstone Groundwater Nps	\$46,000	\$0	\$0	\$46,000	0.0%
03094 Fema Federal Grants	\$410,897	\$0	\$0	\$410,897	0.3%
03149 Wpc Srf Fy06 Grant	\$136,259	\$0	\$0	\$136,259	0.1%
03152 Dw Srf Fy15 Grant	\$162,007	\$0	\$0	\$162,007	0.1%
03255 Csd Federal Indirect	\$530,294	\$0	\$0	\$530,294	0.4%
03356 Oil & Gas Federal	\$222,940	\$0	\$0	\$222,940	0.2%
03409 Wpc Srf Fy10 Grant	\$136,259	\$0	\$0	\$136,259	0.1%
03430 Dw Srf Fy14 Grant	\$162,007	\$0	\$0	\$162,007	0.1%
03471 Consolidated Grant Fy14	\$853,362	\$0	\$0	\$853,362	0.7%
03472 Non-consolidated Grant Fy14	\$300,000	\$0	\$0	\$300,000	0.2%
03483 Consolidated Grant Fy15	\$854,668	\$0	\$0	\$854,668	0.7%
03484 Non-consolidated Grant Fy15	\$300,000	\$0	\$0	\$300,000	0.2%
Proprietary Total	\$0	\$6,108,309	\$0	\$6,108,309	4.9%
06003 State Nursery Enterprise Fund	\$0	\$1,293,992	\$0	\$1,293,992	1.0%
06538 Air Operations Internal Svc.	\$0	\$4,814,317	\$0	\$4,814,317	3.9%
Total All Funds	\$118,563,694	\$6,108,309	\$200,000	\$124,872,003	100.0%
Percent - Total All Sources	94.9%	4.9%	0.2%		

5% Base Budget Reduction Form

[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 1,081,698	\$ 908,734
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings
1	23-1 CARDD Program Cost Reductions	\$ 48,832	\$ 144,460
2	24-1 WRD Personal Services Savings	\$ 93,178	\$ 39,585
3	24-2 WRD Operating Budget Reduction	\$ 161,817	\$ 5,862
4	24-3 WRD Pay 1/2 of Dues to Western States Water Council and MORAST	\$ 42,500	\$ -
5	24-4 WRD Reduce Statewide Stream-Gaging Network	\$ 63,760	\$ -
6	24-5 WRD Efficiencies Due to RWRCC Admin Attached to WRD	\$ 40,000	\$ -
7	35-1-1 FD Eliminate three permanent positions, four engine crews and associated operating and capital in the fire proram and associated operating and capital.	\$ 353,080	\$ 167,401
8	35-1-2 FD Reduce one position and associated operating in forestry assistance program.	\$ 52,484	\$ 645
9	35-1-3 FD Reduce one position in the business management/administrative bureau and reduce fixed cost obligations associated with fire and forestry assistance FTE reductions.	\$ 71,570	\$ -
10	35-2-1 TLMD Reduce General Fund Costs	\$ 3,327	\$ -
11	35-2-2 TLMD Reduce Trust Admininstrative Program Costs	\$ -	\$ 448,336
12	35-2-3 TLMD Reduce Land Bank Program Costs	\$ -	\$ 50,000
13	21-1 CSD Operating Cost Reductions	\$ 151,150	\$ 52,445
TOTAL SAVINGS		\$ 1,081,698	\$ 908,734
DIFFERENCE		-	-

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The reduction of funding for the operations of the Conservation and Resource Development Division will reduce the state's support to conservation districts and other local governments. The operations would be trimmed in several ways; for example, by reduction in travel, forgoing the purchase of equipment scheduled for replacement and depending on the amount of the cut, a reduction in staff. Also, the assistance to local government with natural resource projects would be reduced or cause delays in projects in process.

Pass-through funding for a variety of organizations would be reduced from their 2012 level. These include: Dry Prairie, North Central Water, Central Montana and Dry Red Water Regional Water Systems, Missouri and Yellowstone River Councils, Watershed Groups, Conservation Districts, Montana Salinity Control, and others would have their current funding reduced.

#2 THE SAVINGS THAT ARE EXPECTED:

\$48,832 in the general fund and \$144,460 in state special revenue funds in both FY14 and FY15

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reductions to operations, such as travel, contracted services, equipment purchases, reductions of a position in the division, reduction in the award of grants to local government entities would result in less technical and financial services to projects and communities. The project oversight would be delayed and may not take place. Projects may not move forward and in communities with health and safety issues may not be completed.

1. The Grass Commission would have to reduce their administrative costs, such as travel and perhaps cut back the hours of the executive secretary. Services to ranchers and permit fees will be reduced. Due to location of districts, board members travel long distances. There is litigation pending at this time, which may take up large parts of the budget. Public land grazing is in a crisis situation for the permittees.
2. The river councils and watershed groups would reduce work in administrative support and board member travel to accommodate the reduction. The council may not be able to access their federal funds.
3. A reduction to the North Central Montana and Dry Prairie and Dry Red Regional Water Authorities would impact the authorities' ability to work with the U.S. Congress for completion of authorization of the project as well as appropriations for construction of the Water Systems.
4. Salinity control would have to reduce their operations and field work.
5. Conservation Districts would have to reduce their field work and it may take more time to approve permits.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

The funding of some of these activities could possibly be replaced by state special revenue (RIT) funds, depending on available funding within the Natural Resource Operating Account. The Grass Commission would need to travel less and have meetings by conference call. The river councils will ask for additional federal funding.

Some of these groups may be able to get some other funding. For most of these groups the reduced funding will cause reduced services or no services. There may not be funds to match other funding sources. Projects may not move forward. In some cases, water and wastewater systems do not get the help to fix problems.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes for some of these groups. Grass Commission through 76-16-101 MCA.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Generate vacancy savings by leaving positions vacant

#2 THE SAVINGS THAT ARE EXPECTED:

This will generate \$93,178 in general fund and \$39,585 in state special revenue annually.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

A reduction of 1.0 FTE may result in delays in services and the inability to provide some services to the public.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Other staff will have to try to absorb the workload.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce Division operating budgets (mainly contracted services, travel)

#2 THE SAVINGS THAT ARE EXPECTED:

General fund savings of \$161,817 and state special revenue savings of \$5,863 annually would be generated

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

May impact staff workload and result in some services cuts. Work units will have very little unrestricted funds for field supplies, travel for field work, training or minor equipment. In addition, the replacement of computers will be delayed.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:
Some of the services provided through contracted services may be able to be absorbed by the WRD staff; however the division has 14.95 less FTE than last biennium.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:
No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate annual dues to Western States Water Council and MoRAST.

#2 THE SAVINGS THAT ARE EXPECTED:

This would save \$42,500 in general fund annually.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Montana would lose its tie with two major water resources policy-making associations – WSWC and MORAST. With changing and increasing demands on limited water resources, complicated by an increasingly complex overlay of federal laws and regulations, the importance of cooperative efforts and exchanges by and among states and tribes has likewise been magnified.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

No way to mitigate impact

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce statewide stream-gaging network that is matched cost-shared with the US Geological Survey

#2 THE SAVINGS THAT ARE EXPECTED:

General fund savings of \$63,760 annually

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reduce the ability of hydropower facilities; reservoir operators; irrigators; local, state and federal agencies; local watershed groups and water right holders to: calculate water supply and availability, regulate water rights, establish and mitigate drought impacts, establish viable water diversion scheduling, determine reservoir and hydropower operations, manage fisheries and recreation, and forecast and mitigate the impacts of floods.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Apply for private grants each year to match against the USGS federal funds

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - 85-1-203, MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

RWRCC will be administratively attached to WRD in the 2015 biennium. Efficiencies can be gained through the administrative staff and resources provided at WRD.

#2 THE SAVINGS THAT ARE EXPECTED:

\$40,000 in general fund annually

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There should be minimal impact

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Eliminate 3 permanent positions, four engine crews and associated operating and capital in the fire program.

#2 THE SAVINGS THAT ARE EXPECTED:

The cost savings would be \$353,080 in general fund and \$167,401 in SSR (02039).

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

- Reduction in the capability of the DNRC to suppress wildfires during initial attack. This will likely affect DNRC's ability to meet the program goal of suppressing 95% of all fires at 10 acres or less.
- Potential for increased suppression costs. Existing crews may be worked in an overtime status to provide adequate coverage and complete the suppression workload.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

- Impacts could be partially mitigated by transferring remaining workload to remaining staff and hiring resources as needed from contractors or cooperating agencies.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Fire & Aviation Management: Yes. 76-11-101 MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce one position and associated operating in the forestry assistance program

#2 THE SAVINGS THAT ARE EXPECTED:

\$52,484 in general fund and \$645 in SSR (02073)

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

One less service forester would be available for forest practices administration and landowner assistance.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Private landowners would receive less private forestry assistance unless workload could be transferred to other service foresters.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Forestry Assistance: Yes. 76-13-401-415 MCA & 77-5-301-307 MCA

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduce one position in the business management/administrative function and reduce fixed cost obligations associated with fire and forestry assistance FTE reductions.

#2 THE SAVINGS THAT ARE EXPECTED:

\$71,570 in general fund.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

This reduction would reduce the budget, fiscal and administrative assistance that is provided on a statewide level for all programs. Additionally, fixed cost obligations would be reduced as a result of associated FTE reductions in the fire and forestry assistance programs.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Some of the impacts could be mitigated by hiring contracted service providers.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Trust Land Management Division would make reductions in operating and equipment costs. In addition, the division would leave positions vacant longer in order to meet the target reduction, if necessary. Contracted services, temporary seasonal work contracts, travel, computers, and training would be reduced as part of the plan.

a) Trust Land Administration - reduction of \$42,960. This program includes administrative personnel that support the other programs across the state. Fixed costs, capital equipment, and division operating costs are included in this program.

b) Agriculture and Grazing Management - reduction of \$70,376. The program is involved with surface acre leasing for agriculture and grazing, as well as, weed management, recreational use, and adjudication of water rights. Reductions in this program would impact weed management, and recreational use.

c) Minerals Management - reduction of \$20,000. The program leases subsurface acres of the mineral estate, oil and gas leasing, coal, and gravel permits, etc. Reductions would be taken in bureau leasing operations and in operating budgets for the six field offices in the minerals program.

d) Real Estate Management - Reduction of \$77,000. The program would reduce operating expenses in commercial leasing, commercial development projects and contracted services across the state.

e) Forest Management - reduction of \$238,000. This program manages timber product sales, forest inventory, road maintenance, forest service cost share projects, and the Habitat Conservation Plan. The program would reduce contracted services, specifically, timber sale preparation assistance, reduce the amount of Forest Inventory completed, reduce soil and stream monitoring, and training for employees.

#2 THE SAVINGS THAT ARE EXPECTED:

Savings of \$448,336 in state special revenue funding - Trust Administration Account fund 02938

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

A reduction in capital equipment, which is mostly vehicles needed for field work, would result in field staff keeping vehicles longer before replacement. Older vehicles have increased maintenance and fuel costs.

A reduction in operations would impact the following areas:

- Reductions in contracted services, impact all programs, due to trust lands contracting for weed spraying, survey work for commercial development, cabin sites, forest inventory work, road maintenance, bridge repairs, land appraisals, and many other activities.

- The forest management program uses contracts for seasonal timber work and surveys.

Extensive operation reductions could reduce the amount of timber harvested, thereby reducing timber revenues to the trust beneficiaries. Tree related services, namely tree thinning and road maintenance reductions have a long-term impacts on forest health, rehabilitation and erosion control.

- Minerals Management bureau would reduce operations in the Royalty Auditor program, which would impact the amount of royalty revenue collected during the year. The bureau would also reduce the contracts for professional consultant services on riverbeds, which would restrict resources needed to analyze and defend state ownership of islands in navigable rivers.

Reductions would also impacted the ability to cover expenses for large oil and gas lease auctions and oversight of well activities.

- In the Ag and Grazing Management Program, the bureau would reduce the number of weed control projects in the field offices and the use of agency legal services in water adjudication cases to defend trust land water rights. These reductions have the ability to impact the productivity of the land.

- The Real Estate Management Program would limit the number of contracts for commercial lease development and administration for land exchanges, land banking and acquisitions. This would have a direct impact on the program's ability to generate revenue for the trust beneficiaries.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

No mitigation

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The Trust Land Management Division has minimal general fund and has mostly state special revenue. The small amount of general fund is used for funding 1 FTE in the non trust land program and also for funding ITSD fixed costs of the division. The non-trust FTE is involved in managing other agency lands, including the sale of those lands on behalf of other state agencies, includes Department of public health, department of transportation, etc. These lands are not part of the trusts and are paid for by general fund.

#2 THE SAVINGS THAT ARE EXPECTED:

Savings in general fund of \$3,327

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

A reduction in funding in the non-trust FTE program would result in the decrease in personal services and operations for this position. DNRC would not be able to handle as many transactions on behalf of other state agencies with respect to sales and land management. The management functions would need to be shifted back to the agencies that own the land. ITSD fixed costs would need to be paid from Trust Administration Account funding, which reduces the amount of operations budget available for trust land management field activities.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

None

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

The State Special Revenue Account for the Land Bank Program, reflects spending authority for the private funds obtained for land sales. Individuals who desire to purchase land from the state pay for appraisals, archeological surveys, advertising and title work prior to the land sale. The SSR Account for the land bank holds the authority to spend the private funds.

#2 THE SAVINGS THAT ARE EXPECTED:

Land Bank Account fund 02031 savings of \$50,000.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reductions in the Land Bank spending authority would mean that the division would need to seek spending authority of private funds for this program from the budget office as needed prior to expending funds on appraisals, advertising etc. for land bank sales.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

None.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No

5% Base Budget Reduction Form

AGENCY CODE & NAME:

5706/Department of Natural Resources & Conservation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Centralized Services Division would propose to eliminate operating costs in contracted services, supplies & materials, and minor computers.

#2 THE SAVINGS THAT ARE EXPECTED:

General fund savings of \$151,150 and State Special Revenue Fund savings of \$52,445.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Centralized Services Division is currently understaffed and already has difficulty serving the five other divisions within DNRC in the areas of Information Technology, Human Resources, Financial and Legal. This reduction of operating costs will exacerbate the existing stress on remaining staff.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Centralized Services Division would need to postpone services provided to the DNRC divisions. As a result, the divisions will have more difficulty accomplishing their duties.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes-The agency is required to comply with the Montana Operations Manual (MOM) Policies and Procedures, the Governmental Accounting Standards Board (GASB) accounting and financial reporting, Generally Accepted Accounting Principles (GAAP), Equal Employment Opportunity Commission (EEOC) regulations (per Title VII of the Civil Rights Act of 1964), Family Medical Leave Act (FMLA), Fair Labor Standards Act (FLSA), the Montana Procurement Act and the Level Two Procurement Delegation Agreement between the Department of Administration and the Department of Natural Resources and Conservation.

Department of Natural Resources and Conservation 2015 Biennium Goals and Objectives Page 1

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

Director's Office (Centralized Services Division)

Goal: Increase efficiency in Department of Natural Resources and Conservation (DNRC) operations by reducing costs and inefficiencies related to current storage, access, and management practices in dealing paper and electronic records (data).

Objective: Actively train all DNRC managers in records management laws and practical management techniques so that training can carry over to staff and program management. Fund implementation of a comprehensive agency-wide records management and imaging program using an enterprise/electronic content management (ECM) approach to records and data access and retention.

Goal: Improve areas of service Human Resources Office provides such as compensation, performance evaluation, payroll administration, classification, training, succession planning, and Fair Labor Standards Act reviews so that they better support the business needs of the agency and are in compliance with federal and state laws, rules and regulations.

Objective: -Convert to web-based performance management system.

-Develop New Employee Orientation.

-Revise recruitment and selection process (policy and forms).

Goal: Continue to offer the full day "Basic Purchasing" training to DNRC employees.

Objective: Keep all employees apprised of the procurement and contracting policies of DNRC.

Goal: Update DNRC Procurement and Contracting Manuals and Forms.

Objective: Review and update all procurement and contracting procedures and forms used by DNRC employees.

Goal: Improve monthly and year-end payment processing

Objective: Implement a process for submitting invoices in a timely manner, work with agency divisions to improve communication of information, expand training and discussion with division staff, and minimize B-Accruals at fiscal year end.

Goal: Ensure that the department's fiscal management practices are consistent with "Generally Accepted Accounting Principles" (GAAP).

Objective: Work with Dept. of Administration State Accounting Division to implement accounting for new or modified programs, work with agency divisions to improve communication of information required for accounting entries, and minimize or eliminate findings and recommendations on financial audits.

Goal: Upgrade technology infrastructure and applications in the agency as allowed by staff and budget.

Objective: Provide high-quality IT support to staff; expand use of help desk and asset management software to better meet agency needs; research and deploy as appropriate Windows 7 and Office 2010; analyze existing data and systems infrastructure and where appropriate, implement improvements to achieve coordinated, robust, maintainable, scalable, and secure infrastructure.

Department of Natural Resources and Conservation 2015 Biennium Goals and Objectives Page 2

Director's Office (Centralized Services Division)

(Continued)

Goal: Expand development of Geographic Information System (GIS) services for DNRC and its constituents.

Objective: Develop at least one new service with a GIS component for use in state government or by constituents, improve GIS staff training, upgrade ArcGIS clients to version 10.x, and develop new GIS applications to meet agency needs.

Goal: Pursue use of mobile technologies.

Objective: Research and deploy as appropriate a mobile device management solution, develop internal skills in mobile application development, and develop at least one new mobile application to meet agency needs.

Goal: Expand agency information available over the internet and access to eGovernment services available to the public.

Objective: Develop one new eGovernment service for DNRC each year of the Biennium, redesign DNRC web site, and continue exploring the use of social media for public outreach.

Goal: Improve alignment between agency business requirements and information technology services.

Objective: Develop and implement an information technology governance structure. **Department of**

Natural Resources and Conservation 2015 Biennium Goals and Objectives Page 3

Board of Oil & Gas Conservation Division

Goal: Issue drilling permits

Objective: Conduct Montana Environmental Policy Act (MEPA) compliance review and prepare documentation for each requested permit, and identify non-conforming permit requests that require approval by the Board of Oil and Gas Conservation (BOGC)

Goal: Conduct public hearings to promote conservation, prevent waste and protect correlative rights for oil and gas operations

Objective: Provide notice, publish docket, write orders, conduct business meeting prior to hearing, and propose and adopt rules pursuant to Montana Administrative Procedures Act

Goal: Operate well bonding program

Objective: Maintain records on current operator bonds, approve new bonds, submit forfeiture paperwork and monitor receipt of funds

Goal: Collect, catalog, and maintain oil and gas well information and production data, associated geological data, well logs statistical information, and summary data for use by the public and the industry.

Objective: Maintain existing database and well files, process new well data, process production reports, publish and distribute the Montana Oil and Gas Annual Review, maintain a core chip catalog on existing wells and add new wells, and

maintain regional and field maps by adding new wells and updating status changes

Goal: Operate a field inspection program to ensure compliance with BOGC rules

Objective: Resolve complaints, gather accurate field information for use by the board and staff in making decisions, conduct inspections on drilling wells, producing wells, plugged and abandoned wells, and seismic exploration crews, respond to complaints and provide emergency response for spills, leaks, and other environmental problems, and provide recommendations for enforcement actions

Goal: Administer the Underground Injection Control Program delegated by the U.S. Environmental Protection Agency (EPA) for the protection of groundwater through regulation of waste disposal and enhanced recovery injection wells.

Objective: Regulate the operations of existing injection wells, issue new injection well permits, conduct well inspections and witness pressure tests, and maintain statistics and enforcement records per memorandum of

understanding with the EPA.**Department of Natural Resources and Conservation 2015**

Biennium Goals and Objectives Page 4

Conservation and Resources Development Division

Goal: Support Conservation District (CD) duties

Objective: Provide assistance to 58 CDs through technical, financial, administrative, and educational services. Increase the number of CDs applying for and receiving grants funds.

Goal: Improve Watersheds in the State

Objective: Inventory and assess the watersheds throughout the state. Cooperate with DNRC Water Resources Division in implementation of Watershed Group support.

Goal: Provide Water and Wastewater Infrastructure in the State

Objective: Improve water and wastewater resources through the loan program to construct and rehabilitate treatment systems. Assist Rural Water groups to gain Federal authorization and funding.

Goal: Rehabilitate and Protect Resources

Objective: Fund projects where a natural resource has been harmed or to prevent damage. These are natural resources such as land or water. The Reclamation program leverages financial resources to remediate environmental hazards, for example, plug abandoned oil and gas wells or rehabilitate mining sites that will stop toxins getting into aquifers.

Goal: Protect and Develop Natural Resources

Objective: Fund projects where a natural resource can be used more efficiently and become sustainable. Develop and implement databases and e-government applications to support natural resource protection and

development.**Department of Natural Resources and Conservation 2015 Biennium Goals and Objectives** Page 5

Water Resources Division

Goal: Promote the wise use and conservation of Montana's water resources.

Objective: Water Rights/New Appropriations: Ensure that all water right forms received are processed timely and accurately. Ensure permit and change application processing is within statutory deadlines to send deficiency letters within 180 days of receipt of the applications and issue preliminary determinations within 120 days of a correct and complete application. Program manager staff will review all preliminary determinations to ensure applications are processed consistently and administrative rules, policies and procedures are followed.

Objective: Water Rights/Adjudication: Ensure statutory claim examination benchmark of 57,000 claims is met by June 30, 2015. Ensure examination/post decree assistance complies with Montana Supreme Court Rules by conducting ongoing review.

Objective: State Projects: Acting as the owner, protect the water rights and manage state-owned water storage projects (25 dams and 250 miles of canals) to maximize economic and water use benefits while ensuring these high hazard projects are maintained to current engineering standards and compliant with the State Dam Safety Act. This will be measured by performing four to six operating permit inspections annually; conducting annual inspections on all water storage projects; identifying, designing and overseeing minor and major repairs as necessary; managing one major rehabilitation effort per biennium as funding allows; operating the Broadwater-Toston hydropower facility at 95+% efficiency; and continue ongoing prioritization of repair and rehabilitation projects.

Objective: Water Management: Provide water resource related information, technical assistance, and planning support to aid decision making and policy development supporting the conservation, development, utilization and sustainability of the state's water resources. This will be measured by commencing the Montana State Water Planning process in the Clark Fork, Missouri, and Yellowstone basins, holding up to 2 training workshops for court appointed water commissioners, holding up to 4 educational workshops to improve the public's understanding of the rules and regulation that govern water use in MT, and achieving 85% completion on the StreamStats project.

Objective: Water Operations: Ensure the timeliness and competency of the statutory duties of the department for regulation of high hazard dams, construction requirements of water wells, licensing of water well contractors, designation of chronically dewater streams, and technical support of local governmental floodplain management programs.

Water Resources Division

(Continued)

Objective: Compact Implementation: provide technical and legal support for implementation of future and previously approved compacts. This includes assisting with federal ratification, assisting the Water Court with the decree process, technical support to Tribes and agencies, archiving of records, and meeting reporting requirements.

Department of Natural Resources and Conservation 2015 Biennium Goals and Objectives Page 7

Forestry Division

Goal: Ensure sustainability of Montana forests, rural lands, and communities through cooperative wildland fire protection, sound forest management practices, and by promoting a viable forest-based economy.

Objective: Through leadership and service to communities and forest landowners, promote sustainable forests and watersheds for the benefit of all Montanans.

- a. Administer over \$6 million in Fiscal Year (FY) 13 federal grants for state and private forestry projects;
- b. Provide data from Montana's Statewide Assessment of Forest Resources to land managing agencies to promote high-priority forest management opportunities statewide.
- c. Conduct aerial detection surveys and provide assistance with Montana's mountain pine beetle outbreak;
- d. Produce and sell 1 million seedlings for conservation plantings;
- e. Recognize Arbor Day and issue 44 Tree City USA awards, and \$140,000 in grants to communities;
- f. Administer the slash hazard reduction law through management of 3000+ hazard reduction agreements;
- g. Monitor Forestry Best Management Practices (BMPs) through audit of 45 sites and report results by December, 2014;
- h. Provide approximately 750 forestry technical assists to forest landowners and 70 educational opportunities to over 2100 participants.
- i. Work with Montana's forest industry partners to maintain our integrated forest products industry and work with partners to develop and promote new forest biomass utilization opportunities.

Objective: Provide leadership and coordination to Montana's wildland fire services, accomplished through wildland fire prevention, training, preparedness, and safe, aggressive fire suppression actions to protect lives, property and natural resources:

- a. Suppress at least 95% of all direct protection fires at 10 acres or less;
- b. Conduct training courses for 2,100 firefighters statewide;
- c. Develop Type 2 incident management capability;
- d. Maintain aviation program of 10 aircraft with pilots, mechanics, and crews for fire suppression efforts;
- e. Ensure maintenance of 60 DNRC wildland fire engines, and 400+ engines and other fire equipment loaned to counties under the County Co-Op Fire Protection Program;
- f. Develop 19 new wildland fire engines annually for use by DNRC and/or local government fire departments;
- g. Support statewide fire prevention programs, including Keep Montana Green, FireSafe Montana, Ready, Set, Go!, and Fire Ready Montana;
- h. Investigate all human-caused fires and bill for suppression costs as appropriate;
- i. Maintain a state-wide radio system to include mobile and portable radios, dispatch center base stations, and mountain top repeaters.

Department of Natural Resources and Conservation 2015 Biennium Goals and Objectives Page 8

**Forestry Division
(Continued)**

- j. Update and maintain wildland fire protection boundary data per the Montana Cooperative Fire Management Agreement.
- k. Administer the Volunteer Fire Assistance grant program.

Objective: Enhance organizational effectiveness and accountability through appropriate development and implementation of accounting, internal control, and information technology procedures by accomplishing the following:

- a. Continue refining fire financial software data and procedures.
- b. Coordinate business operations with Trust Land Management Division, including budget allocation, EPP, financial monitoring and analysis.
- c. Administer facility maintenance and long range building activities for statewide Forestry and Trust Land Management Division offices.

2015 Biennium Report on Internal Service and Enterprise Funds

CAFR Fund
60509

Fund	Fund Name	Agency #	Agency Name	Program Name			
06003	State Nursery Enterprise Fund	57060	Department of Natural Resources and	Forestry/Trust Lands Division			
			Actual	Actual	Actual	Budgeted	Budgeted
			FY10	FY11	FY12	FY13	FY14
							Budgeted
							FY15
Operating Revenues:							
Fee revenue							
	Revenue from Nursery Sales		623,816	462,692	722,990	332,091	323,441
	Revenue from Nursery Services		-	-	-	200,517	549,447
	Revenue from Misc. Nursery Income		16,100	-	7,643	7,505	4,000
	Revenue from Fee E		-	-	-	-	-
	Revenue from Fee F		-	-	-	-	-
	Net Fee Revenue		639,916	462,692	730,633	540,113	876,888
	Investment Earnings		-	-	-	-	-
	Securities Lending Income		-	-	-	-	-
	Premiums		-	-	-	-	-
	Other Operating Revenues		26	30	-	-	-
	Total Operating Revenue		639,942	462,722	730,633	540,113	876,888
Operating Expenses:							
	Personal Services		444,654	445,783	428,348	492,944	461,332
	Other Operating Expenses		277,809	173,754	139,105	296,530	185,182
	Total Operating Expenses		722,463	619,537	567,453	789,474	646,514
	Operating Income (Loss)		(82,521)	(156,815)	163,180	(249,361)	230,374
Nonoperating Revenues (Expenses):							
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-
	Income (Loss) Before Operating Transfers		(82,521)	(156,815)	163,180	(249,361)	230,374
	Contributed Capital		3,600	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-
	Change in net assets		(78,921)	(156,815)	163,180	(249,361)	230,374
	Total Net Assets- July 1 - As Restated		(33,205)	(103,231)	(260,047)	(96,867)	(346,228)
	Prior Period Adjustments		8,895	(1)	-	-	-
	Cumulative effect of account change		-	-	-	-	-
	Total Net Assets - July 1 - As Restated		(24,310)	(103,232)	(260,047)	(96,867)	(346,228)
	Net Assets- June 30		(103,231)	(260,047)	(96,867)	(346,228)	(115,854)
	60 days of expenses (Total Operating Expenses divided by 6)		120,411	103,256	94,575	131,579	107,752

Requested Rates for Internal Service Funds						
Fee/Rate Information for Legislative Action						
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Revenue from Nursery Sales	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*
Revenue from Nursery Services	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*

Authority
HB2-2005 SESSION
HB2-2005 SESSION

*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.

2015 Biennium Report on Internal Service and Enterprise Funds

CAFR Fund
60509

Fund	Fund Name	Agency #	Agency Name	Program Name			
06003	State Nursery Enterprise Fund	57060	Department of Natural Resources and	Forestry/Trust Lands Division			
			Actual	Actual	Actual	Budgeted	Budgeted
			FY10	FY11	FY12	FY13	FY14
							Budgeted
							FY15
Operating Revenues:							
Fee revenue							
	Revenue from Nursery Sales		623,816	462,692	722,990	332,091	323,441
	Revenue from Nursery Services		-	-	-	200,517	549,447
	Revenue from Misc. Nursery Income		16,100	-	7,643	7,505	4,000
	Revenue from Fee E		-	-	-	-	-
	Revenue from Fee F		-	-	-	-	-
	Net Fee Revenue		639,916	462,692	730,633	540,113	876,888
	Investment Earnings		-	-	-	-	-
	Securities Lending Income		-	-	-	-	-
	Premiums		-	-	-	-	-
	Other Operating Revenues		26	30	-	-	-
	Total Operating Revenue		639,942	462,722	730,633	540,113	876,888
Operating Expenses:							
	Personal Services		444,654	445,783	428,348	492,944	461,332
	Other Operating Expenses		277,809	173,754	139,105	296,530	185,182
	Total Operating Expenses		722,463	619,537	567,453	789,474	646,514
	Operating Income (Loss)		(82,521)	(156,815)	163,180	(249,361)	230,374
Nonoperating Revenues (Expenses):							
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-
	Income (Loss) Before Operating Transfers		(82,521)	(156,815)	163,180	(249,361)	230,374
	Contributed Capital		3,600	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-
	Change in net assets		(78,921)	(156,815)	163,180	(249,361)	230,374
	Total Net Assets- July 1 - As Restated		16,166	(53,860)	(210,676)	(47,496)	(296,857)
	Prior Period Adjustments		8,895	(1)	-	-	-
	Cumulative effect of account change		-	-	-	-	-
	Total Net Assets - July 1 - As Restated		25,061	(53,861)	(210,676)	(47,496)	(296,857)
	Net Assets- June 30		(53,860)	(210,676)	(47,496)	(296,857)	(66,483)
	60 days of expenses (Total Operating Expenses divided by 6)		120,411	103,256	94,575	131,579	107,752

Requested Rates for Internal Service Funds						
Fee/Rate Information for Legislative Action						
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Revenue from Nursery Sales	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*
Revenue from Nursery Services	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*

Authority
HB2-2005 SESSION
HB2-2005 SESSION

*Rate Explanation:
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2015 Biennium Report on Internal Service and Enterprise Funds

CAFR Fund
60509

Fund	Fund Name	Agency #	Agency Name	Program Name			
06003	State Nursery Enterprise Fund	57060	Department of Natural Resources and	Forestry/Trust Lands Division			
			Actual	Actual	Actual	Budgeted	Budgeted
			FY10	FY11	FY12	FY13	FY14
							Budgeted
							FY15
Operating Revenues:							
Fee revenue							
	Revenue from Nursery Sales		623,816	462,692	722,990	332,091	323,441
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	Revenue from Misc. Nursery Income		16,100	-	7,643	7,505	4,000
	Revenue from Fee E		-	-	-	-	-
	Revenue from Fee F		-	-	-	-	-
	Net Fee Revenue		639,916	462,692	730,633	540,113	876,888
	Investment Earnings		-	-	-	-	-
	Securities Lending Income		-	-	-	-	-
	Premiums		-	-	-	-	-
	Other Operating Revenues		26	30	-	-	-
	Total Operating Revenue		639,942	462,722	730,633	540,113	876,888
Operating Expenses:							
	Personal Services		444,654	445,783	428,348	492,944	461,332
	Other Operating Expenses		277,809	173,754	139,105	296,530	185,182
	Total Operating Expenses		722,463	619,537	567,453	789,474	646,514
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Nonoperating Revenues (Expenses):							
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-
	Income (Loss) Before Operating Transfers		(82,521)	(156,815)	163,180	(249,361)	230,374
	Contributed Capital		3,600	-	-	-	-
	Operating Transfers In (Note 13)		-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-
	Change in net assets		(78,921)	(156,815)	163,180	(249,361)	230,374
	Total Net Assets- July 1 - As Restated		16,166	(53,860)	(210,676)	(47,496)	(296,857)
	Prior Period Adjustments		8,895	(1)	-	-	-
	Cumulative effect of account change		-	-	-	-	-
	Total Net Assets - July 1 - As Restated		25,061	(53,861)	(210,676)	(47,496)	(296,857)
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	60 days of expenses (Total Operating Expenses divided by 6)		120,411	103,256	94,575	131,579	107,752

Requested Rates for Internal Service Funds						
Fee/Rate Information for Legislative Action						
	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Revenue from Nursery Sales	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*
Revenue from Nursery Services	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*	VARIES*

Authority
HB2-2005 SESSION
HB2-2005 SESSION

*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.

2015 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06538	Air Operation Internal Service	57060	Department of Natural Resources and	Forestry/Trust Lands Division

	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Operating Revenues:						
Fee revenue						
Revenue from Bell UH-1Hs	467,625	360,125	970,080	1,134,000	1,412,000	1,412,000
Revenue from Bell Jet Rangers	87,912	47,766	163,137	184,275	229,450	229,450
Revenue from Cessna 180 Series	43,365	30,345	67,785	99,225	123,550	123,550
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	598,902	438,236	1,201,002	1,417,500	1,765,000	1,765,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	1,236	934	-	-	-	-
Total Operating Revenue	600,139	439,169	1,201,002	1,417,500	1,765,000	1,765,000
Operating Expenses:						
Personal Services	1,120,672	1,178,476	1,098,777	1,130,242	1,137,551	1,137,886
Other Operating Expenses	820,335	659,201	1,096,445	858,244	1,267,516	1,271,364
Total Operating Expenses	1,941,006	1,837,676	2,195,222	1,988,486	2,405,067	2,409,250
Operating Income (Loss)	(1,340,868)	(1,398,507)	(994,220)	(570,986)	(640,067)	(644,250)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(2,123)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(2,123)	-	-	-	-	-
Income (Loss) Before Operating Transfers	(1,342,990)	(1,398,507)	(994,220)	(570,986)	(640,067)	(644,250)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	1,218,390	1,228,444	1,336,352	1,331,665	1,323,797	1,317,694
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(124,600)	(170,063)	342,132	760,679	683,730	673,444
Total Net Assets- July 1 - As Restated	322,542	197,942	27,879	370,010	1,130,689	1,814,419
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	322,542	197,942	27,879	370,010	1,130,689	1,814,419
Net Assets- June 30	197,942	27,879	370,010	1,130,689	1,814,419	2,487,863
60 days of expenses (Total Operating Expenses divided by 6)	323,501	306,279	365,870	331,414	400,845	401,542
Working Capital (Per State Acctg Div.)	225,143	61,162	385,220			

Requested Rates for Internal Service Funds						
Fee/Rate Information for Legislative Action						
	Actual FY 10	Actual FY 11	Actual FY 12	Actual FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A						
Bell UH-1H Helicopter	1,075.00	1,075.00	1,075.00	1,075.00	1,225.00	1,225.00
Bell Jet Ranger Helicopter	475.00	475.00	475.00	475.00	515.00	515.00
Cessna 180 Fixed Wing	150.00	150.00	150.00	150.00	175.00	175.00
Rate Explanation: Propose to increase flight rates for DNRC operated aircraft to meet increased costs of fuel and replacement parts. All funds are managed through an internal proprietary account to fund the operational costs of the program. Current rates are: UH-1H \$1,075/hr., Jet Ranger \$475/hr. Cessna \$150/ hr. Propose to raise rates for UH-1H to \$1,225/hr. , Jet Ranger to \$515/hr., and Cessna to \$175/hr.						

2015 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06538	Air Operation Internal Service	57060	Department of Natural Resources and	Forestry/Trust Lands Division

	Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Budgeted FY14	Budgeted FY15
Operating Revenues:						
Fee revenue						
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Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	598,902	438,236	1,201,002	1,417,500	1,765,000	1,765,000
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	1,236	934	-	-	-	-
Total Operating Revenue	600,139	439,169	1,201,002	1,417,500	1,765,000	1,765,000
Operating Expenses:						
Personal Services	1,120,672	1,178,476	1,098,777	1,130,242	1,137,551	1,137,886
Other Operating Expenses	820,335	659,201	1,096,445	858,244	1,267,516	1,271,364
Total Operating Expenses	1,941,006	1,837,676	2,195,222	1,988,486	2,405,067	2,409,250
Operating Income (Loss)	(1,340,868)	(1,398,507)	(994,220)	(570,986)	(640,067)	(644,250)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(2,123)	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(2,123)	-	-	-	-	-
Income (Loss) Before Operating Transfers	(1,342,990)	(1,398,507)	(994,220)	(570,986)	(640,067)	(644,250)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	1,218,390	1,228,444	1,336,352	1,331,665	1,323,797	1,317,694
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(124,600)	(170,063)	342,132	760,679	683,730	673,444
Total Net Assets- July 1 - As Restated	322,542	197,941	27,878	370,010	1,130,689	1,814,419
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	322,542	197,941	27,878	370,010	1,130,689	1,814,419
Net Assets- June 30	197,941	27,878	370,010	1,130,689	1,814,419	2,487,863
60 days of expenses (Total Operating Expenses divided by 6)	323,501	306,279	365,870	331,414	400,845	401,542
Working Capital (Per State Acctg Div.)	225,143	61,162	385,220			

Requested Rates for Internal Service Funds						
Fee/Rate Information for Legislative Action						
	Actual FY 10	Actual FY 11	Actual FY 12	Actual FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A						
Bell UH-1H Helicopter	1,075.00	1,075.00	1,075.00	1,075.00	1,225.00	1,225.00
Bell Jet Ranger Helicopter	475.00	475.00	475.00	475.00	515.00	515.00
Cessna 180 Fixed Wing	150.00	150.00	150.00	150.00	175.00	175.00

Rate Explanation: Propose to increase flight rates for DNRC operated aircraft to meet increased costs of fuel and replacement parts. All funds are managed through an internal proprietary account to fund the operational costs of the program. Current rates are: UH-1H \$1,075/hr., Jet Ranger \$475/hr. Cessna \$150/ hr. Propose to raise rates for UH-1H to \$1,225/hr. , Jet Ranger to \$515/hr., and Cessna to \$175/hr.

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Agriculture

Contact: Contact: Christina Butler, Fiscal Analyst
Rm. 110 H, State Capitol Building
Phone: (406) 444-4581, e-mail: christinabutler@mt.gov

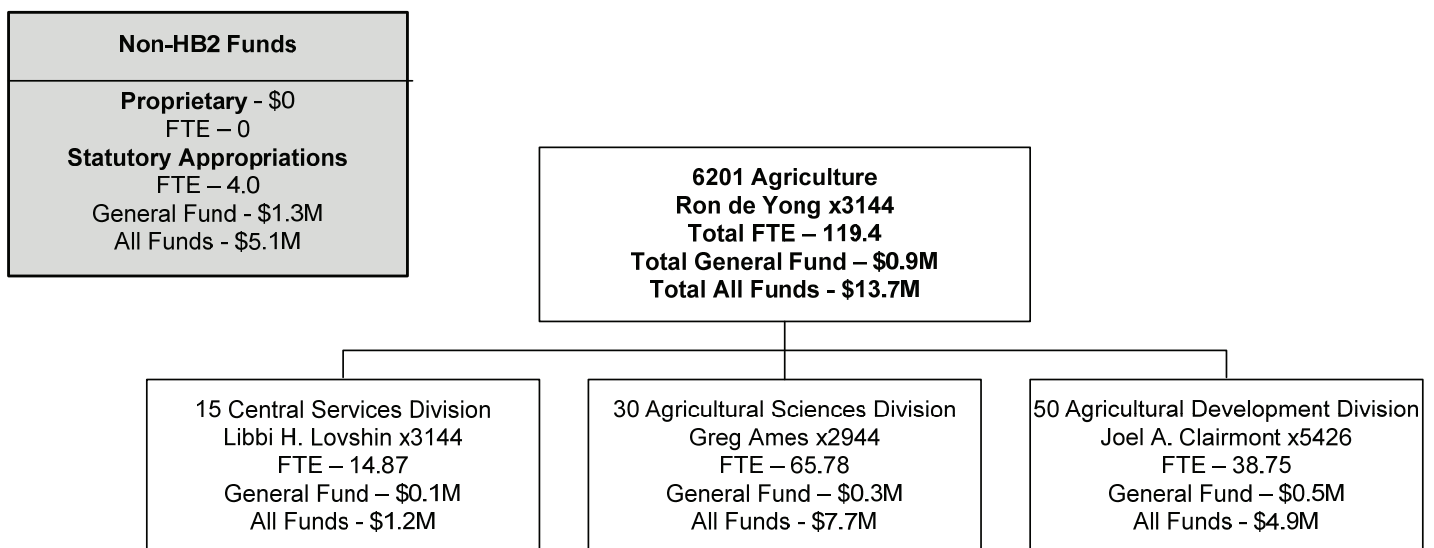
Updated December 2012

Agency Description

Definition of Terms

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, exists to promote the interests of agricultural and allied industries in Montana. To meet this mission the department strengthens and diversifies the Montana agriculture industry through private-public partnerships; adopts standards for grade and other classifications of farm products; conducts market analysis for farm products; and regulates food, fiber products, fertilizers, and pesticides.

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2012 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.

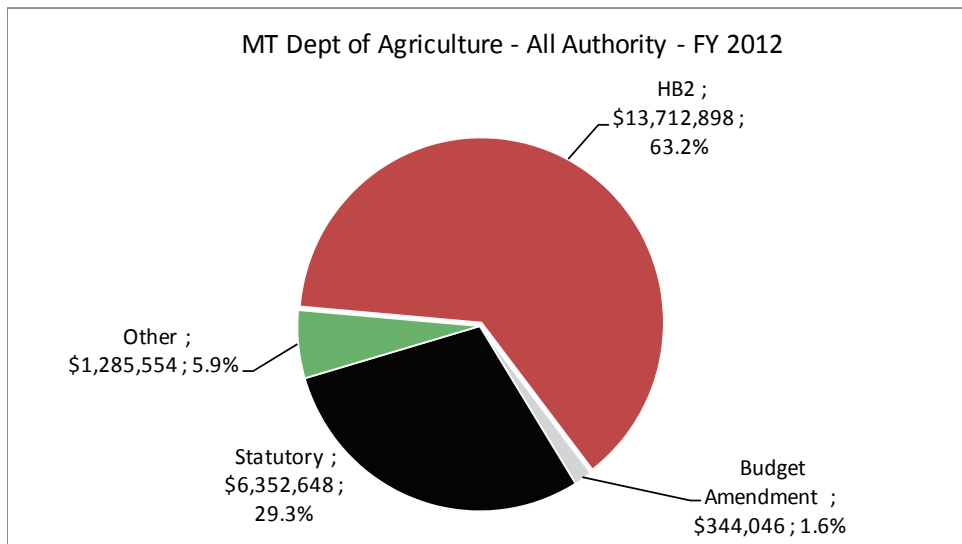


How Services are Provided

The Department of Agriculture is organized into three divisions and a number of bureaus that perform the following program functions:

- Agricultural Development Division- promotes and enhances growth and expansion of Montana agriculture, including rural development, wheat and barley program, agriculture marketing and business and the state grain laboratory
- Agricultural Science Division- supports agriculture through regulation, certification, research, inspection and licensing related to environmental and consumer protection, consisting of handling pesticide and pest management, analytical laboratory services, noxious weed management, agricultural chemical ground water management and vertebrate pest management
- Central Management Division- responsible for budgeting, accounting, payroll, and other administrative functions to support all department operations
- Grants- primary grant driven programs include noxious weed management, which mostly funds county-level efforts to eradicate weeds, and development grants in Growth Through Agriculture

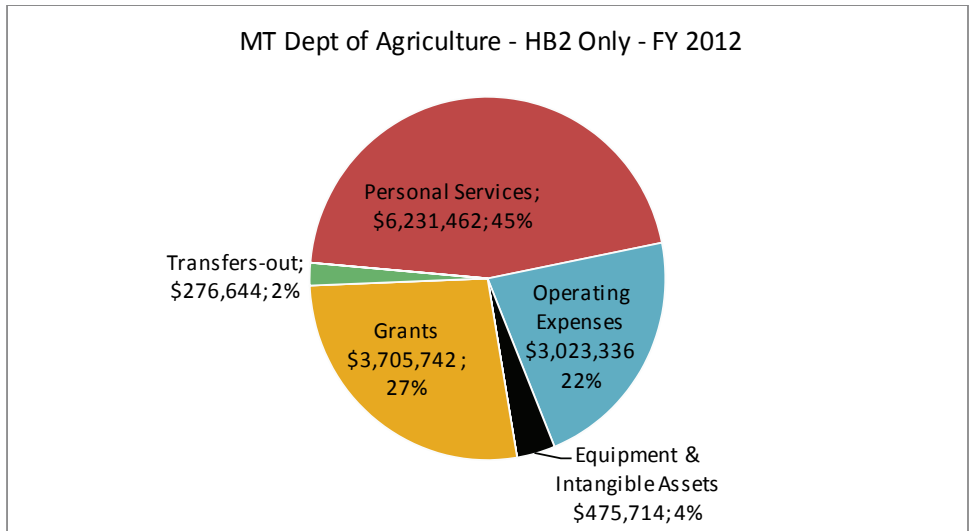
Sources of Spending Authority



The below chart shows the sources of authority for the Department of Agriculture. Statutory authority primarily includes funding from the hail insurance program, Cherry Check-Off account, and Commodity and Marketing account. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

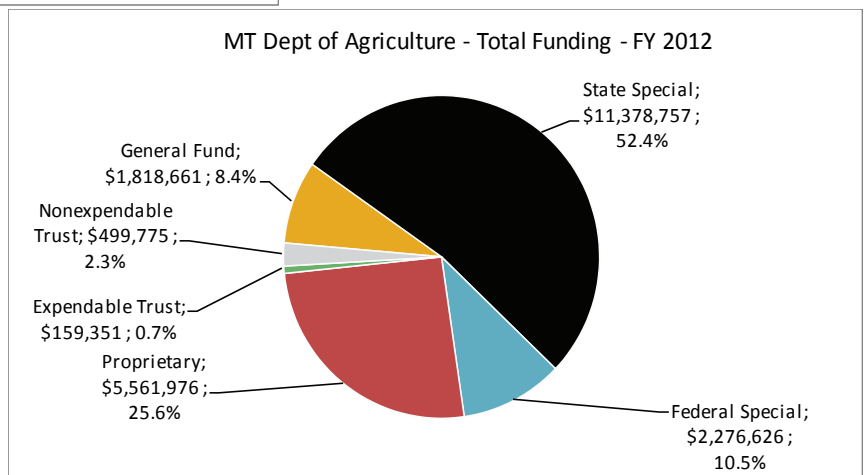
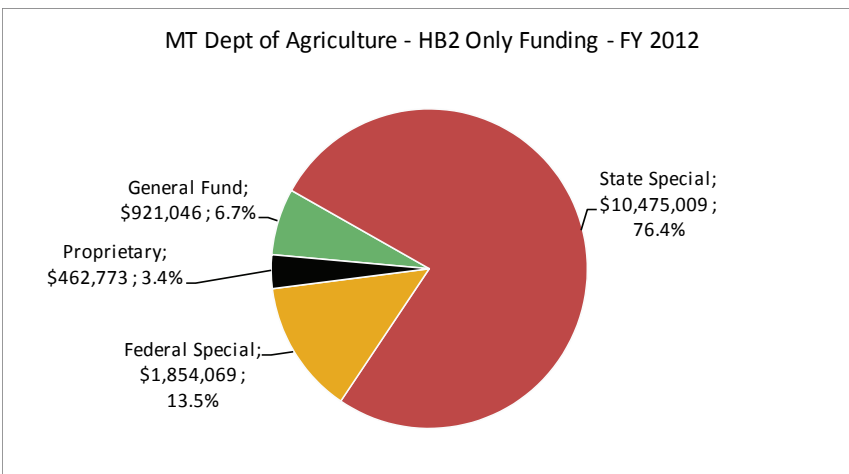
Expenditures

This chart explains how the HB2 authority is spent.



Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



How the 2013 Legislature Can Effect Change

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

- Grant and Loan/Financing program priorities – with 36 percent of all department expenditures coming in the form of grants (noxious weed management and Growth Through Agriculture), changes to the funding priorities will have a major impact on overall expenditures. Such changes may include defining eligibility criteria, identifying specific projects that are preferred and setting minimum or maximum amounts for grants. In addition, in Growth Through Agriculture there is the option of providing loans rather than grants.
- Economic development objectives – a primary function of the department is to administer programs that have an impact on expanding the agriculture economy. These economic development programs can be designed or amended by legislation that more clearly defines specific objectives, such as creating a specific number, type or wage level job, or creating a specific number or type of agriculture business enterprise.
- Groundwater and Pesticide Management programs – these environmental protection programs are a function of regulations (federal and state) that govern the use of pesticide and fertilizer, and the acceptable levels of contaminants. The definitions of these regulations and the contamination levels may be addressed in order to have an impact on these programs, although federal regulations must be kept in mind.
- Food inspection and regulation – these consumer protection programs are a function of regulations (federal and state) which can be changed or redefined in order to change program activities.

Major Cost Drivers

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

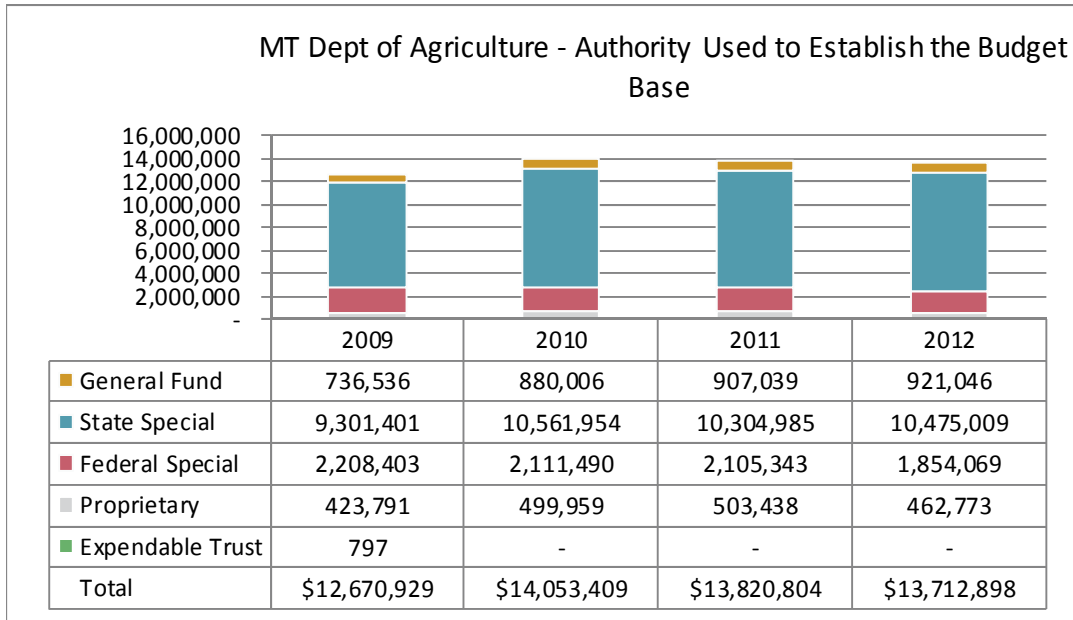
<i>Element</i>	<i>2010</i>	<i>2012</i>	<i>Significance of Data</i>
Number/Dollar Amount of Growth Through Ag. Grants/Loans	\$1,295,776	\$658,363*	Indicates demand for program and impact on agriculture economy *Appropriation was reduced in 2011
Total Amount of charge for services in the state Grain Lab	\$518,892	\$639,288	Indicates demand for this service and revenue levels
Number of acres in agriculture production in Montana	60.6 million	66.5 million* *2011	Indicates size of agriculture economy
Number of farms/ranches in Montana	29,400	29,300* *2011	Indicates size of agriculture constituency
Wheat area harvested	5.2 million acres	5.5 million acres	Indicates size of agriculture land in Montana
Number of organic producers	155	163	Indicates demand for certification program

State FTE - state employees perform many of the functions of the Department of Agriculture. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 45% of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

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

Funding/Expenditure History

The table shows the historical changes in the department’s base budget authority. The agency’s authority increased from the 2009 to 2010 due to expanding the Wheat and Barley program.



Major Legislative Changes in the Last Ten Years

Aquatic Invasive Species

- SB 343 in the 2009 session established the Montana Aquatic Invasive Species Act, requiring the department to establish a mechanism for Montana to take concerted action to detect, control, and manage invasive species to prevent further introduction, importation, and infestation
- HB 621 in the 2011 session revised the Aquatic Nuisance Species act, and provided \$558,000 to the department for the biennium to maintain a list of species subject to control, establish inspection and control measures, carry out public education campaigns, manage restoration of infested areas, enforce quarantine regulations, and develop a Memorandum of Understanding (MOU) for coordination with the Departments of Fish, Wildlife and Parks; and Natural Resources and Conservation

For further information, you may wish to contact the agency at:

Department of Agriculture

302 North Roberts

Helena, MT 59620-0201

Phone: (406) 444-3144

Webpage: <http://agr.mt.gov>

Agency Budget Comparison

The following table summarizes the total executive for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	119.40	119.40	124.28	124.28	119.40	124.28	4.88	4.09%
Personal Services	6,231,460	6,589,688	7,050,624	7,056,429	12,821,148	14,107,053	1,285,905	10.03%
Operating Expenses	3,023,385	3,470,761	3,635,450	3,593,301	6,494,146	7,228,751	734,605	11.31%
Equipment & Intangible Assets	475,714	376,124	566,389	566,389	851,838	1,132,778	280,940	32.98%
Grants	3,705,742	4,700,033	4,288,457	4,288,457	8,405,775	8,576,914	171,139	2.04%
Transfers	276,644	340,639	293,074	293,074	617,283	586,148	(31,135)	(5.04%)
Total Costs	\$13,712,945	\$15,477,245	\$15,833,994	\$15,797,650	\$29,190,190	\$31,631,644	\$2,441,454	8.36%
General Fund	921,046	923,538	1,114,782	1,072,513	1,844,584	2,187,295	342,711	18.58%
State Special	10,475,040	11,647,754	12,012,131	12,016,003	22,122,794	24,028,134	1,905,340	8.61%
Federal Special	1,854,084	2,329,665	2,122,757	2,124,236	4,183,749	4,246,993	63,244	1.51%
Other	462,775	576,288	584,324	584,898	1,039,063	1,169,222	130,159	12.53%
Total Funds	\$13,712,945	\$15,477,245	\$15,833,994	\$15,797,650	\$29,190,190	\$31,631,644	\$2,441,454	8.36%

Agency Description

Agency Mission: The mission of the Montana Department of Agriculture is to protect producers and consumers, and to enhance and develop agriculture and allied industries.

For additional information, please refer to the agency profile.

Agency Highlights

Department of Agriculture Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive requested budget increases by 8.36% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources ◆ The department gave salary increases in FY 2012 at an approximate annualized cost of \$263,000 ◆ The executive is requesting \$280,000 for the 2015 biennium to continue activities related to Eurasian Watermilfoil
Legislative Action Issues
<ul style="list-style-type: none"> ◆ Budget expenditures for legislative audit are funded entirely from the general fund instead of being allocated across all funding sources

Agency Discussion

Personal Services Narrative

The personal services budget for the 2015 biennium would increase over the base primarily due to the following factors:

- Statewide present law adjustments
 - Pay increases given partway through the year that are annualized to full year funding in the 2015 biennium at a cost of approximately \$263,000
 - Vacancy savings of approximately 8.0% compared to the budgeted 4.0%
 - Other unspecified adjustments such as longevity and payroll tax changes to fully fund positions

Pay adjustments were negotiated with the department's union, MPEA. According to the department, the pay increases provided in FY 2012 focused on:

- Employees whose pay was below 90% of the midpoint rate established in the 2010 market survey
- Employee pay that was less than 90% of the 2010 midpoint received an increase of up to 4%, capped if the pay reached 90%
- Employee pay that was less than the minimum for their specific job code was moved to the minimum, which ranges between 77% and 83% of the 2010 midpoint

The department's turnover rate for permanent positions is 12.2%, a slight improvement over the 2011 rate of 14.4%. Recruitment and retention issues are concentrated in certain areas.

- Repeated re-advertising for a hydrologist and for a pesticide program training and development specialist
- Long-term hydrologist recruitment of challenges
- Higher turnover and multiple recruitments for temporary seasonal, lower paying positions such as agricultural technicians at the state grain laboratory
- Economic changes in eastern Montana that have created a recruitment challenge for one permanent agricultural technician position at the Plentywood satellite of the state grain laboratory

47% of the department's workforce is eligible for early or regular retirement between now and the end of the 2015 biennium, including two longtime employees at the analytical lab. The department has not requested funds for payout costs. Payout costs are estimated to cost the department \$40,000 for FY 2013, and has not been estimated for the 2015 biennium.

Agency-wide Decision Packages

The agency has requested two decision packages totaling \$2.1 million, an approximately 6.6% increase, to fund various operating expenses at the level authorized by the previous legislature.

- Agricultural Sciences Division DP 3001 – over \$1.8 million over the biennium, including \$22,648 from general fund
- Agricultural Development Division DP 5001 - \$173,226 (including proprietary funds)

For a further discussion, please see the DP descriptions in the individual divisions.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Agriculture Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$2,187,295	\$0	\$2,630,000	\$4,817,295	9.5%
State Special Total	24,028,134	-	1,456,385	25,484,519	50.2%
Federal Special Total	4,246,993	-	-	4,246,993	8.4%
Proprietary Total	1,169,222	116,400	14,966,414	16,252,036	32.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$31,631,644	\$116,400	\$19,052,799	\$50,800,843	
Percent - Total All Sources	62.3%	0.2%	37.5%		

The Department of Agriculture is funded from general fund, state special revenue, federal special revenue, and proprietary funds.

- State special revenue is the predominant funding source, comprising 77% of the total funding in HB 2. Major funds include:
 - Wheat and Barley Research and Marketing Account (21%)
 - Noxious Weed Admin Account (13%)

- Pesticide Account (10%)
- Coal tax shared account

General Fund comprises about 7% of the department’s funding and is primarily used for program activities such as grants, mad cow disease, agriculture literacy, marketing, and statistics.

Coal Tax Shared Account

The coal tax shared revenue fund is statutorily designated for libraries, conservation districts, and the Growth Through Agriculture program. The Growth Through Agriculture program funds grants and operations of the Agriculture Development Council, which is administratively attached to the Department of Agriculture. The figure below summarizes the condition of the fund. The figure assumes any annual ending fund balance is transferred to the general fund in accordance with MCA 15-35-108 (3).

Department of Natural Resources and Conservation Coal Tax Shared State Special Revenue				
	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Balance	\$1,772,339	\$1,548,604	\$0	\$0
<u>Expenditures</u>				
Montana State Library	509,800	509,800	562,801	562,801
Natural Resources & Conservation	2,207,390	2,204,821	2,209,998	2,209,765
Agriculture	<u>386,322</u>	<u>374,901</u>	<u>434,565</u>	<u>435,014</u>
Total Expenditures	\$3,103,512	\$3,089,522	\$3,207,364	\$3,207,580
Revenues	<u>\$2,879,777</u>	<u>\$2,995,000</u>	<u>\$3,161,000</u>	<u>\$3,292,000</u>
Ending Fund Balance*	<u>\$1,548,604</u>	<u>\$1,454,082</u>	<u>(\$46,364)</u>	<u>\$84,420</u>

*The ending fund balance will be transferred to the general fund at the end of FY 2013.

The executive is requesting \$6.4 million in authority from this fund in the FY 2015 biennium, an increase of \$221,910, or 3.6%, above the 2013 biennium. This request includes \$129,115 in present law adjustments and new proposals for each year of the biennium. Using LFD revenue estimates, the fund would have a negative balance at the end of FY 2014. Therefore, the legislature may wish to reduce appropriations to the anticipated revenue.

In examining the entire fund, the executive has requested an increase of \$108,356 for this program for the 2015 biennium, including a new proposal in the amount of \$152,302, for the Ag Development Council. The fund balance at the end of FY 2015, would be \$84,420. At that time, the balance would be transferred to the general fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	921,046	921,046	1,842,092	84.22%	13,712,945	13,712,945	27,425,890	86.70%
Statewide PL Adjustments	42,494	225	42,719	1.95%	788,493	752,149	1,540,642	4.87%
Other PL Adjustments	11,324	11,324	22,648	1.04%	1,013,449	1,013,449	2,026,898	6.41%
New Proposals	139,918	139,918	279,836	12.79%	319,107	319,107	638,214	2.02%
Total Budget	\$1,114,782	\$1,072,513	\$2,187,295		\$15,833,994	\$15,797,650	\$31,631,644	

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	14.87	14.87	15.00	15.00	14.87	15.00	0.13	0.87%
Personal Services	989,461	987,963	1,087,510	1,089,846	1,977,424	2,177,356	199,932	10.11%
Operating Expenses	164,932	166,632	182,758	138,118	331,564	320,876	(10,688)	(3.22%)
Total Costs	\$1,154,393	\$1,154,595	\$1,270,268	\$1,227,964	\$2,308,988	\$2,498,232	\$189,244	8.20%
General Fund	126,572	120,913	146,326	103,010	247,485	249,336	1,851	0.75%
State Special	794,993	795,020	833,607	833,608	1,590,013	1,667,215	77,202	4.86%
Federal Special	109,835	110,134	152,115	152,115	219,969	304,230	84,261	38.31%
Other	122,993	128,528	138,220	139,231	251,521	277,451	25,930	10.31%
Total Funds	\$1,154,393	\$1,154,595	\$1,270,268	\$1,227,964	\$2,308,988	\$2,498,232	\$189,244	8.20%

Program Description

The Central Services Division provides support services for the department, including financial, human resource, information technology, public information, legal, and administrative support activities. Included in this division is the director's office, which provides overall policy development for the department as well as coordination with the agricultural industry and other branches of government.

Program Highlights

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases by 8.2% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources
Major LFD Issues
<ul style="list-style-type: none"> ◆ Budgeted expenditures for legislative audit are funded entirely from the general fund instead of being allocated across all funding sources

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Agriculture Funding by Source of Authority 2015 Biennium Budget - Centralized Services Division							
Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
	HB 2	Budgeted Proprietary					
General Fund	\$249,336	\$0	\$0	\$249,336	9.9%		
State Special Total	\$1,667,215	\$0	\$19,225	\$1,686,440	67.0%	80-11-518	Direct
02040 Wheat & Barley Research & Mktg	\$223,746	\$0	\$0	\$223,746	8.9%		
02068 Noxious Weed Admin Account	\$168,208	\$0	\$0	\$168,208	6.7%		
02071 Anhydrous Ammonia Account	\$4,190	\$0	\$0	\$4,190	0.2%		
02093 Alfalfa Leaf Cutting Bee	\$1,228	\$0	\$0	\$1,228	0.0%		
02178 Cherry Check-off	\$0	\$0	\$486	\$486	0.0%		
02192 Pesticide Groundwater Account	\$243,451	\$0	\$0	\$243,451	9.7%		
02193 Pesticide Account	\$328,636	\$0	\$0	\$328,636	13.1%		
02198 Fert. Groundwater Account	\$7,184	\$0	\$0	\$7,184	0.3%		
02205 Pulse Crop Research & Mrktg	\$0	\$0	\$16,055	\$16,055	0.6%	80-11-518	Direct
02264 Organic Certification	\$56,630	\$0	\$0	\$56,630	2.2%		
02265 Fsi Produce	\$65,202	\$0	\$0	\$65,202	2.6%		
02266 Commodity Dealer/warehouse	\$21,182	\$0	\$0	\$21,182	0.8%		
02267 Nursery Account	\$52,088	\$0	\$0	\$52,088	2.1%		
02268 Produce Account	\$125,998	\$0	\$0	\$125,998	5.0%		
02269 Seed Account	\$23,486	\$0	\$0	\$23,486	0.9%		
02341 Weed Seed Free Forage Account	\$6,188	\$0	\$0	\$6,188	0.2%		
02452 Commercial Fertilizer	\$54,626	\$0	\$0	\$54,626	2.2%		
02453 Grain Services	\$161,778	\$0	\$0	\$161,778	6.4%		
02454 Commercial Feed	\$106,078	\$0	\$0	\$106,078	4.2%		
02792 Apiary Account	\$17,316	\$0	\$0	\$17,316	0.7%		
02793 Potato Research & Marketing	\$0	\$0	\$2,684	\$2,684	0.1%		
Federal Special Total	\$304,230	\$0	\$0	\$304,230	12.1%		
03120 Agriculture Cmd Federal	\$304,230	\$0	\$0	\$304,230	12.1%		
Proprietary Total	\$277,451	\$0	\$0	\$277,451	11.0%		
06052 Hail Insurance	\$277,451	\$0	\$0	\$277,451	11.0%		
Total All Funds	\$2,498,232	\$0	\$19,225	\$2,517,457	100.0%		
Percent - Total All Sources	99.2%	0.0%	0.8%				

The Central Services Division (CSD) is funded based on the expenditures of the two divisions of the agency and their funding sources. A portion of the funding is an indirect cost reimbursement from federal grants administered by the agency. The division also uses an administrative assessment charged to the state special and proprietary revenue accounts used by the divisions that are supported by CSD activities. General fund is used to account for any difference between the assessed amount and the budgeted expenditures for the CSD and for the costs associated with the legislative audit.

The division is funded primarily with state special revenue, with general fund accounting for approximately 9.9% of the base budget. Major state special revenue, federal, and proprietary funds are:

- Wheat and Barley Research and Marketing Account
- Pesticide Groundwater Account
- Pesticide Account
- Agricultural CMD Fund (federal)
- Hail Insurance Fund (proprietary)

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Legislative Audit Costs Are Not Funded from All Sources Available

The legislative audit costs for this division are funded solely with general fund even though general fund provides 10% of the total funding for the division. Other state agencies with multiple funding sources allocate audit costs to all funds. According to statute (17-2-108, MCA), appropriated non-general fund should be expended before general fund.

The total budgeted legislative audit costs for the 2014 biennium are \$43,316. Allocating the budgeted costs of the agency’s legislative audit in accord with their total funding distribution would result in a \$39,000 reduction in general fund and allow the agency to comply with state law.

The legislature may want to direct staff to fund the legislative audit in accord with the total funding for the program - 9.5% from general fund and 90.5% from other sources.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	126,572	126,572	253,144	101.53%	1,154,393	1,154,393	2,308,786	92.42%
Statewide PL Adjustments	19,754	(23,562)	(3,808)	(1.53%)	115,983	73,679	189,662	7.59%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	(108)	(108)	(216)	(0.01%)
Total Budget	\$146,326	\$103,010	\$249,336		\$1,270,268	\$1,227,964	\$2,498,232	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					133,900					136,348
Vacancy Savings					(44,935)					(45,032)
Inflation/Deflation					(21)					12
Fixed Costs					27,039					(17,649)
Total Statewide Present Law Adjustments		\$19,754	\$38,722	\$42,280	\$115,983*		(\$23,562)	\$38,723	\$42,280	\$73,679*
Grand Total All Present Law Adjustments	0.00	\$19,754	\$38,722	\$42,280	\$115,983*	0.00	(\$23,562)	\$38,723	\$42,280	\$73,679*

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

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1503 - Central Services Division FTE	15	0.13	0	0	0	0.13	0	0	0	0
DP 6101 - Professional Development Center Fee Allocation	15	0.00	0	(108)	0	0.00	0	(108)	0	(108)
Total	0.13	\$0	(\$108)	\$0	(\$108)	0.13	\$0	(\$108)	\$0	(\$108)

DP 1503 - Central services division FTE authority – The executive is requesting to add 0.13 FTE. In the 2011 legislative session, the department erroneously funded a portion (0.13 FTE) of an existing permanent, full time position with statutory authority, causing the position to be split into two position numbers. Operational expenses would be transferred to statutory authority, resulting in a net zero change to the HB 2 budget. DP 1504 is a statutory appropriation adjustment, which deletes the 0.13 FTE to balance DP 1503.

DP 6101 - Professional development center training fee alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	65.78	65.78	70.53	70.53	65.78	70.53	4.75	7.22%
Personal Services	3,703,936	3,816,092	4,106,830	4,107,947	7,520,028	8,214,777	694,749	9.24%
Operating Expenses	1,426,418	1,831,475	1,916,592	1,918,557	3,257,893	3,835,149	577,256	17.72%
Equipment & Intangible Assets	450,837	361,124	541,512	541,512	811,961	1,083,024	271,063	33.38%
Grants	2,060,581	3,130,006	2,559,047	2,559,047	5,190,587	5,118,094	(72,493)	(1.40%)
Transfers	59,412	75,842	75,842	75,842	135,254	151,684	16,430	12.15%
Total Costs	\$7,701,184	\$9,214,539	\$9,199,823	\$9,202,905	\$16,915,723	\$18,402,728	\$1,487,005	8.79%
General Fund	287,508	296,125	436,527	436,527	583,633	873,054	289,421	49.59%
State Special	5,690,888	6,723,883	6,817,654	6,819,257	12,414,771	13,636,911	1,222,140	9.84%
Federal Special	1,722,788	2,194,531	1,945,642	1,947,121	3,917,319	3,892,763	(24,556)	(0.63%)
Total Funds	\$7,701,184	\$9,214,539	\$9,199,823	\$9,202,905	\$16,915,723	\$18,402,728	\$1,487,005	8.79%

Program Description

The Agricultural Sciences Division (ASD) administers and coordinates the major activities related to:

- Pesticide management
- Pest management
- Analytical laboratory services
- Noxious weed management
- Agricultural chemical groundwater program
- Seed, feed and fertilizer program
- Organic certification
- Nursery program
- Apiary program
- Commodity programs
- Invasive species

ASD also administers agricultural programs related to the production, manufacturing, certification, and marketing of commodities exported from or distributed in the state. The division provides support to the Montana Noxious Weed Management Advisory Council, Noxious Weed Seed Free Forage Advisory Council, Montana Noxious Weed Summit Advisory Council, Montana Organic Commodity Advisory Council, and the Montana Mint Committee.

Program Highlights

Agricultural Sciences Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases 8.8% from the previous biennium due to statewide present law adjustments and various new proposals ◆ The entire general fund request is to partially fund present law adjustments

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Agriculture Funding by Source of Authority 2015 Biennium Budget - Agricultural Sciences Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$873,054	\$0	\$0	\$873,054	4.7%		
State Special Total	\$13,636,911	\$0	\$115,884	\$13,752,795	74.3%		
02037 Mint Committee	\$30,000	\$0	\$0	\$30,000	0.2%		
02068 Noxious Weed Admin Account	\$4,000,142	\$0	\$0	\$4,000,142	21.6%		
02071 Anhydrous Ammonia Account	\$39,302	\$0	\$0	\$39,302	0.2%		
02072 Manuals & Training Account	\$70,462	\$0	\$0	\$70,462	0.4%		
02093 Alfalfa Leaf Cutting Bee	\$7,562	\$0	\$0	\$7,562	0.0%		
02192 Pesticide Groundwater Account	\$1,711,352	\$0	\$0	\$1,711,352	9.2%		
02193 Pesticide Account	\$2,630,764	\$0	\$0	\$2,630,764	14.2%		
02198 Fert. Groundwater Account	\$50,168	\$0	\$0	\$50,168	0.3%		
02264 Organic Certification	\$460,263	\$0	\$0	\$460,263	2.5%		
02265 Fsi Produce	\$536,413	\$0	\$0	\$536,413	2.9%		
02266 Commodity Dealer/warehouse	\$161,308	\$0	\$108,000	\$269,308	1.5%	80-4-416	Pass Thru
02267 Nursery Account	\$355,365	\$0	\$0	\$355,365	1.9%		
02268 Produce Account	\$1,243,691	\$0	\$0	\$1,243,691	6.7%		
02269 Seed Account	\$170,412	\$0	\$7,884	\$178,296	1.0%	80-5-510	Pass Thru
02341 Weed Seed Free Forage Account	\$114,837	\$0	\$0	\$114,837	0.6%		
02452 Commercial Fertilizer	\$464,350	\$0	\$0	\$464,350	2.5%		
02454 Commercial Feed	\$1,379,824	\$0	\$0	\$1,379,824	7.5%		
02792 Apiary Account	\$210,696	\$0	\$0	\$210,696	1.1%		
Federal Special Total	\$3,892,763	\$0	\$0	\$3,892,763	21.0%		
03118 Agriculture Asd Federal	\$3,892,763	\$0	\$0	\$3,892,763	21.0%		
Total All Funds	\$18,402,728	\$0	\$115,884	\$18,518,612	100.0%		
Percent - Total All Sources	99.4%	0.0%	0.6%				

The Agricultural Sciences Division is funded with general fund, state special revenue, and federal special revenue. General fund supports less than 5% of the division's budget, and funds portions of the state grain lab.

State special revenue is the prominent funding source, comprising 74.3% of the total program funding. It is derived primarily from fees assessed for regulatory activities, product registration, and technical services. The largest funding sources are: the noxious weed administration account (21.6%), pesticide (14.2%), and pesticide groundwater (9.2%) accounts. The noxious weed administration account receives revenues from the interest earnings of the Noxious Weed Management Trust Fund and an annual transfer of \$100,000 from the highway non-restricted account.

Federal special revenue includes funding from the U.S. Forest Service, U.S. Department of Agriculture, and the Environmental Protection Agency. Federal funds support noxious weed mitigation and portions of the Bovine Spongiform Encephalopathy (BSE) feed sampling program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	287,508	287,508	575,016	65.86%	7,701,184	7,701,184	15,402,368	83.70%
Statewide PL Adjustments	(2,305)	(2,305)	(4,610)	(0.53%)	331,581	334,663	666,244	3.62%
Other PL Adjustments	11,324	11,324	22,648	2.59%	926,836	926,836	1,853,672	10.07%
New Proposals	140,000	140,000	280,000	32.07%	240,222	240,222	480,444	2.61%
Total Budget	\$436,527	\$436,527	\$873,054		\$9,199,823	\$9,202,905	\$18,402,728	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					453,944					455,323
Vacancy Savings					(166,178)					(166,231)
Inflation/Deflation					(4,688)					(2,160)
Fixed Costs					48,503					47,731
Total Statewide Present Law Adjustments		(\$2,305)	\$433,632	(\$99,746)	\$331,581		(\$2,305)	\$435,235	(\$98,267)	\$334,663
DP 3001 - Program 30 Operating Adjustment	0.00	11,324	592,912	322,600	926,836	0.00	11,324	592,912	322,600	926,836
Total Other Present Law Adjustments	0.00	\$11,324	\$592,912	\$322,600	\$926,836	0.00	\$11,324	\$592,912	\$322,600	\$926,836
Grand Total All Present Law Adjustments	0.00	\$9,019	\$1,026,544	\$222,854	\$1,258,417	0.00	\$9,019	\$1,028,147	\$224,333	\$1,261,499

DP 3001 - Program 30 Base Budget Adjustments - The executive is requesting funding to restore operations authority to base levels in the Agricultural Sciences Division (ASD). Actual expenditures in FY 2012 were lower than the level authorized by the 62nd Legislature due to the variable nature of agricultural activity. This authority will be used for office supplies, field supplies, lab supplies, training, travel, equipment, and grants.

LFD COMMENT	The department is requesting a return to the FY 2012 appropriated level plus other increases for increased tests for mad cow disease, training, vehicle purchases, equipment, grants, and other expenses.
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New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 3002 - Analytical Laboratory	30	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 3003 - Eurasian Watermilfoil Containment/Control -OTO/RST	30	4.75	140,000	0	0	140,000	4.75	140,000	0	0	140,000
DP 6101 - Professional Development Center Fee Allocation	30	0.00	0	222	0	222	0.00	0	222	0	222
Total	4.75	\$140,000	\$100,222	\$0	\$240,222	4.75	\$140,000	\$100,222	\$0	\$240,222	

DP 3002 - Analytical laboratory - The executive is requesting state special revenue funding each year of the 2015 biennium to account for fee-for-service funds that were previously received, held, and expended by the Montana agricultural experiment station at Montana State University on behalf of this jointly operated laboratory. The additional authority would enable the analytical laboratory to continue to use the funds for equipment and general operational activity such as supplies, maintenance, and student interns.

LFD COMMENT	This funding is paid to the University System and must have legislative approval.
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DP 3003 - Eurasian Watermilfoil Containment/Control -OTO/RST – The executive requests 4.75 seasonal temporary FTE and one-time-only/restricted general fund each year of the 2015 biennium to continue activities associated with management of aquatic invasive plants through prevention, identification, and response. The department would focus on survey of waterways, watercraft inspection stations, outreach and education, management areas, and response to invasive plant detections.

LFD COMMENT	The Aquatic Invasive Species (AIS) Act was passed by the 2009 Legislature to prevent the introduction and spread of invasive aquatic species into Montana’s waters. The original act required the Departments of Agriculture (MDA) and Fish, Wildlife, and Parks (FWP) to enter into cooperative agreements to perform their respective tasks and to work cooperatively.
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The 2011 Legislature revised the act (HB 621), and among other changes added the Department of Natural Resources and Conservation (DNRC) to the list of coordinating agencies. HB 621 also appropriated general fund for the general responsibilities of the agencies in the act:

- o Enter into cooperative agreements with each other
- o Identify and prioritize threats
- o Provide public awareness and education
- o Provide prevention and detection of invasive species, including the use of invasive species management areas
- o Manage, control, and restore infested areas
- o Provide emergency response

**LFD
COMMENT
CONT.**

The figure below shows the appropriation in HB 621 and anticipated expenditures for the 2013 biennium, as well as the executive request for the 2015 biennium. During the interim the executive transferred funding among agencies and the 2015 biennium requests reflect the amounts estimated to be expended by the departments.

	AIS Funding		
	2013 Biennium	2013 Biennium	215 Biennium
	HB 621 Approp	Est. expenditures	DP Requests
MDA	\$558,000	\$279,750	\$280,000
FWP	150,000	618,250	618,250
DNRC	<u>190,000</u>	<u>0</u>	<u>0</u>
Total	<u>\$898,000</u>	<u>\$898,000</u>	<u>\$898,250</u>

The MDA has chosen to focus on Eurasian watermilfoil, while the DFWP is concentrated on quagga mussels, and other non-plant based AIS.

DP 6101 - Professional development center training fee alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	38.75	38.75	38.75	38.75	38.75	38.75	0.00	0.00%
Personal Services	1,538,063	1,785,633	1,856,284	1,858,636	3,323,696	3,714,920	391,224	11.77%
Operating Expenses	1,432,035	1,472,654	1,536,100	1,536,626	2,904,689	3,072,726	168,037	5.79%
Equipment & Intangible Assets	24,877	15,000	24,877	24,877	39,877	49,754	9,877	24.77%
Grants	1,645,161	1,570,027	1,729,410	1,729,410	3,215,188	3,458,820	243,632	7.58%
Transfers	217,232	264,797	217,232	217,232	482,029	434,464	(47,565)	(9.87%)
Total Costs	\$4,857,368	\$5,108,111	\$5,363,903	\$5,366,781	\$9,965,479	\$10,730,684	\$765,205	7.68%
General Fund	506,966	506,500	531,929	532,976	1,013,466	1,064,905	51,439	5.08%
State Special	3,989,159	4,128,851	4,360,870	4,363,138	8,118,010	8,724,008	605,998	7.46%
Federal Special	21,461	25,000	25,000	25,000	46,461	50,000	3,539	7.62%
Other	339,782	447,760	446,104	445,667	787,542	891,771	104,229	13.23%
Total Funds	\$4,857,368	\$5,108,111	\$5,363,903	\$5,366,781	\$9,965,479	\$10,730,684	\$765,205	7.68%

Program Description

The Agricultural Development Division (ADD) administers programs to promote Montana agriculture. The division is comprised of the following bureaus:

- Rural Development
- Wheat and Barley
- Agriculture Marketing & Business Development
- The State Grain Laboratory
- The Montana Agriculture Development Council is allocated to the Department of Agriculture for administrative purposes. It is composed of seven members appointed by the Governor for 3 year terms and oversees the Montana Growth through Agriculture Program

There are six agricultural industry committees that are administratively attached to the Department of Agriculture and supported by the Agricultural Development Division. These committees are comprised primarily of producers of their given commodities who provide direction for the development, research, and marketing of their products and industries.

These committees are:

- The Alfalfa Seed Committee
- The Mint Committee
- The Montana Wheat and Barley Committee
- The Cherry Advisory Committee
- The Organic Advisory Committee
- The Potato Advisory Committee
- The Pulse Crop Advisory Committee

The division houses two proprietary programs:

- The Hail Insurance Program, managed by the Hail Insurance Board, providing low-cost hail insurance coverage for crops grown in Montana
- The Farm and Ranch Loan Program, a federally supported program to assist beginning farmers and ranchers in the state to acquire agricultural land

The division also provides administrative support and shares an employee with the Ag in Montana Schools program.

Program Highlights

Agricultural Development Division Major Budget Highlights	
◆	The Governor’s proposed budget increases by 7.7% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources
◆	The executive requests \$76,151 each year of the biennium from the Coal Severance Tax Shared Account for increased grants and loans related to agricultural development

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Agriculture Funding by Source of Authority 2015 Biennium Budget - Agricultural Development Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,064,905	\$0	\$2,630,000	\$3,694,905	12.4%	15-35-108	Direct
State Special Total	\$8,724,008	\$0	\$1,321,276	\$10,045,284	33.7%		
02040 Wheat & Barley Research & Mktg	\$5,934,784	\$0	\$0	\$5,934,784	19.9%		
02066 Agriculture In Mt Schools Act.	\$35,550	\$0	\$0	\$35,550	0.1%		
02132 Gta Seed Capital Account	\$0	\$0	\$284,584	\$284,584	1.0%	90-9-301	Indirect
02178 Cherry Check-off	\$0	\$0	\$48,204	\$48,204	0.2%	80-11-518	Direct
02205 Pulse Crop Research & Mrktg	\$0	\$0	\$879,864	\$879,864	3.0%	80-11-518	Direct
02340 Coal Sev. Tax Shared Ssr	\$869,579	\$0	\$0	\$869,579	2.9%		
02453 Grain Services	\$1,790,604	\$0	\$0	\$1,790,604	6.0%		
02461 Alfalfa Seed Assessment	\$77,991	\$0	\$0	\$77,991	0.3%		
02582 Certified Natural Beef	\$15,500	\$0	\$0	\$15,500	0.1%		
02793 Potato Research & Marketing	\$0	\$0	\$108,624	\$108,624	0.4%	80-11-518	Direct
Federal Special Total	\$50,000	\$0	\$0	\$50,000	0.2%		
Proprietary Total	\$891,771	\$116,400	\$14,966,414	\$15,974,585	53.7%		
06016 Beginning Farm Loans	\$0	\$116,400	\$0	\$116,400	0.4%		
06052 Hail Insurance	\$891,771	\$0	\$14,966,414	\$15,858,185	53.3%	80-2-222	Indirect
Total All Funds	\$10,730,684	\$116,400	\$18,917,690	\$29,764,774	100.0%		
Percent - Total All Sources	36.1%	0.4%	63.6%				

The funding for the Agricultural Development Division is dominated by state special revenue (SSR), accounting for just over 80% of the program’s HB 2 total funding. The largest account, the wheat and barley research and marketing SSR

account, comprises 54% of the HB 2 budget request for the program. This account receives revenues from assessments levied on the initial sale of each of the commodities. Additional SSR funding sources include a portion of the coal severance tax collections that supports the Growth Through Agriculture (GTA) program, grain testing fees, alfalfa seed assessments, income tax check offs for Agriculture in Montana Schools, and interest earnings from invested fund balances in various accounts. General fund supports division administration, agricultural marketing, agricultural statistics functions, and the state grain lab. Federal special revenue is from federal grants used to develop agriculture markets, marketing projects, and related operating costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	506,966	506,966	1,013,932	95.21%	4,857,368	4,857,368	9,714,736	90.53%
Statewide PL Adjustments	25,045	26,092	51,137	4.80%	340,929	343,807	684,736	6.38%
Other PL Adjustments	0	0	0	0.00%	86,613	86,613	173,226	1.61%
New Proposals	(82)	(82)	(164)	(0.02%)	78,993	78,993	157,986	1.47%
Total Budget	\$531,929	\$532,976	\$1,064,905		\$5,363,903	\$5,366,781	\$10,730,684	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					395,234					397,691
Vacancy Savings					(77,013)					(77,118)
Inflation/Deflation					(1,731)					(660)
Fixed Costs					24,439					23,894
Total Statewide Present Law Adjustments		\$25,045	\$269,404	\$0	\$340,929*		\$26,092	\$271,672	\$0	\$343,807*
DP 5001 - Program 50 Operating Adjustment	0.00	0	23,232	3,539	86,613*	0.00	0	23,232	3,539	86,613*
Total Other Present Law Adjustments	0.00	\$0	\$23,232	\$3,539	\$86,613*	0.00	\$0	\$23,232	\$3,539	\$86,613*
Grand Total All Present Law Adjustments	0.00	\$25,045	\$292,636	\$3,539	\$427,542*	0.00	\$26,092	\$294,904	\$3,539	\$430,420*

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

DP 5001 - Program 50 base budget adjustments – The executive requests adjustments to base operations authority in the Agricultural Development Division (ADD). Actual expenditures in FY 2012 were lower than the level authorized by the 62nd Legislature due to the variable nature of agricultural activity. This authority will be used for research contracts and grants, supplies, travel, and meeting expenses in the alfalfa seed, hail insurance, marketing, and certified natural beef programs.

**LFD
COMMENT**

The department is requesting a return to the FY 2012 appropriated level to provide more grants, allow response to all hail claims, and in the event more producers decide to seek beef certification.

New Proposals

Program	Fiscal 2014					Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 5002 - Coal Severance Tax Shared Account	50	0.00	0	76,151	0	76,151	0.00	0	76,151	0	76,151
DP 5003 - Ag in Montana Schools Account	50	0.00	0	3,000	0	3,000	0.00	0	3,000	0	3,000
DP 6101 - Professional Development Center Fee Allocation	50	0.00	(82)	(76)	0	(158)	0.00	(82)	(76)	0	(158)
Total	0.00	(\$82)	\$79,075	\$0	\$78,993	0.00	(\$82)	\$79,075	\$0	\$78,993	

DP 5002 - Coal severance tax shared account - The executive requests funding at the 2011 biennium level for grants and loans related to agricultural development.

**LFD
COMMENT**

The coal tax shared account is shared by this department with the Montana State Library and the Department of Natural Resources and Conservation. The account is discussed in more detail in the summary section of this agency.

DP 5003 - Ag in Montana schools account - The executive requests state special revenue funding to match operating authority more closely to the revenues that are received through the voluntary check off. The additional funding would be used for supplies, printing, and travel to develop and deliver agriculture related curriculum to classroom teachers.

**LFD
COMMENT**

Including this request, the division would be expending approximately 60% of the fund's annual revenues.

DP 6101 - Professional development center training fee alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Program Overview

The Agricultural Development Division operates two proprietary programs: the Hail Insurance program and the Montana Beginning Farmer/Rancher Loan Program.

Hail Insurance Program (Proprietary Fund)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

The Hail Insurance program has been in operation since 1917. The function of the program provides the following:

- Provides low cost hail insurance coverage for crops grown in Montana
- Insures approximately 1.65 million acres of crops
- Coverage approaching \$77 million each year
- Statutorily appropriated under Title 80, Chapter 2, part 2, MCA

The Board of Hail Insurance is responsible for estimating annual expenses and recommending the premium to be imposed on participating producers, no changes have been made in services or fees. Using the agreed upon formula, the program must maintain \$1,321,552 in cash to maintain an ongoing operation. The Department of Revenue issues the insurance policies to producers.

Proprietary Revenues and Expenses

Expenses

- Supports 2.93 permanent FTE and 4.55 seasonal FTE
- Personal services and operating expenses other than the payment of insurance claims are budgeted by the agency in HB 2
- Annually transfers are 3.5% of the gross annual fees imposed and collected: 2% to the Department of Revenue and 1.5% to the general fund at the end of the fiscal year

Revenues

- Derived entirely from insurance policy premiums and investment earnings
- Dependent on the number of policies written for producers in a given year
- Statutorily limited, cannot exceed \$50 per acre for non-irrigated land and \$76 per acre for irrigated land

Farm and Ranch Loan Program (Proprietary Fund)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

The Montana Beginning Farmer/Rancher Loan Program is a tax-exempt bond program designed to assist beginning farmers/ranchers in the State of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher.

Proprietary Revenues and Expenses

Expenses

- 0.50 FTE and related operating expenses will be funded once there is revenue to support it
- Funds are only used to promote and administer the loan program

Revenues

- Revenues for the program are derived from an application fee and a percentage fee levied against the outstanding loan amount

Total Department Of Agriculture Funding by Source of Authority
2015 Biennium Budget

Funds	Non-		Statutory Appropriation	Total All Sources	% Total All Funds
	HB 2	Budgeted Proprietary			
General Fund	\$2,187,295	\$0	\$2,630,000	\$4,817,295	9.5%
State Special Total	\$24,028,134	\$0	\$1,456,385	\$25,484,519	50.2%
02037 Mint Committee	\$30,000	\$0	\$0	\$30,000	0.1%
02040 Wheat & Barley Research & Mktg	\$6,158,530	\$0	\$0	\$6,158,530	12.1%
02066 Agriculture In Mt Schools Act.	\$35,550	\$0	\$0	\$35,550	0.1%
02068 Noxious Weed Admin Account	\$4,168,350	\$0	\$0	\$4,168,350	8.2%
02071 Anhydrous Ammonia Account	\$43,492	\$0	\$0	\$43,492	0.1%
02072 Manuals & Training Account	\$70,462	\$0	\$0	\$70,462	0.1%
02093 Alfalfa Leaf Cutting Bee	\$8,790	\$0	\$0	\$8,790	0.0%
02132 Gta Seed Capital Account	\$0	\$0	\$284,584	\$284,584	0.6%
02178 Cherry Check-off	\$0	\$0	\$48,690	\$48,690	0.1%
02192 Pesticide Groundwater Account	\$1,954,803	\$0	\$0	\$1,954,803	3.8%
02193 Pesticide Account	\$2,959,400	\$0	\$0	\$2,959,400	5.8%
02198 Fert. Groundwater Account	\$57,352	\$0	\$0	\$57,352	0.1%
02205 Pulse Crop Research & Mrktg	\$0	\$0	\$895,919	\$895,919	1.8%
02264 Organic Certification	\$516,893	\$0	\$0	\$516,893	1.0%
02265 Fsi Produce	\$601,615	\$0	\$0	\$601,615	1.2%
02266 Commodity Dealer/warehouse	\$182,490	\$0	\$108,000	\$290,490	0.6%
02267 Nursery Account	\$407,453	\$0	\$0	\$407,453	0.8%
02268 Produce Account	\$1,369,689	\$0	\$0	\$1,369,689	2.7%
02269 Seed Account	\$193,898	\$0	\$7,884	\$201,782	0.4%
02340 Coal Sev. Tax Shared Ssr	\$869,579	\$0	\$0	\$869,579	1.7%
02341 Weed Seed Free Forage Account	\$121,025	\$0	\$0	\$121,025	0.2%
02452 Commercial Fertilizer	\$518,976	\$0	\$0	\$518,976	1.0%
02453 Grain Services	\$1,952,382	\$0	\$0	\$1,952,382	3.8%
02454 Commercial Feed	\$1,485,902	\$0	\$0	\$1,485,902	2.9%
02461 Alfalfa Seed Assessment	\$77,991	\$0	\$0	\$77,991	0.2%
02582 Certified Natural Beef	\$15,500	\$0	\$0	\$15,500	0.0%
02792 Apiary Account	\$228,012	\$0	\$0	\$228,012	0.4%
02793 Potato Research & Marketing	\$0	\$0	\$111,308	\$111,308	0.2%
Federal Special Total	\$4,246,993	\$0	\$0	\$4,246,993	8.4%
03118 Agriculture Asd Federal	\$3,892,763	\$0	\$0	\$3,892,763	7.7%
03120 Agriculture Cmd Federal	\$304,230	\$0	\$0	\$304,230	0.6%
03225 Agriculture Add Federal	\$50,000	\$0	\$0	\$50,000	0.1%
Proprietary Total	\$1,169,222	\$116,400	\$14,966,414	\$16,252,036	32.0%
06016 Beginning Farm Loans	\$0	\$116,400	\$0	\$116,400	0.2%
06052 Hail Insurance	\$1,169,222	\$0	\$14,966,414	\$16,135,636	31.8%
Total All Funds	\$31,631,644	\$116,400	\$19,052,799	\$50,800,843	100.0%
Percent - Total All Sources	62.3%	0.2%	37.5%		

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

6201 Department of Agriculture

Minimum Requirement

TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET

	General Fund	State Special Revenue Fund
	\$ 44,874	\$ 20,595

Priority

SERVICE(S) TO BE ELIMINATED OR REDUCED

General Fund Annual Savings **State Special Revenue Annual Savings**

1	Program Reductions (program 15)	\$ 5,151	
2	Program Reductions (program 30)	\$ 14,375	
3	Program Reductions (program 50)	\$ 25,348	\$ 20,595
4			
5			
6			
7			
8			
9			
10			
11			
	TOTAL SAVINGS	\$ 44,874	\$ 20,595
	DIFFERENCE		0 0

5% Base Budget Reduction Form

AGENCY CODE & NAME:

6201 Agriculture

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

In order to meet targeted reductions the department must consider reducing its general fund appropriation for operations in program 15 by \$5,151. These funds are appropriated for activities in the director's office and central services division.

#2 THE SAVINGS THAT ARE EXPECTED:

Operating costs (62000) available would be reduced by \$5,151.

- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**
Due to the size of the department and the inability to limit required services, a loss of these funds would result in a reduction of desired representation of consumer and producer agricultural interests.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**
Constituents would have to seek representation elsewhere.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**
No - the activity is funded by HB2.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

6201 Agriculture

- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**
In order to meet targeted reductions the department must consider reducing its general fund appropriation for operations in program 30 by \$14,375. These funds are appropriated to assure that domestic and imported feeds are free from prohibited materials that can lead to the spread of bovine spongiform encephalopathy (BSE, or mad cow disease) in Montana cattle.
- #2 THE SAVINGS THAT ARE EXPECTED:**
Operational costs (62000) would be reduced by \$14,375.
- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**
A loss of these funds will result in a decrease of monitoring inspections.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**
The impact might be mitigated by finding increased efficiencies and lowering operational costs.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**
Yes - federally mandated.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

6201 Agriculture

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

In order to meet targeted reductions the department must consider reducing its general fund appropriation for operations in program 50 by \$25,348. These funds are appropriated for administration of the agricultural development division, for the state grain laboratory, and for agricultural marketing.

#2 THE SAVINGS THAT ARE EXPECTED:

Operational costs (62000) would be reduced by \$25,348.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

A loss of these funds will result in reductions in the marketing and business assistance the department will be able to provide to Montana companies. The ability of the state grain lab to meet peak demand will be affected.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Constituents would have to seek these services elsewhere.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - 80-4-701 MCA; state grain lab
Yes - 80-11-101 MCA; agricultural marketing
No - agricultural development division administration is funded by HB2.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

6201 Agriculture

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

In order to meet targeted reductions the department must consider reducing its state special revenue fund economic development appropriation by \$20,595. These funds are appropriated from the coal tax severance fund (02340) to stimulate agricultural economic development by providing business assistance to Montana agribusinesses.

#2 THE SAVINGS THAT ARE EXPECTED:

Investments in agribusinesses through grants (66000) would be reduced by \$20,595.

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

A loss of these funds will result in a reduction in the economic development services the department will be able to provide to Montana value added companies.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Constituents would have to find replacement funding.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes - 15-35-108(3) MCA, coal severance tax shared account.

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:

#2 THE SAVINGS THAT ARE EXPECTED:

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION OR REDUCTION*:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:

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5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR *ELIMINATION OR REDUCTION*:

#2 THE SAVINGS THAT ARE EXPECTED:

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED *ELIMINATION* OR *REDUCTION*:

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Agricultural Development Division

Division Goal

To enhance, expand and diversify Montana's agricultural economy, thereby improving the general economy of the state of Montana by providing services, which include market and agri-business development, Growth Through Agriculture grants and loans, wheat and barley research and marketing, agriculture loans, beginning farmer/rancher loans, hail insurance, grain grading and inspection, agriculture literacy and outreach, and administration of agricultural commodity research and market development programs.

Division Objectives

Agricultural Marketing & Business Development Bureau:

- Assist in increasing sales of Montana's agricultural products and the success and profitability of agricultural businesses and operations, both domestically and internationally.
- Provide technical assistance to help Montana's agricultural producers capture more of the value of their products, and retain more money in Montana's communities by helping develop Montana-owned and operated processing and other value-adding businesses.
- Strengthen and diversify Montana's agricultural industry through activities promoting private/public sector partnerships.
- Provide financial assistance for the development and commercialization of new agricultural products and processes.
- Provide support to the Agriculture Development Council and administer the Growth Through Agriculture program.
- Increase awareness of the importance of agriculture in Montana through educational outreach to schools.

Rural Development Bureau:

- Provide basic hail insurance coverage through the State Hail Insurance Program on crops grown in Montana so producers have an affordable hail loss protection option.
- Provide support and growth to Montana agriculture by administering the Agriculture Finance and Commodity Research and Market Development programs.
- Assist in the economic development and welfare of Montana agriculture.

State Grain Laboratory Bureau

- Provide timely, official, objective and accurate test results to buyers and sellers of Montana grain under standards set by the USDA Federal Grain Inspection Service.
- Provide timely, official, sampling services and testing of other Montana commodities.

Wheat & Barley Bureau:

- Provide education and information about Montana's wheat and barley production.
- Determine avenues for market promotion.
- Examine transportation issues and barriers to shipping Montana grain.
- Support and participate in grain buyer, consumer, and education events.

- Carry out all research and marketing contemplated by Title 80, Chapter 11, part 2, MCA.

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Transportation

Contact: Contact: Cathy Duncan, Senior Fiscal Analyst
Room 117, State Capitol Building
Phone: 444-4580
e-mail: cduncan@mt.gov

Updated December 2012

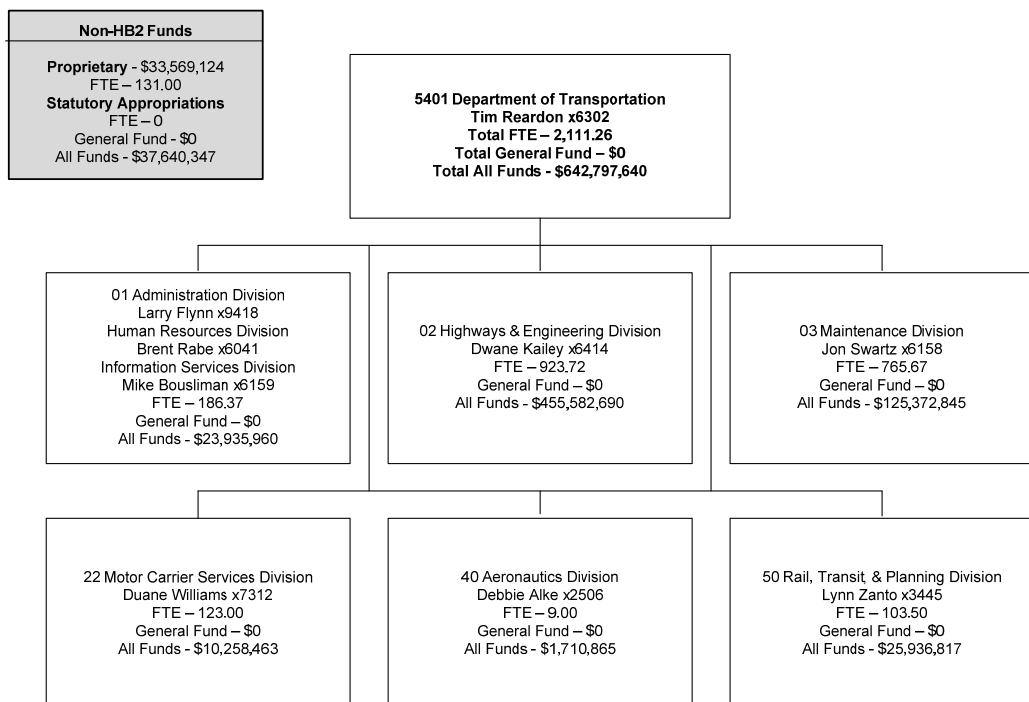
Agency Description

Definition of Terms

The Montana Department of Transportation (MDT) is responsible for administering the multimodal transportation network in Montana. The department plans, designs, builds, and maintains the statewide network of highways with the guidance from the five member transportation commission, appointed by the Governor. The department also provides for the other aspects of a statewide multimodal transportation system through:

- Aeronautics safety protection and promotion
- General aviation airport planning, promotion, and maintenance facilitation
- Rail infrastructure coordination, monitoring, and planning
- Highway traffic safety promotion, planning, and administration
- Vehicle weight and dimension permitting and law enforcement
- Transit assistance

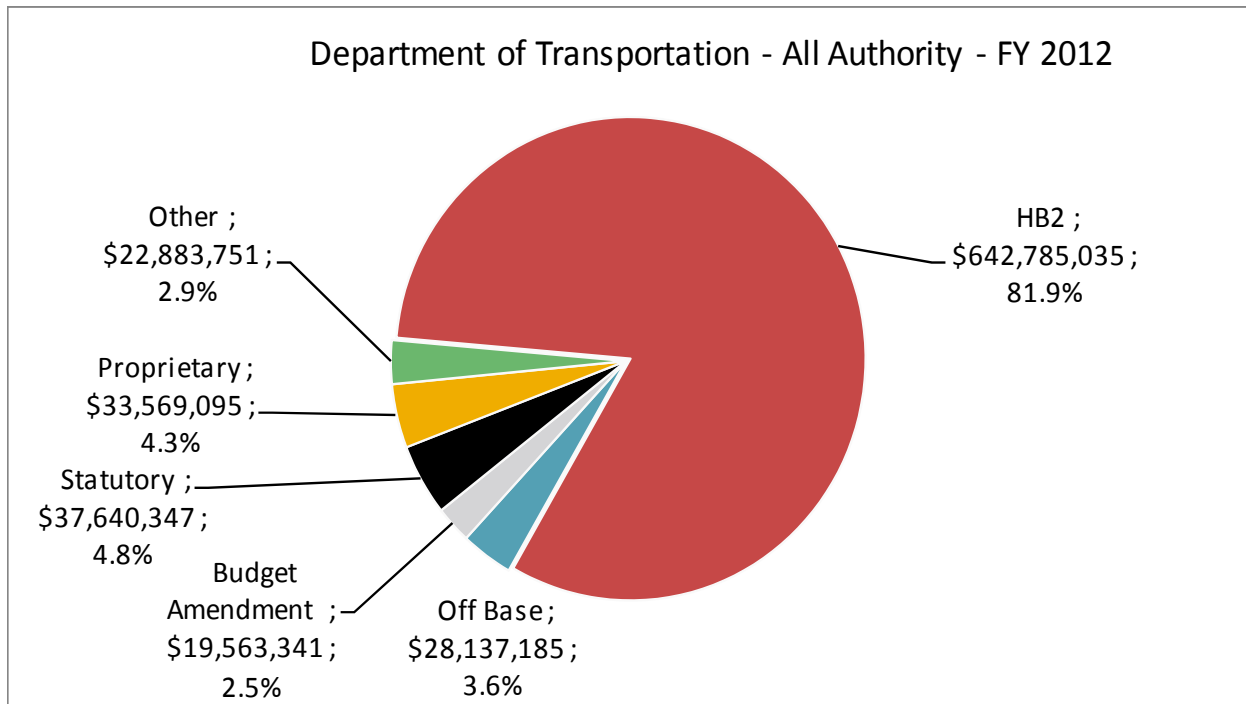
The primary statutory references include - Article VIII, Section 6, Montana Constitution, 2-15-2505, 15-70, Titles 60, 61, and 67, MCA.



How Services are Provided

The director acts as liaison between the Transportation Commission (commission) and the department. The commission is comprised of five members appointed by the Governor and confirmed by the Senate for four-year terms. The commission determines construction priorities, selects construction projects, awards construction contracts, and allocates funding to state, local, and national highway system projects. The commission also classifies highways as federal aid, primary, and off-system in the state maintenance system.

Sources of Spending Authority



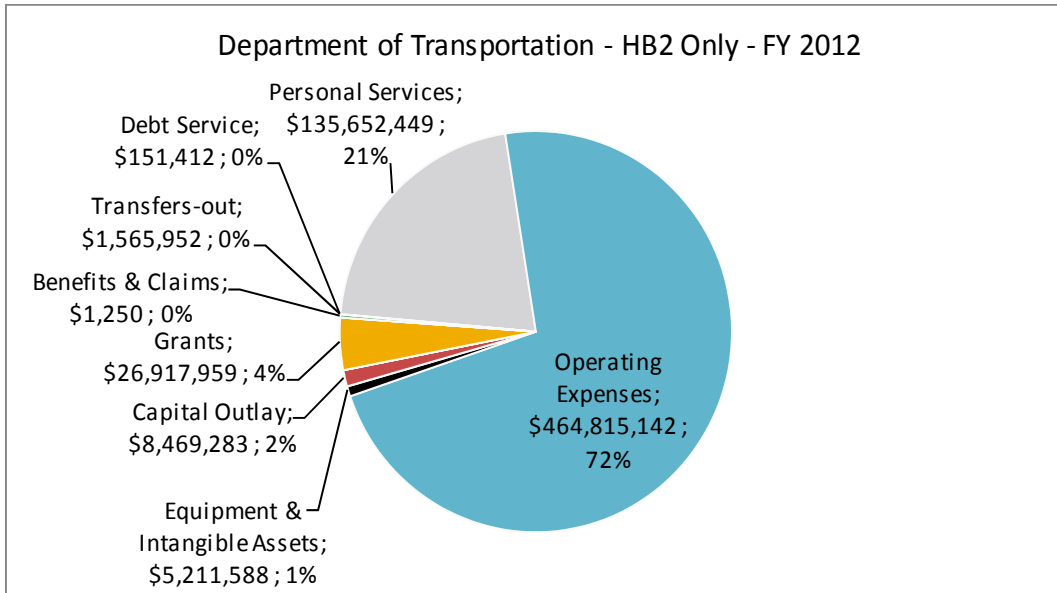
The above chart shows the sources of authority for the Montana Department of Transportation. As illustrated, the primary source of authority for MDT is HB 2. Off base authority is related to one-time-only authority provided by the legislature in the 2011 legislative session. The budget amendments shown in the figure is authority provided that allows use of federal funds not anticipated by the 2011 Legislature. The statutory appropriations are primarily distributions of fuel taxes to local and tribal governments and the proprietary authority is the spending authority for the three MDT proprietary programs: 1) the state motor pool; 2) the MDT equipment program; and 3) the West Yellowstone Airport. Other authority is primarily for debt service on the U.S. Highway 93 project totaling \$16.0 million, which is reimbursed by the federal highway trust fund, and authority of \$5.4 million related to the 2009 American Recovery and Reinvestment Act projects.

For a detailed description of accounting terminology, please refer to the definition of terms.

Expenditures

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

- \$363.2 million (87.5% federal funds) of the operating expenses were highway construction contractor payments
- \$23.0 million of grant funds were distributed to local governments and school districts



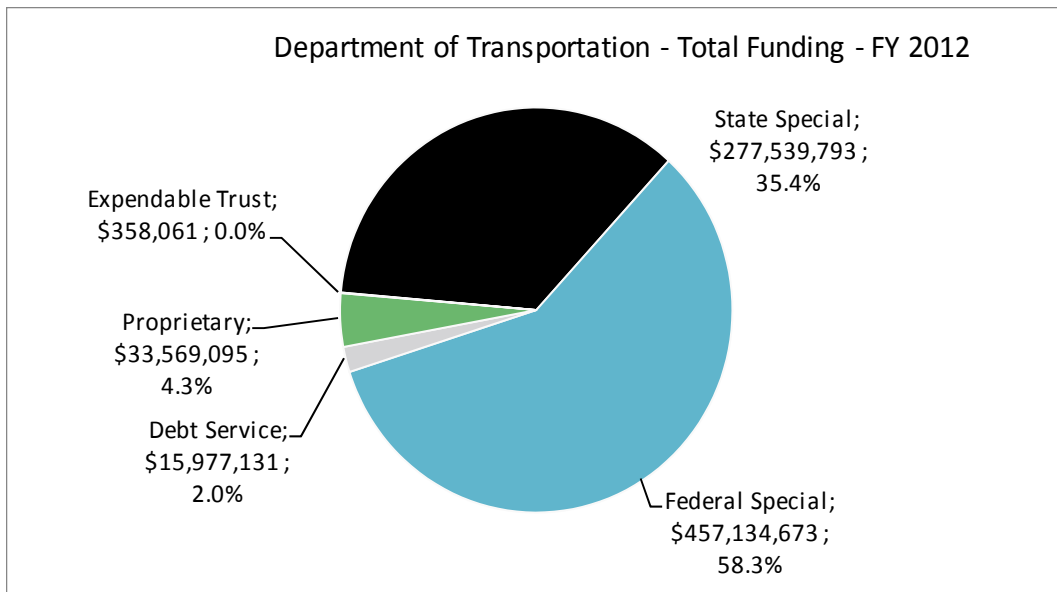
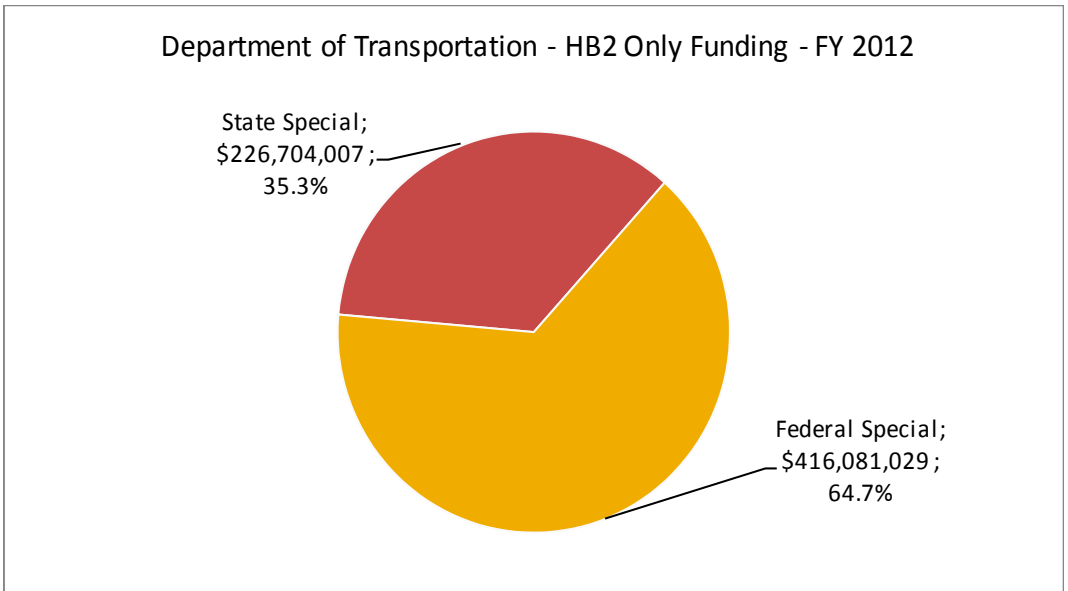
This chart matches the agency base expenditures found in the 2015 Budget Analysis with the exception of a slight difference caused by a clearing account adjustment in personal services and rounding errors.

Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.

MDT's primary funding is derived from fuel taxes and user fees collected by the state and reimbursements from the federal government. State funds are used for operations, federal matching requirements, and preservation of the existing state and federal highway system. Federal funds are primarily available for construction, reconstruction, and preservation of federal-aid highways and selected maintenance activities.

State funding comes primarily from gasoline and diesel fuel taxes, motor vehicle taxes, registration fees, and gross vehicle weight fees. Federal funds are primarily from the federal highway trust.



Total funding was increased in FY 2012 by a small business development grant from the federal government to assist the state in increasing the amount of capital made available by private lenders to small businesses. State special funding is increased by statutory appropriations and federal special through budget amendments and un-anticipated federal stimulus funding. The total funding figure includes the proprietary funds that support the three MDT proprietary programs.

How the 2013 Legislature Can Effect Change

If the legislature is to change the cost of the elements that drive costs, it must address the factors that influence the level of the cost drivers. For example, what determines the level of highway maintenance expenditures? As a consequence, what range of policy choices does the legislature have if it wishes to change the level of highway maintenance expenditures? The following lists the primary factors influencing the drivers of costs for the agency. Please note that the list is not exhaustive.

- Smoothness of highway surface
- Acceptable level of snow/ice cover
- Distance between and service condition of rest areas
- Traffic congestion/flow
- Transportation system safety expectations
- Highway user services

Major Cost Drivers

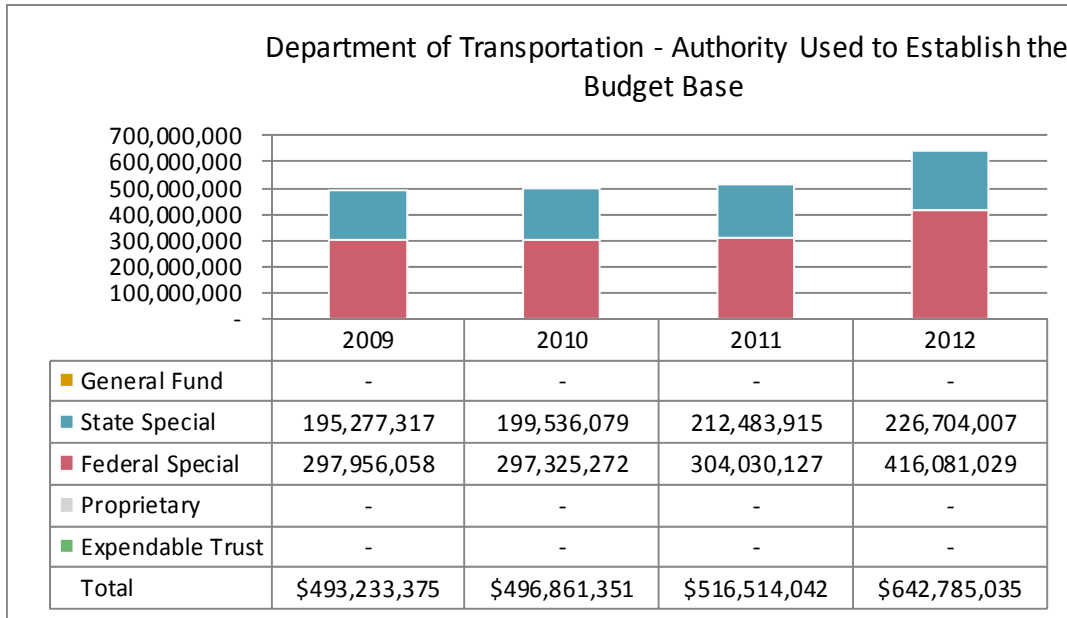
<i>Driver</i>	<i>2000</i>	<i>2010</i>	<i>Significance of Data</i>
Total lane-miles - Montana	141,871	152,573	Shows amount of roads supported by state tax base
Total lane-miles – U.S.	8,295,171	8,581,158	Shows national road system to compare with state system
Population per lane-mile - Montana	6.3	6.5	Shows how few people are available to fund highway costs in Montana
Population per lane mile – U.S. average	33.9	36.0	Shows there are five times as many people available to fund highway costs on average in the U.S.

The table above provides some cost drivers that can indirectly impact the operating costs of MDT. Other factors include the amount of federal funding available for highway work and the amount of fuel taxes collected in any given year.

Funding/Expenditure History

The table below shows historical changes in the agency’s base budget authority. Major reasons for change are:

- 2009 through 2011 total expenditures relatively were consistent
- 36% increase in federal funding in FY 2012 from prior years’ average, primarily attributable to distributions from the Federal Highway Trust Fund for highway construction



Major Legislative Changes in the Last Ten Years

2011

- \$60.0 million in one-time-only funding for the state funded construction program

2007

- Transferred the functions of the Motor Carrier Safety Assistance Program to Department of Justice
- A portion of Highway 93 project funded with Grant Anticipation Revenue Vehicles (GARVEE) bond proceeds funded in the Long-Range Building Program

2005

- \$78.7 million of GARVEE bond proceeds were used in the Highway 93 project

For further information, you may wish to contact the agency at:

Montana Department of Transportation

2701 Prospect Avenue

PO Box 201001

Helena, MT 59620-1001

Phone: (406) 444-6200 Toll Free: (800) 335-7592 webpage: www.mdt.mt.gov

Agency Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	2,111.26	2,111.26	2,129.26	2,129.26	2,111.26	2,129.26	18.00	0.85%
Personal Services	135,664,992	149,304,587	144,860,391	145,017,104	284,969,579	289,877,495	4,907,916	1.72%
Operating Expenses	464,815,199	515,749,160	467,957,627	467,396,442	980,564,359	935,354,069	(45,210,290)	(4.61%)
Equipment & Intangible Assets	5,211,589	3,983,540	5,415,397	5,276,589	9,195,129	10,691,986	1,496,857	16.28%
Capital Outlay	8,469,285	30,763,403	19,754,763	19,655,763	39,232,688	39,410,526	177,838	0.45%
Grants	26,917,961	23,539,731	30,810,271	30,628,271	50,457,692	61,438,542	10,980,850	21.76%
Benefits & Claims	1,250	1,500	1,250	1,250	2,750	2,500	(250)	(9.09%)
Transfers	1,565,952	1,834,501	2,260,952	1,985,952	3,400,453	4,246,904	846,451	24.89%
Debt Service	151,412	151,414	151,412	151,412	302,826	302,824	(2)	0.00%
Total Costs	\$642,797,640	\$725,327,836	\$671,212,063	\$670,112,783	\$1,368,125,476	\$1,341,324,846	(\$26,800,630)	(1.96%)
State Special	226,716,607	267,661,094	242,820,702	242,585,380	494,377,701	485,406,082	(8,971,619)	(1.81%)
Federal Special	416,081,033	457,666,742	428,391,361	427,527,403	873,747,775	855,918,764	(17,829,011)	(2.04%)
Total Funds	\$642,797,640	\$725,327,836	\$671,212,063	\$670,112,783	\$1,368,125,476	\$1,341,324,846	(\$26,800,630)	(1.96%)

Mission Statement

Agency Mission: To serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment. For additional information, please refer to the agency profile.

Agency Highlights

Department of Transportation Major Budget Highlights
<ul style="list-style-type: none"> ◆ The MDT budget proposal is reduced by 2.0% in total funds ◆ The proposal includes requests for 18.00 FTE, which include: <ul style="list-style-type: none"> • 5.00 FTE in the Maintenance Program • 11.00 FTE in the Motor Carrier Program (7 FTE funded with Federal Special Revenue) • 2.00 FTE in the Rail, Transit, and Planning Program ◆ The executive budget proposal includes two proposals for increased planning activities related to MAP 21, the new federal surface transportation funding legislation <ul style="list-style-type: none"> • General Operations proposal for \$184,496 • Rail, Transit, & Planning proposal for \$1,027,512 and 2.00 new FTE
Legislative Action Issues
<ul style="list-style-type: none"> ◆ This budget is based on the 2012 Transportation Plan and a new plan will be released during legislative budget deliberations ◆ Federal funding estimates could change during legislative budget deliberations

Agency Discussion

- The budget for the Montana Department of Transportation (MDT) includes funding to obligate and match all federal-aid highway funding anticipated
- The total fund budget would be reduced by \$26.8 million, or 2.0%, from the 2013 biennium primarily because of the reductions in operating expenses, in large part resulting from reduced contractor payments as MDT winds down the work resulting from the federal government's 2009 American Relief and Recovery Act (ARRA) and the enhanced state funded construction program provided by the 2011 Legislature
 - The reduction includes \$6.9 million in state special revenue and \$17.8 million in federal special revenue
- Staffing levels would be increased by 18 FTE at a cost of \$2.0 million
- A non-budgeted proprietary funded program that acquires, maintains, and disposes of equipment used by the other programs of this agency reduces the cost to user programs by \$1.1 million of total funds.

Two administrative boards appointed by the Governor are responsible for the guidance and prioritization of road and airport projects in Montana, therein establishing budget priorities. The five-member transportation commission establishes department priorities and apportions funding among five state financial districts according to statutory guidelines, considers department recommendations, and facilitates community input. The nine-member Board of Aeronautics establishes priorities for department aeronautics activities.

LFD COMMENT	The department has submitted a budget request for the 2015 biennium based on the 2012 tentative construction plan (TCP). The agency is in the process of updating this plan. Historically, the department revises several of the key budget adjustments from those presented in the request analyzed by legislative staff to reflect a revised and updated construction plan. Consequently, the department request will likely change prior to appropriations subcommittee hearings. In addition, changes in the TCP will create changes in the working capital balance projection of the highway special revenue fund (HSRA). Therefore, changes to the executive proposal are anticipated.
------------------------	--

LFD COMMENT	The Montana Department of Transportation (MDT) budget differs from other state budgets and as a result, the main tables of this report (the Agency/Program Budget Comparison Tables) are less useful in providing an understanding of the budgetary changes. While the MDT budget does include normal agency budget attributes such as the support of over 2,100 FTE and fixed costs for rent and utilities, the primary costs are dedicated to the construction and maintenance of the state's capital assets in state transportation infrastructure. As in the case of most of the state's infrastructure programs, the MDT budget is primarily developed based on the anticipated program revenues, both state (from fuel taxes and gross vehicle weight fees) and federal (as provided in the federal surface and air transportation funding legislation). Consequently, growth in the MDT budget (or lack thereof) is primarily related to the amount of funds that are expected to be available.
------------------------	--

Agency Personal Services

Personal service costs are 21.6% of the total budget for MDT. The total personal services budget is increased 1.7% from the 2013 biennium. The primary reasons for the increased costs are requests for 18.00 new FTE at a cost of \$2.0 million for the biennium.

Other personal service attributes include:

- Difficulties with retention and recruitment for the entry level maintenance technician, civil engineering technician, and the mechanic/machinists positions
- High retirement turnovers of construction engineers
- Average hourly base for broadband employees of 89.2% of the market midpoint from the 2012 market survey

According to the Public Employee Retirement System, 840 FTE, or 40.0% of the workforce, were eligible for either early or regular retirement late in FY 2012. Under a more limited criteria (55 or older with 25 service years/60 or older regardless and vested/30 or more service years regardless of age), the agency has identified a total of 165 FTE eligible

for retirement, but have made no extraordinary provisions for retirement payouts. In past years, retirement payouts have averaged \$1.5 million/year and have not been a financing issue.

Agency Wide Decision Packages

The following proposals have common decision packages in several programs across the agency.

Overtime and Differential Pay

The decision packages in this group that fund overtime and differential pay are zero based expenditures. This means that any such expenditures are removed from the base year and all anticipated expenditures in the next biennium must be requested in decision packages.

Agency-Wide Request - Overtime and Differential Pay (corrected)								
Program	Decision Package	2012 Base Expenditures	FY 2014 Adjustment			FY 2015 Adjustment		
			State Special	Federal Special	Total Funds	State Special	Federal Special	Total Funds
General Operations	PL 0101	\$31,416	\$36,129		\$36,129	\$36,129		\$36,129
Construction	PL 0205	2,861,052	1,753,429	1,543,730	3,297,159	1,753,429	1,543,730	\$3,297,159
Maintenance	PL 0306	1,848,712	2,248,653		2,248,653	2,248,653		\$2,248,653
Motor Carrier Services	PL 2205	139,664	143,306	41,774	185,080	143,306	41,774	\$185,080
Aeronautics	None	48	0		0.00	0.00		0.00
Rail, Transit, & Planning	PL 5003	26,343	30,295		30,295	30,295		\$30,295
Total			<u>\$4,211,812</u>	<u>\$1,585,504</u>	<u>\$5,797,316</u>	<u>\$4,211,812</u>	<u>\$1,585,504</u>	<u>\$5,797,316</u>

Equipment Rental

The decision packages in this group reduce funding for user programs making payments to the Equipment Program, a non-budgeted proprietary funded program that acquires, maintains, and disposes of equipment items rented to various programs of the agency. For more information on the factors that impact the rates to the Equipment Program, refer to the "Proprietary Rates" section of that program. These changes are due primarily to plans for reduced equipment purchases and lower anticipated fuel costs.

Agency-Wide Request - Equipment Rental										
Program	Decision Package	Base	FY 2014 Adjustment			FY 2015 Adjustment			Total Funds Budget	
			State Special	Federal Special	Total Funds	State Special	Federal Special	Total Funds	FY 2014	FY 2015
General Operations	PL 0102	\$19,870	(\$460)		(\$460)	(\$297)		(\$297)	\$19,410	\$19,573
Construction	PL 0204	3,984,564	(48,986)	(40,764)	(89,750)	(31,636)	(26,326)	(57,962)	3,894,814	3,926,602
Maintenance	PL 0305	23,854,487	(551,125)		(551,125)	(355,924)		(355,924)	23,303,362	23,498,563
Motor Carrier Services	PL 2204	434,942	(6,441)	(3,625)	(10,066)	(4,160)	(2,341)	(6,501)	424,876	428,441
Rail, Transit, & Planning	PL 5004	217,768	(5,040)		(5,040)	(3,255)		(3,255)	212,728	214,513
Total		<u>\$28,511,631</u>	<u>(\$612,052)</u>	<u>(\$44,389)</u>	<u>(\$656,441)</u>	<u>(\$395,272)</u>	<u>(\$28,667)</u>	<u>(\$423,939)</u>	<u>\$27,855,190</u>	<u>\$28,087,692</u>

LFD COMMENT A discussion of the equipment rental rates is contained in the proprietary discussion for the Equipment Program. The agency will again request that the rates be structured based on a 60 day working capital balance. The legislature may want to act on this request for the Equipment Program before taking action on the various division budgets, as the adjustments correspond to the rates requested and any change in the Equipment Program rates would impact adjustments.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix. The state special funds expended by MDT are exempt from the requirements of the 5% plan, but the agency did provide a plan, which proposes reductions of \$627,217 from the State Funded Construction Program.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- o New
- o Emerging
- o Mature
- o Declining
- o Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- o Current plans to address obsolescence
- o Costs to replace the system
- o Costs of maintaining the current system
- o Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

Goals and objectives for the agency can be found in the appendix.

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$0	\$0	\$0	\$0	0.0%
State Special Total	485,406,082	-	42,965,452	528,371,534	35.6%
Federal Special Total	855,918,764	-	31,001,851	886,920,615	59.8%
Proprietary Total	-	68,176,949	-	68,176,949	4.6%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$1,341,324,846	\$68,176,949	\$73,967,303	\$1,483,469,098	
Percent - Total All Sources	90.4%	4.6%	5.0%		

The department is funded from a combination of state special revenue and federal special revenue. State special revenue can be grouped into two general categories: 1) those that are protected by the state constitution; and 2) those that are not. In the base and for the 2015 biennium all highway construction expenditures from state funds are accounted for in the highways state special revenue restricted account, which is used as the match for federal funding of the department.

Restricted revenues are from:

- Gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways

They can only be used for:

- Paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

A diversion of funds to other purposes can only be done through a 3/5th vote of the members of each chamber of the legislature.

Non-restricted revenues are derived from:

- Special use permits and motor fuel penalties and interest payments

They can be used for:

- Any purpose for which the legislature sees fit

Federal Aid Highway Funding

Federal aid for highway construction is primarily realized from the distribution of revenue derived from federal excise taxes on motor fuels and other transportation products, such as heavy truck tires. Montana has historically received significantly more federal-aid highway construction funds than are collected in federal motor fuels excise taxes from Montana sources. Montana receives more than \$2.20 of federal funding for highways for every \$1.00 collected in the state and sent to the federal highway trust fund.

The department receives federal-aid highway funding from the Federal Highway Administration (FHWA). In past years, federal funds were authorized in six-year funding bills, but the newest federal surface transportation legislation, the Moving Ahead for Progress in the 21st Century Act (MAP 21), provides funding for only two years, FFY 2013 and FFY 2014 (the federal fiscal year begins on October 1, while Montana's fiscal year begins on July 1). Consequently, MDT will plan to obligate federal funds only through the beginning of FY 2015. MDT assumes the level of federal funds available for appropriation in the 2015 biennium to be the same as in recent years.

LFD COMMENT

MAP 21 includes \$105 billion dollars of federal funding for FFY 2013 and 2014. Basically, MAP 21 continues formulaic distributions at the same level as available in the past and guarantees state funding at 95% of the rate of return (amount of fuel and motor vehicle taxes paid by states – as stated Montana receives more than 200% of taxes paid). The act consolidates certain programs and eliminates several discretionary highway and transit programs. Map 21 establishes performance-based planning requirements that align federal funding with key goals and tracks progress toward achievements that include:

- Safety
- Infrastructure condition
- Congestion reduction
- System reliability
- Freight movement and economic vitality
- Environmental sustainability
- Reduced project delivery delays

U.S. Department of Transportation is responsible for establishing performance measures related to the goals in consultation with the states and stakeholders through rulemaking within 18 months. States are required to establish performance targets in coordination with stakeholders for the measures (including rural transit-related measures) within one year after the final rule establishing the performance measures. The department has requested 2.00 FTE in the Rail, Transit, and Planning Division in response to this requirement.

**LFD
COMMENT CONT.**

MAP 21 outlines the conditions of the federal sliding scale match. The act provides that the state match will remain the same in FFY 2013 and 2014, and the department based the budget on a match ratio of 86.6:13.4 (federal to state dollars) for the 2015 biennium for those projects that qualify for federal funding. With the performance measures required in MAP 21, the agency has requested funding for expanded activities in the Rail, Transit, and Planning Division.

**LFD
COMMENT**

MAP 21 is a significant piece of legislation, and the federal funding levels provided through the bill are estimates developed in consideration of available information. As the 2013 legislative session proceeds, there is the potential for additional information that could change the amount of federal funds available for expenditures in the 2015 biennium. A further analysis, including the adequacy of state matching sources, will be done at that time.

Sliding Scale Match

Montana currently receives federal highway construction funds based on a sliding scale match formula that includes factors for the amount of federal land in the state and the amount of financial contribution the state makes to maintain the federal-aid highway system with state dollars. The current match ratio is 86.6% federal to 13.4% state for reimbursable federal-aid projects.

In order to utilize all of the federal funds allotted to the state, state funds must be available to provide: 1) planning functions required in the federal funding law; 2) maintenance of the federal-aid highway system to FHWA standards; 3) adequate management and oversight of federal-aid construction projects; 4) a minimum construction program supported by 100% state funds; 5) matching funds for federal-aid construction funds, estimated at \$10 million per year; and 6) adequate working capital to pay operating expenses with 100% state funds until federal reimbursement is provided. These factors all contribute to the need to maintain a certain working capital level to support cash flow obligations of the department.

Highways State Special Revenue Account Working Capital Analysis

The following figure provides working capital balance for the restricted (HSRA-R) and nonrestricted (HSRA-NR) accounts.

Estimated Working Capital Balance			
Highways Special Revenue Accounts (02422 and 02349)			
Fiscal Years 2013 - 2015			
	FY 2013	FY 2014	FY 2015
<u>Combined Account (\$ in Millions)</u>			
Beginning Balance	\$68.4	\$28.3	\$22.9
Revenues	297.7	297.7	300.9
Expenditures	<u>(337.8)</u>	<u>(303.0)</u>	<u>(292.3)</u>
Revenues less Expenditures	(40.1)	(5.3)	8.6
Adjustments	0.0	0.0	0.0
Anticipated Reversions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Balance	<u>\$28.3</u>	<u>\$22.9</u>	<u>\$31.6</u>
<u>Restricted Account - 02422 (\$ Millions)</u>			
Beginning Working Capital Balance	\$68.3	\$25.5	\$20.3
Revenues ¹			
Gasoline Tax	131.2	131.7	132.2
Diesel Tax	73.3	75.3	77.3
Gross Vehicle Weight Fees (GVW)	25.1	25.5	26.0
Federal Indirect Cost Recovery ²	50.7	47.5	47.4
Other Revenues ³	<u>8.1</u>	<u>8.1</u>	<u>8.1</u>
Total Revenues	288.4	288.1	291.0
Expenditures ⁵			
Montana Department of Transportation (MDT)			
MDT Statutory Appropriations	(16.8)	(17.4)	(17.4)
MDT - HB 2	(274.9)	(229.2)	(229.4)
Non-Budgeted	<u>(1.1)</u>	<u>0.0</u>	<u>0.0</u>
Total MDT	(292.8)	(246.5)	(246.7)
Other Highway Special Revenue Appropriations			
Department of Justice (DOJ)	(32.3)	(36.0)	(36.0)
MDT Long-Range Information Technology Projects ⁶	0.0	(2.0)	0.0
Fish, Wildlife, & Parks Long-Range Building Projects ⁷	(2.0)	(1.5)	0.0
MDT Long-Range Building Projects ⁷	<u>(4.1)</u>	<u>(7.3)</u>	<u>0.0</u>
Total Expenditures	(331.1)	(293.3)	(282.8)
Revenues Less Expenditures	(42.7)	(5.2)	8.2
Adjustments	0.0	0.0	0.0
Anticipated Reversions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Working Capital Balance	<u>\$25.5</u>	<u>\$20.3</u>	<u>\$28.6</u>
<u>Nonrestricted Account - 02349 (\$ in Millions)</u>			
Beginning Working Capital Balance	\$0.1	\$2.7	\$2.6
Revenues			
GVW ¹	8.9	9.2	9.5
Other ³	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Total Revenues	9.3	9.6	9.9
Expenditures			
MDT (HB 2)	(6.3)	(9.3)	(9.0)
DOJ (HB 2)	(0.3)	(0.3)	(0.3)
Statutory Transfer to Noxious Weed SS Revenue	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>
Total Expenditures	(6.7)	(9.7)	(9.5)
Revenues Less Expenditures	2.6	(0.1)	0.4
Adjustments	0.0	0.0	0.0
Anticipated Reversions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Ending Working Capital Balance	<u>\$2.7</u>	<u>\$2.6</u>	<u>\$3.0</u>
<u>Revenue Assumptions</u>			
¹ LFD estimates			
² Total federal funds times indirect cost rate of 11.08%			
³ Equal to base year revenue			
<u>Expenditure Assumptions</u>			
⁵ Proposed HB 2			
⁶ Proposed HB 10			
⁷ Proposed HB 5			

Constitutional Restricted Account (HSRA-R)

HSRA-R currently funds the operations of five programs of the DOT that administer, enforce, and support the construction, maintenance, and safe operations of Montana highways. HSRA-R also funds Long-range Building Program projects for DOT facilities and those of the Department of Fish, Wildlife and Parks (FWP) for park roadway activities, and for programs of the Department of Justice (DOJ) that support highway or motor vehicle activities. Programs of DOJ that are partially funded with HSRA-R are: 1) Legal Services Division; 2) Motor Vehicle Division; 3) Montana Highway Patrol; 4) Central Services Division; and 5) Information Technology Services Division. HSRA-R also funds statutory appropriations.

As shown in the figure above, HSRA-R entered FY 2013 with a positive balance of nearly \$68.3 million. If all valid appropriations are expended, HSRA-R will begin the 2015 biennium with a \$25.5 million balance. The balance is expected to grow to \$28.6 million by the end of the 2015 biennium. The analysis does not consider the 2015 biennium pay plan increases that would increase personal services funding from HSRA-R. Estimates for the proposed pay plan increase will be available prior to subcommittee hearings.

Non-restricted Account (HSRA-NR)

HSRA-NR currently funds the operations of four programs of the DOT. HSRA-NR also funds one program in the Department of Justice. As shown in the figure above, HSRA-NR entered FY 2013 with a balance of \$0.1 million. If all valid appropriations are expended, HSRA-NR will begin the 2015 biennium with a \$2.7 million balance. The balance is estimated to be \$3.0 million by the end of the 2015 biennium. The complete capital balance fund analysis of the HSRA-NR may be viewed in the appendix.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	642,797,640	642,797,640	1,285,595,280	95.85%
Statewide PL Adjustments	0	0	0	0.00%	2,938,864	2,901,525	5,840,389	0.44%
Other PL Adjustments	0	0	0	0.00%	24,086,963	23,573,784	47,660,747	3.55%
New Proposals	0	0	0	0.00%	1,388,596	839,834	2,228,430	0.17%
Total Budget	\$0	\$0	\$0		\$671,212,063	\$670,112,783	\$1,341,324,846	

Language and Statutory Authority

The Governor proposes the following language for inclusion in HB 2.

"The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program."

"All appropriations in the department are biennial."

"All remaining federal pass-through grant appropriations for highway traffic safety, including reversions for the 2013 biennium, are authorized to continue and are appropriated in FY 2014 and FY 2015."

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	186.37	186.37	186.37	186.37	186.37	186.37	0.00	0.00%
Personal Services	11,598,457	15,030,406	13,435,427	13,443,040	26,628,863	26,878,467	249,604	0.94%
Operating Expenses	11,820,138	11,643,503	12,639,959	12,398,205	23,463,641	25,038,164	1,574,523	6.71%
Equipment & Intangible Assets	5,287	63,253	5,287	5,287	68,540	10,574	(57,966)	(84.57%)
Grants	360,666	428,064	360,666	360,666	788,730	721,332	(67,398)	(8.55%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	151,412	151,414	151,412	151,412	302,826	302,824	(2)	0.00%
Total Costs	\$23,935,960	\$27,316,640	\$26,592,751	\$26,358,610	\$51,252,600	\$52,951,361	\$1,698,761	3.31%
State Special	22,477,591	25,148,228	25,452,097	25,217,586	47,625,819	50,669,683	3,043,864	6.39%
Federal Special	1,458,369	2,168,412	1,140,654	1,141,024	3,626,781	2,281,678	(1,345,103)	(37.09%)
Total Funds	\$23,935,960	\$27,316,640	\$26,592,751	\$26,358,610	\$51,252,600	\$52,951,361	\$1,698,761	3.31%

The General Operations Program provides overall policy direction and management to the agency, administers motor fuel taxes, and provides administrative support services for the department, including general administration and management, accounting and budgeting, public affairs, information technology services, human resources activities, compliance review, and goods and services procurement.

Program Highlights

General Operations Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Total funds would increase by \$1.7 million, or 3.3% in the 2015 biennium compared to the 2013 biennium ◆ Fixed cost adjustments would be responsible for over half of the 6.7% increase in operating expenses ◆ Federal special funds would be reduced by \$1.3 million or 37.1% from the 2013 biennium due to a decentralization of federal training grants and reduced funding of grant awards 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Significant vacancies in the program would require \$4.7 million in personal services present law adjustments 	

Program Discussion

There are several reasons why federal funding in this program would be reduced from the 2013 biennium. First, in past biennia federal training grant expenditures were centralized in the program, and those funds would now be appropriated to the benefiting programs. Next, the funding from the federal government for two grant programs was less than anticipated by the 2011 Legislature. The affected grants programs include On the Job Training and Disadvantaged Business Enterprises Grants.

**LFD
ISSUE**

Under-Utilization of Personal Services

The General Operations program is budgeted for 186.37 FTE, but in the base year the program significantly under-utilized the personal services budget, resulting in a \$4.7 million present law adjustment for personal services as seen in the figure above. In FY 2012, the personal services use rate for the department was 85.8% of budgeted FTE hours. The program had 22.50 FTE positions that showed use rates of less than 25%, which provides a vacancy savings in the program of approximately 12.0%. Additionally, in the middle of FY 2012, the program reported 27.05 vacant FTE positions. The legislature may wish to discuss vacancies in the General Operations Program with the agency and how those vacancies are impacting the program work to determine if funding for the positions should be continued.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - General Operations Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$50,669,683	\$0	\$41,557,452	\$92,227,135	97.6%	18-11-112	Pass Thru
02301 Tribal Motor Fuels Admin.	\$0	\$0	\$82,610	\$82,610	0.1%	18-11-112	Pass Thru
02303 Tribal Motor Fuels Tax Acct	\$0	\$0	\$8,142,842	\$8,142,842	8.6%	15-70-101	Pass Thru
02422 Highways Special Revenue	\$50,669,683	\$0	\$33,332,000	\$84,001,683	88.9%		
Federal Special Total	\$2,281,678	\$0	\$0	\$2,281,678	2.4%		
03407 Highway Trust - Sp Rev	\$2,281,678	\$0	\$0	\$2,281,678	2.4%		
Total All Funds	\$52,951,361	\$0	\$41,557,452	\$94,508,813	100.0%		
Percent - Total All Sources	56.0%	0.0%	44.0%				

The General Operations Program is funded from the highways state special revenue fund and federal special revenue. The highways state special revenue fund receives revenue primarily from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, training, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

The General Operations Program is also responsible for \$41.6 million of pass through statutory appropriations from the HSRA-R fund. The figure above includes the statutory reference for each of the appropriations. A total of \$8.2 million is expected to be distributed to tribal entities as a revenue sharing agreement for fuels sold on tribal lands. Another estimated \$33.2 million is anticipated to be distributed to cities, towns, counties, and consolidated city-county governments.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	23,935,960	23,935,960	47,871,920	90.41%
Statewide PL Adjustments	0	0	0	0.00%	2,395,512	2,126,808	4,522,320	8.54%
Other PL Adjustments	0	0	0	0.00%	110,169	144,732	254,901	0.48%
New Proposals	0	0	0	0.00%	151,110	151,110	302,220	0.57%
Total Budget	\$0	\$0	\$0		\$26,592,751	\$26,358,610	\$52,951,361	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,359,015					2,366,938
Vacancy Savings					(558,174)					(558,484)
Inflation/Deflation					3,082					6,819
Fixed Costs					591,589					311,535
Total Statewide Present Law Adjustments		\$0	\$2,713,227	(\$317,715)	\$2,395,512		\$0	\$2,444,153	(\$317,345)	\$2,126,808
DP 101 - Overtime/Differential	0.00	0	36,129	0	36,129	0.00	0	36,129	0	36,129
DP 102 - Equipment Rental	0.00	0	(460)	0	(460)	0.00	0	(297)	0	(297)
DP 107 - Credit Card Fees	0.00	0	62,000	0	62,000	0.00	0	96,000	0	96,000
DP 108 - Contract Increases	0.00	0	12,500	0	12,500	0.00	0	12,900	0	12,900
Total Other Present Law Adjustments	0.00	\$0	\$110,169	\$0	\$110,169	0.00	\$0	\$144,732	\$0	\$144,732
Grand Total All Present Law Adjustments	0.00	\$0	\$2,823,396	(\$317,715)	\$2,505,681	0.00	\$0	\$2,588,885	(\$317,345)	\$2,271,540

DP 101 - Overtime/Differential – The executive requests an increase in personal services costs to reestablish base year overtime and differential pay with associated benefits. Overtime is removed from the base and all anticipated expenditures must be requested in a decision package.

DP 102 - Equipment Rental – The executive requests a reduction of operational expenses for equipment usage and associated rate changes from MDT's Equipment Program. For more information, refer to the LFD Comments in the Agency Summary, Agency-Wide Decision Packages section of this report.

DP 107 - Credit Card Fees – An increase to credit card fees due to escalating volume of credit card transactions is requested.

DP 108 - Contract Increases – The executive includes an increase for the built-in maintenance increases associated with the Xerox contract and TEAMMATE software contract.

New Proposals

New Proposals										
Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 106 - Small Business Enterprise										
01	0.00	0	92,248	0	92,248	0.00	0	92,248	0	92,248
DP 6101 - Professional Development Center Training Fee Alloc										
01	0.00	0	58,862	0	58,862	0.00	0	58,862	0	58,862
Total	0.00	\$0	\$151,110	\$0	\$151,110	0.00	\$0	\$151,110	\$0	\$151,110

DP 106 - Small Business Enterprise – The executive requests additional funding in response to a federal directive that gives guidance to the Disadvantaged Business Enterprise, Small Business Element supportive services program.

DP 6101 - Professional Development Center Training Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	923.72	923.72	923.72	923.72	923.72	923.72	0.00	0.00%
Personal Services	63,336,896	68,400,681	66,827,805	66,919,871	131,737,577	133,747,676	2,010,099	1.53%
Operating Expenses	366,040,300	394,653,099	366,066,739	366,162,770	760,693,399	732,229,509	(28,463,890)	(3.74%)
Equipment & Intangible Assets	4,678,597	2,233,088	4,678,597	4,678,597	6,911,685	9,357,194	2,445,509	35.38%
Capital Outlay	8,467,785	30,450,603	19,753,263	19,654,263	38,918,388	39,407,526	489,138	1.26%
Grants	13,058,612	6,909,952	13,058,612	13,058,612	19,968,564	26,117,224	6,148,660	30.79%
Benefits & Claims	500	0	500	500	500	1,000	500	100.00%
Total Costs	\$455,582,690	\$502,647,423	\$470,385,516	\$470,474,613	\$958,230,113	\$940,860,129	(\$17,369,984)	(1.81%)
State Special	75,004,645	83,568,478	79,700,873	79,820,096	158,573,123	159,520,969	947,846	0.60%
Federal Special	380,578,045	419,078,945	390,684,643	390,654,517	799,656,990	781,339,160	(18,317,830)	(2.29%)
Total Funds	\$455,582,690	\$502,647,423	\$470,385,516	\$470,474,613	\$958,230,113	\$940,860,129	(\$17,369,984)	(1.81%)

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

Program Highlights

Construction Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The budget request for this program in the 2015 biennium would reduce total appropriations by 1.8% from the 2013 biennium ◆ Total reductions from operating expenses are primarily related to completion of ARRA and 2013 biennium state funded program work ◆ Although the budget would be reduced from the appropriations of the 2013 biennium, it provides a 3.2% growth from the base ◆ The budget request includes a present law, combined state and federal special revenue funded adjustment of \$22.5 million for right-of-way land acquisition

Program Discussion

The executive budget request for the Construction Program would reduce the program by \$17.4 million, or 1.8%. Lower planned operation expenditures result from reduced contractor payments as MDT winds down the work resulting from the federal government’s 2009 American Relief and Recovery Act (ARRA) and the enhanced state funded construction program provided by the 2011 Legislature. While the budget request is reduced from the 2013 biennium, the request is an increase from the base expenditures of approximately 3.2% in both years of the biennium. Further adjustments are based on planned construction activities approved in the 2011 tentative construction plan (TCP), and include \$22.5 million in appropriations for right-of-way acquisition.

The department uses several management systems to estimate resource usage and payout schedules on highway construction projects. Each year after receiving updated federal-aid highway construction apportionment levels from the Federal Highways Administration, the department updates and balances the projects and funding in the TCP. The TCP indicates when the various highway construction projects will be let and the type of work to be completed. This construction contract information is used in the Project Cost Scheduling (PCS) system, one of many computerized management systems of the department, to estimate when and at what amounts actual contractor payments will be made. The estimates from these management systems form the basis for the contractor payments budget requests in both the federal-aid and 100% state funded construction programs. The management system estimates also form the basis for determining staff resources needed to support the planned construction contracts and activities for the biennium.

The last updated and balanced TCP was prepared at the end of 2011 and was used to develop the budget requests of the executive. At the time of this writing, the department was in the process, but had not completed, the 2012 update to the TCP for updated federal FY 2011 apportionment estimates.

LFD COMMENT	The Highway Construction budget request for the Construction Program was based on the 2011 TCP update. In keeping with past practice, the budget request could be revised and resubmitted by the executive prior to being heard by the Natural Resources and Transportation Joint Appropriation Subcommittee of the 2013 Legislature. The revised request will be based on the 2012 TCP update.
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Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - Construction Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$159,520,969	\$0	\$200,000	\$159,720,969	16.4%		
02422 Highways Special Revenue	\$159,520,969	\$0	\$200,000	\$159,720,969	16.4%	15-70-101	Pass Thru
Federal Special Total	\$781,339,160	\$0	\$31,001,851	\$812,341,011	83.6%	17-7-502	Direct
03407 Highway Trust - Sp Rev	\$781,339,160	\$0	\$31,001,851	\$812,341,011	83.6%		
Total All Funds	\$940,860,129	\$0	\$31,201,851	\$972,061,980	100.0%		
Percent - Total All Sources	96.8%	0.0%	3.2%				

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 86.6% federal with a 13.4% state match for most direct construction related costs. The program also provides a maintenance-of-effort highway construction program funded entirely with highways state special revenue. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees.

The Construction Program is also responsible for \$31.2 million of statutory appropriations. The figure above includes the statutory reference for each of the appropriations. \$200,000 from HSRA-R will be distributed for the purposes and functions of the Montana local technical assistance transportation program in Bozeman. Another \$31.0 million will be distributed for the debt service associated with the work on Hwy 93 from the federal Highway Trust special revenue fund.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	455,582,690	455,582,690	911,165,380	96.84%
Statewide PL Adjustments	0	0	0	0.00%	170,093	268,402	438,495	0.05%
Other PL Adjustments	0	0	0	0.00%	14,632,733	14,623,521	29,256,254	3.11%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$470,385,516	\$470,474,613	\$940,860,129	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,840,877					2,936,776
Vacancy Savings					(2,647,127)					(2,650,960)
Inflation/Deflation					(9,454)					(4,060)
Fixed Costs					(14,203)					(13,354)
Total Statewide Present Law Adjustments		\$0	\$1,539,438	(\$1,369,345)	\$170,093		\$0	\$1,594,825	(\$1,326,423)	\$268,402
DP 204 - Equipment Rental	0.00	0	(48,986)	(40,764)	(89,750)	0.00	0	(31,636)	(26,326)	(57,962)
DP 205 - OT/Differential	0.00	0	1,753,429	1,543,730	3,297,159	0.00	0	1,753,429	1,543,730	3,297,159
DP 206 - Licensing Fees	0.00	0	139,846	0	139,846	0.00	0	197,846	0	197,846
DP 208 - Right of Way Land Acquisition	0.00	0	1,312,501	9,972,977	11,285,478	0.00	0	1,300,987	9,885,491	11,186,478
Total Other Present Law Adjustments	0.00	\$0	\$3,156,790	\$11,475,943	\$14,632,733	0.00	\$0	\$3,220,626	\$11,402,895	\$14,623,521
Grand Total All Present Law Adjustments	0.00	\$0	\$4,696,228	\$10,106,598	\$14,802,826	0.00	\$0	\$4,815,451	\$10,076,472	\$14,891,923

DP 204 - Equipment Rental – The executive requests a reduction of operational expenses for equipment usage and associated rate changes from MDT's Equipment Program. For more information, refer to the LFD Comments in the Agency Summary, Agency-Wide Decision Packages section of this report. This request would impact a combination of state special and federal special revenues.

DP 205 - OT/Differential – The executive requests an increase in personal services to reestablish base year overtime and differential pay with associated benefits. This request would be funded with a combination of state special and federal special revenues. These costs are removed from the base and must be requested in full in a decision package.

DP 206 - Licensing Fees – The executive requests an increase in state and federal special revenue authority for the increased costs of third party software licensing fees.

DP 208 - Right of Way Land Acquisition – The executive requests restoration of the core federal aid program. The adjustment is requested to provide sufficient funding for right of way acquisitions expected for the 2015 biennium project schedule.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	765.67	765.67	770.67	770.67	765.67	770.67	5.00	0.65%
Personal Services	45,878,465	50,557,523	48,356,025	48,399,447	96,435,988	96,755,472	319,484	0.33%
Operating Expenses	79,068,886	98,776,819	79,117,159	79,405,923	177,845,705	158,523,082	(19,322,623)	(10.86%)
Equipment & Intangible Assets	423,744	1,622,412	438,744	423,744	2,046,156	862,488	(1,183,668)	(57.85%)
Capital Outlay	1,500	312,800	1,500	1,500	314,300	3,000	(311,300)	(99.05%)
Benefits & Claims	250	0	250	250	250	500	250	100.00%
Total Costs	\$125,372,845	\$151,269,554	\$127,913,678	\$128,230,864	\$276,642,399	\$256,144,542	(\$20,497,857)	(7.41%)
State Special	114,651,967	143,194,400	120,245,389	120,562,566	257,846,367	240,807,955	(17,038,412)	(6.61%)
Federal Special	10,720,878	8,075,154	7,668,289	7,668,298	18,796,032	15,336,587	(3,459,445)	(18.41%)
Total Funds	\$125,372,845	\$151,269,554	\$127,913,678	\$128,230,864	\$276,642,399	\$256,144,542	(\$20,497,857)	(7.41%)

Program Description

The Maintenance program is responsible for the repair, maintenance and preservation of approximately 25,000 lane miles of roadways. Activities include but are not limited to: winter maintenance, reactive and preventive pavement preservation, pavement marking, signing, roadway striping, noxious weed control, traveler information, disaster and emergency services coordination, MDT’s long range building program and state funded construction program, communications program, quality control, and any other necessary roadway and roadside repairs and maintenance. The Maintenance program is authorized by 2-15-2501(1), MCA; Title 60, MCA, and 23 USC 116.

Program Highlights

Maintenance Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ Total funds would decline by \$20.5 million, or 7.4% in the 2015 biennium compared to the 2013 biennium but is an increase from the base year ◆ Personal services would increase by 0.3% <ul style="list-style-type: none"> • 5.0 new FTE are requested in this program • The new FTE would be funded with \$757,209 of state special revenue (HSRA-R)

Program Discussion

Including present law adjustments and new proposals, the Maintenance Program budget request is reduced in comparison with the 2013 biennium. However, the 2015 biennium budget would represent an increase over the base year, FY 2012. The growth in total costs from FY 2012 is 2.8% in FY 2014 and 3.1% in FY 2015. The proposed budget for the Maintenance Program includes budget increases for new maintenance concerns for both primary and secondary roads, as seen in the present law adjustments figure below. The program would also include the addition of 5.00 FTE to manage the increased workload.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - Maintenance Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$240,807,955	\$0	\$1,208,000	\$242,015,955	94.0%		
02349 Highway Non-restricted Account	\$15,799,606	\$0	\$0	\$15,799,606	6.1%		
02422 Highways Special Revenue	\$225,008,349	\$0	\$1,208,000	\$226,216,349	87.9%	17-7-502	Direct
Federal Special Total	\$15,336,587	\$0	\$0	\$15,336,587	6.0%		
03407 Highway Trust - Sp Rev	\$15,336,587	\$0	\$0	\$15,336,587	6.0%		
Total All Funds	\$256,144,542	\$0	\$1,208,000	\$257,352,542	100.0%		
Percent - Total All Sources	99.5%	0.0%	0.5%				

The Maintenance Program is primarily funded with the state special revenue from highways state special revenue funds. The funding proposal includes state special support from both the non-restricted account and the constitutionally restricted account. Federal special revenue also funds qualifying highway maintenance activities determined by the Federal Highway Administration to extend the life of the highway.

The maintenance program is also responsible for \$1.2 million of statutory authority for debt service payments related to U.S. Highway 93 bonds.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	125,372,845	125,372,845	250,745,690	97.89%
Statewide PL Adjustments	0	0	0	0.00%	(65,674)	51,472	(14,202)	(0.01%)
Other PL Adjustments	0	0	0	0.00%	2,606,507	2,806,547	5,413,054	2.11%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$127,913,678	\$128,230,864	\$256,144,542	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,878,805					1,924,457
Vacancy Savings					(1,910,313)					(1,912,198)
Inflation/Deflation					(34,166)					39,213
Total Statewide Present Law Adjustments		\$0	\$2,986,915	(\$3,052,589)	(\$65,674)		\$0	\$3,104,052	(\$3,052,580)	\$51,472
DP 301 - Secondary Roads Maintenance	0.00	0	188,864	0	188,864	0.00	0	204,256	0	204,256
DP 303 - Expanded Transportation Infrastructure	5.00	0	384,023	0	384,023	5.00	0	373,186	0	373,186
DP 305 - Equipment Rental	0.00	0	(551,125)	0	(551,125)	0.00	0	(355,924)	0	(355,924)
DP 306 - OT/Differential	0.00	0	2,248,653	0	2,248,653	0.00	0	2,248,653	0	2,248,653
DP 307 - Maintenance Contracts	0.00	0	34,368	0	34,368	0.00	0	34,652	0	34,652
DP 308 - Noxious Weeds	0.00	0	215,724	0	215,724	0.00	0	215,724	0	215,724
DP 310 - Rest Area Maintenance	0.00	0	86,000	0	86,000	0.00	0	86,000	0	86,000
Total Other Present Law Adjustments	5.00	\$0	\$2,606,507	\$0	\$2,606,507	5.00	\$0	\$2,806,547	\$0	\$2,806,547
Grand Total All Present Law Adjustments	5.00	\$0	\$5,593,422	(\$3,052,589)	\$2,540,833	5.00	\$0	\$5,910,599	(\$3,052,580)	\$2,858,019

DP 301 - Secondary Roads Maintenance - The executive requests funding for the maintenance of an additional 49.1 secondary road lane miles in the 2015 biennium in addition to the 6,064 miles currently maintained. The additional miles are shown in the table below.

Additional State Secondary Miles Request - DP 301				
Secondary Road	Section	Additional Miles to Maintain		
		2014	2015	2015 Biennium
2KM N of Jct MT 200-N	RP 1.3 to 8.1	6.8		6.8
11KM N of Libby-N	RP 7.0 to 12.0	5.0		5.0
Jct MT 43 - North	RP 18.5 to 22.0	3.5		3.5
Moose Cr - N&S	RP 15.0 to 18.7	0.0	3.7	3.7
JCT S-284-W	RP 5.0 to 9.2	4.2		4.2
JCT US 2 North	RP 0.0 to 10.8	10.8		10.8
W of Richey - West	RP 44.2 to 55.4	11.2		11.2
4KM North of Ryegate North	RP 60.7 to 63.2	<u>3.9</u>		<u>3.9</u>
Total additional lane miles		<u>45.4</u>	<u>3.7</u>	<u>49.1</u>

This request would be funded entirely with state special revenues from the HSRA-R fund.

DP 303 - Expanded Transportation Infrastructure – The executive requests an increase in 5.00 FTE and increased appropriation authority from state special revenue (HSRA-R) for additional road maintenance responsibility due to the increase in lane miles and infrastructure from highway construction projects. This request addresses additional operational costs associated with winter maintenance operations and normal maintenance activities including surface, shoulders, and roadside maintenance.

DP 305 - Equipment Rental - The executive requests a reduction of operational expenses from state special revenue funding (HSRA-R) for equipment usage and associated rate changes from MDT's Equipment Program. For more information, refer to the LFD Comments in the Agency Summary, Agency-Wide Decision Packages, section of this report.

DP 306 - OT/Differential - The executive requests an increase in personal services costs from state special revenue (HSRA-R) to reestablish base year overtime and differential pay with associated benefits. All expenses in FY 2012 for this purpose are removed from the base and must be requested in the 2015 biennium in a DP.

DP 307 - Maintenance Contracts – The executive requests an increase of state special revenue (HSRA-R) for contract maintenance costs for the City of Missoula and Lincoln County.

DP 308 - Noxious Weeds – The executive requests an adjustment of base expenditures to the original FY 2012 budget.

DP 310 - Rest Area Maintenance – The executive requests increased state special revenue (HSRA-R) appropriation authority for supplies and maintenance at the new rest area in Conrad.

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components:

- Daily rental fleet
- Out-stationed lease fleet

The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide. The Department of Transportation's Motor Pool responsibilities are established in 2-17-411, MCA. Highlights

Program Narrative

The Motor Pool is responsible for the acquisition, operations, maintenance, repair, and administration of all motor vehicles in the custody of the Motor Pool (this does not apply to motor vehicles used in the service of the Governor, attorney general, or the highway patrol). Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual (MOM). In the 2015 biennium, the program does not expect any major changes to the customer base. The State Motor Pool has received requests from state agencies to purchase 55 additional vehicles for lease during the 2015 biennium.

LFD COMMENT

Statute requires that agencies providing enterprise/internal service functions must provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund. This information may be seen in the appendix of this report.

State Motor Pool Revenues and Expenditures - 06506								
	Actual FY2012	Budgeted FY2013	Projected FY2014	Projected FY2015	2013 Bien	2015 Bien	Biennial Change	% Change
Operating Revenues:								
Service Reimbursements	\$4,899,277	\$5,599,508	\$5,170,680	\$5,280,639	\$10,498,785	\$10,451,319	(47,466)	-0.5%
Other Operating Revenues	<u>7,195</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$7,195</u>	<u>\$0</u>	<u>(7,195)</u>	-100.0%
Total Operating Revenue	\$4,906,472	\$5,599,508	\$5,170,680	\$5,280,639	\$10,505,980	\$10,451,319	(54,661)	-0.5%
Operating Expenses:								
Personal Services	\$347,704	\$350,095	\$343,630	\$343,501	\$697,799	\$687,131	(10,668)	-1.5%
Other Operating Expenses	<u>4,454,971</u>	<u>5,290,308</u>	<u>5,089,478</u>	<u>5,199,566</u>	<u>\$9,745,279</u>	<u>\$10,289,044</u>	<u>543,765</u>	5.6%
Total Operating Expenses	\$4,802,675	\$5,640,403	\$5,433,108	\$5,543,067	\$10,443,078	\$10,976,175	533,097	5.1%
Operating Income (Loss)	<u>\$103,797</u>	<u>(\$40,895)</u>	<u>(\$262,428)</u>	<u>(\$262,428)</u>	<u>\$62,902</u>	<u>(\$524,856)</u>		

Expenses

Significant biennial costs for the program are:

- Personal services for 6.00 FTE of \$687,131 or 6.3% of total costs
- Operating costs of \$5.5 million, including:
 - Gasoline, \$3.3 million
 - Repair and maintenance costs, \$364,606
 - Contracted services to support the motor pool management system, \$396,190
 - Insurance and bonds, \$194,532
- Equipment costs of \$5.5 million
- Debt service costs of \$193,583

Direct costs from vehicle usage include fuel, oil, repairs, and tires, and are supported by the usage rates. Indirect costs such as administrative overhead costs, insurance, interest payments, and utility costs are supported by the vehicle possession rates.

Changes in the 2015 biennium the State Motor Pool Program budget include:

- Personal services - projected to decline by \$10,668 or 1.5%
- Operating costs – projected to increase by \$543,765 or 5.6%

- o Total expenses – projected to increase by 533,097 or 5.1%

Revenues

Revenue is primarily generated through vehicle rental fees, which provided 97% of the program revenue in the base year. The following sources of funding were used to pay for the services provided by this program in FY 2012:

- o General fund (53.0%)
- o State special revenue (26.6%)
- o Federal special revenue (18.3%)
- o University funds (0.6%)
- o Other (10.4%)

The program also receives revenues resulting from the sale of surplus property and accident damages reimbursed by private individuals or insurance companies. Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. The proposed rate structure would reduce operating revenue by 0.5% in the 2015 biennium, as shown in the figure above.

Significant Present Law Adjustments

This section includes budget changes in the form of present law adjustments. This information is provided to help the legislature understand significant changes to the program, and there is no legislative action required for the passage of these adjustments. However, they are included in the proposed rates.

Present Law Adjustments		FTE	FY 2014	FY 2015
Fund: 06506 only				
DP 707	Increased Loan Interest	0	\$21,000	\$40,459
DP 701	Overtime & differential pay & benefits	0	165	165
DP 706	New Vehicles	<u>0</u>	<u>1,175,518</u>	<u>330,775</u>
	Total	<u>0</u>	<u>\$1,196,683</u>	<u>\$371,399</u>

DP 707 Inter-cap Loans- The executive requests an increase for interest payments on inter-cap loans related to the purchase of new vehicles. The Motor Pool would borrow from the Board of Investments’ inter-cap loan program to fund the purchases, which in turn increase the interest payments. The impact from this decision package is an increase to the motor pool assigned rate of 0.70% In FY 2014 and 1.32% in FY 2015.

DP 701 Overtime and Differential Pay - The executive requests an increase in personal services costs to reestablish base year overtime and differential pay with associated benefits. All expenses in FY 2012 for this purpose are removed from the base and must be requested in the 2015 biennium in a DP. This proposal would increase the motor pool assigned rate by 0.005% each year.

DP 706 Requests for additional Vehicles- The executive requests an increase of state special revenue funding to purchase new replacement vehicles as determined in the FY 2012 Motor Pool state agency survey. With this request, the State Motor Pool would maintain budget for replacement vehicles at \$2.2 million. There is no impact to the rates from this decision package because replacement costs are not allowed to be calculated in the rates.

Proprietary Rates

The State Motor Pool rental rates are based on a dual rate structure. Users pay a usage rate and an assigned rate.

- o The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repairs, parts, fuel, lubricants, and tires. The proposed usage rate would be an increase of approximately 30% from FY 2013
- o The assigned rate is charged for hours the vehicle was used and allows the program to cover fixed costs associated with state ownership, such as insurance, interest payments on loans from the Board of Investments,

depreciation, and utilities. The assigned rate proposal would reduce fees by an average 14.9% in FY 2014 and 12.5% FY 2015, when compared to the FY 2013 assigned rates.

The proposed rates, as seen in the figure below, are the maximum the program may charge during the biennium.

State Motor Pool Base and 2015 Biennium Requested Rates							
Class	Description	FY 2012 (Actual)		FY 2014		FY 2015	
		Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)	Assigned (per hour)	Usage (per mile)
		<u>Tier 1 \$2.85/gal</u>		<u>Tier 1 \$3.50/gal</u>		<u>Tier 1 \$3.50/gal</u>	
2	Small Utilities	1.265	0.155	0.990	0.203	1.090	0.204
3	Hybrid SUV	1.685	0.101	1.872	0.186	1.890	0.186
4	Large Utilities	1.990	0.205	1.655	0.280	1.700	0.281
5	Hybrid Sedans	1.477	0.072	1.522	0.112	1.547	0.113
6	Passenger Cars	1.278	0.134	0.999	0.159	1.025	0.159
7	Small Pickup	1.343	0.200	0.686	0.231	0.703	0.232
11	Large Pickup	1.352	0.222	0.963	0.262	0.947	0.261
12	Vans	1.283	0.183	1.203	0.226	1.272	0.227
		<u>Tier 2 \$3.35/gal</u>		<u>Tier 2 \$4.00/gal</u>		<u>Tier 2 \$4.00/gal</u>	
2	Small Utilities	1.265	0.178	0.990	0.229	1.090	0.230
3	Hybrid SUV	1.685	0.116	1.872	0.208	1.890	0.209
4	Large Utilities	1.990	0.237	1.655	0.317	1.700	0.318
5	Hybrid Sedans	1.477	0.083	1.522	0.126	1.547	0.127
6	Passenger Cars	1.278	0.153	0.999	0.178	1.025	0.179
7	Small Pickup	1.343	0.229	0.686	0.259	0.703	0.260
11	Large Pickup	1.352	0.253	0.963	0.295	0.947	0.294
12	Vans	1.283	0.210	1.203	0.254	1.272	0.255
		<u>Tier 2 \$3.85/gal</u>		<u>Tier 3 \$4.50/gal</u>		<u>Tier 3 \$4.50/gal</u>	
2	Small Utilities	1.265	0.201	0.990	0.255	1.090	0.256
3	Hybrid SUV	1.685	0.132	1.872	0.231	1.890	0.232
4	Large Utilities	1.990	0.268	1.655	0.353	1.700	0.354
5	Hybrid Sedans	1.477	0.094	1.522	0.141	1.547	0.141
6	Passenger Cars	1.278	0.172	0.999	0.198	1.025	0.199
7	Small Pickup	1.343	0.257	0.686	0.287	0.703	0.288
11	Large Pickup	1.352	0.285	0.963	0.328	0.947	0.326
12	Vans	1.283	0.237	1.203	0.283	1.272	0.284

Proprietary Program

Program Description

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. The various programs within the Montana Department of Transportation (MDT) such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet exclusively. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. The Equipment Program supports 123.00 FTE. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment Program is funded under the rules and guidelines of proprietary funded programs, meaning that the legislature determines the maximum rates the program can charge but does not appropriate an operating budget. The program is strictly internal to the Department of Transportation and is not used by any outside entity.

Program Narrative

The MDT Equipment Program is an internal service function. Vehicles are leased only to the programs of MDT. In the 2015 Biennium, the program will reduce the lease costs from the 2013 biennium. The total reduction in rates is expected to be \$1.1 million in state and federal funds. The change amounts to a reduction from the FY 2012 base year of 2.3% in FY 2014 and 1.5% in 2015. The reduced fees result from a plan to purchase fewer pieces of equipment and from lower fuel costs in the 2015 biennium.

LFD COMMENT	Statute requires that agencies providing enterprise/internal service functions must provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund. This information may be seen in the appendix of this report.
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Equipment Program Revenues and Expenditures - 06508								
	Actual FY2012	Budgeted FY2013	Projected FY2014	Projected FY2015	2013 Bien	2015 Bien	Biennial Change	% Change
Net Fee Revenue	\$28,562,706	\$28,837,898	\$27,707,793	\$27,940,295	\$57,400,604	\$55,648,088	(\$1,752,516)	-3.1%
Other Operating Revenues	<u>401,220</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>401,220</u>	<u>0</u>	(401,220)	-100.0%
Total Operating Revenue	28,963,926	28,837,898	27,707,793	27,940,295	57,801,824	55,648,088	(2,153,736)	-3.7%
Operating Expenses:								
Personal Services	7,531,765	7,716,280	7,668,569	7,679,735	15,248,045	15,348,304	100,259	0.7%
Operating Expenses	<u>21,031,997</u>	<u>21,610,274</u>	<u>20,039,224</u>	<u>20,260,560</u>	<u>42,642,271</u>	<u>40,299,784</u>	<u>(2,342,487)</u>	-5.5%
Total Operating Expenses	28,563,762	29,326,554	27,707,793	27,940,295	57,890,316	55,648,088	(2,242,228)	-3.9%
Operating Income (Loss)	<u>\$400,164</u>	<u>-\$488,656</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$88,492</u>	<u>\$0</u>		

Expenses

Significant costs for the program are for:

- o Personal services for 123.00 FTE, \$15.3 million or 27.6% of total costs
- o Operating costs of \$27.5 million, including:
 - o Gasoline and diesel fuel, \$16.2 million
 - o Equipment repair and maintenance costs, \$8.3 million
 - o Insurance and bonds, \$427,953
- o Equipment costs of \$13.6 million

In the 2015 biennium the Equipment Program budget includes:

- o Personal services - projected to increase by \$100,259, or 0.7%
- o Operating costs – projected to decline by \$2,342,487, or 5.5%
- o Total expenses – projected to decline by 2,242,228 or 3.9%

Revenues

Revenue is generated through the vehicle/equipment rental fees, gains on the sale of surplus assets, and reimbursements from equipment accidents caused by an outside party. Vehicle rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The rental rates are set on a fee basis to recover revenue to meet the program’s obligations. Rental rates are calculated each year and billed to the agency users biweekly.

Significant Present Law Adjustments

This section includes budget changes and is provided to help the legislature understand significant changes to the program. There is no legislative action required for the passage of these adjustments, but are included in the requested rates.

Present Law Adjustments		FTE	FY 2014	FY 2015
Fund: 06508				
DP 802	Overtime and Differential Pay	0	\$52,178	\$52,178
DP 807	Maintain Balance for Replacements	0	97,000	97,000
DP801	Additional Equipment	<u>0</u>	<u>774,000</u>	<u>0</u>
Total		<u>0</u>	<u>\$923,178</u>	<u>\$149,178</u>

DP 802 Overtime and Differential Pay - The executive requests an increase in personal services costs to reestablish base year overtime and differential pay with associated benefits. All expenses in FY 2012 for this purpose are removed from the base and must be requested in the 2015 biennium in a DP. This proposal would increase the equipment assigned rate by .010% each year.

DP 807 Maintain \$6.4 million purchase- The executive requests an increase in proprietary funding to reestablish the proprietary fund balance of \$6.4 million. There is no impact to the rates. Replacement costs cannot be included in the rate calculations.

DP 801 Additional equipment- The executive requests a present law adjustment for additional equipment in support of MDT winter and city maintenance activities. This request is tied to the increased lane miles requested in the Maintenance Division (DP 301 and DP 303). The requested funding for this proposal is \$774,000 in appropriation authority from the proprietary fund, funded with a transfer from state special revenue (HSRA-R).

Additional Equipment Request - DP 801	
Snow Plow Trucks - Winter Maintenance	\$429,000
Bucket Truck-Alternative Route 93- Luminaire Maint.	135,000
Tow Plows - Winter Maintenance	<u>210,000</u>
Total	<u>\$774,000</u>

There is no impact to the rates since new equipment costs cannot be calculated in the rates.

Proprietary Rates

- The Equipment Program rental rates are based on a dual rate structure. The users pay a usage rate and an assigned rate.
- o The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles/hours used. It is designed to recover "direct costs" that include labor, parts, fuel, lubricants, and tires.
 - o The assigned rate is a per hour rate designed to recover "fixed costs" such as insurance, depreciation, and administrative overhead costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The effects are internal to the Department of Transportation and the program is held accountable to ensure the rates recover only needed operational monies.

The proposed rates are the maximum the program may charge during the biennium. The working capital analysis associated with the Equipment Program can be seen in the appendix.

**LFD
COMMENT**

The Equipment Program has been allowed to function as an enterprise/internal service fund since 1998. Laws related to enterprise/internal service funds require:

“Fees and charges in the internal service fund type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may not exceed the level approved by the legislature in the general appropriations act effective for that biennium.” (17-7-123 – ((f) ii), MCA)

Ultimately, the fees and charges approved by the legislature indirectly constrain the levels of expenditures that could be made by the service, since the legislature does not provide appropriations of funds for costs. However, the Equipment Program has for years requested that the legislature provide a 60 day working capital balance instead of rates and charges. The working capital rate is not a rate or charge and is actually an accounting calculation in which operational costs and planned purchases are summed and the costs are then spread across the users, which in this case are other MDT programs. There are no constraints on expenditures and the costs can increase and decline as needed. As a result, the legislature has little control over the expenditures made in the program. The legislature may wish to evaluate the cost requirements of the Equipment Program and request rates and/or charges to be developed by the program.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	123.00	123.00	134.00	134.00	123.00	134.00	11.00	8.94%
Personal Services	7,140,175	7,234,547	7,934,738	7,936,487	14,374,722	15,871,225	1,496,503	10.41%
Operating Expenses	3,060,205	3,769,945	3,498,847	3,255,065	6,830,150	6,753,912	(76,238)	(1.12%)
Equipment & Intangible Assets	16,233	0	140,041	16,233	16,233	156,274	140,041	862.69%
Transfers	41,850	2,250	41,850	41,850	44,100	83,700	39,600	89.80%
Total Costs	\$10,258,463	\$11,006,742	\$11,615,476	\$11,249,635	\$21,265,205	\$22,865,111	\$1,599,906	7.52%
State Special	7,630,748	7,788,221	8,517,509	8,200,713	15,418,969	16,718,222	1,299,253	8.43%
Federal Special	2,627,715	3,218,521	3,097,967	3,048,922	5,846,236	6,146,889	300,653	5.14%
Total Funds	\$10,258,463	\$11,006,742	\$11,615,476	\$11,249,635	\$21,265,205	\$22,865,111	\$1,599,906	7.52%

Program Description

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, dyed fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses and oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws. The Motor Carrier Safety Assistance Program (MCSAP) conducts commercial motor carrier safety compliance reviews and safety audits to ensure commercial vehicles, drivers, and motor carriers are compliant with state safety laws and federal regulations by conducting vehicle and driver inspections and motor carrier compliance reviews and safety audits.

Program Highlights

Motor Carrier Services Division Major Budget Highlights	
◆	Total funds would increase by \$1.6 million, or 7.5% in the 2015 biennium compared to the 2013 biennium primarily due to the addition of 11.00 FTE to start a “roving patrol” program <ul style="list-style-type: none"> • 4.00 FTE would be funded with \$896,967 of state special revenue (HSRA-R) • 7.00 FTE would be funded with \$752,576 of federal special revenue

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - Motor Carrier Services Div.							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$16,718,222	\$0	\$0	\$16,718,222	73.1%		
02294 Ucr Fund	\$2,229,944	\$0	\$0	\$2,229,944	9.8%		
02349 Highway Non-restricted Account	\$57,560	\$0	\$0	\$57,560	0.3%		
02422 Highways Special Revenue	\$14,430,718	\$0	\$0	\$14,430,718	63.1%		
Federal Special Total	\$6,146,889	\$0	\$0	\$6,146,889	26.9%		
03292 Mcs Federal Grants	\$6,146,889	\$0	\$0	\$6,146,889	26.9%		
Total All Funds	\$22,865,111	\$0	\$0	\$22,865,111	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Motor Carrier Services Division is funded by the highways state special revenue fund and federal special revenue. State funds are revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees. Except for \$2.2 million unified carrier registration state special revenue all remaining state special revenue for the 2015 biennium is from the highways state special revenue account with \$14.4 million from the constitutionally restricted account (HSRA-R) and \$58,000 from the non-restricted account (HSRA-NR). Federal funds are from federal Motor Carrier Safety Assistance Program and border enforcement grants.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	10,258,463	10,258,463	20,516,926	89.73%
Statewide PL Adjustments	0	0	0	0.00%	19,727	24,649	44,376	0.19%
Other PL Adjustments	0	0	0	0.00%	376,467	277,799	654,266	2.86%
New Proposals	0	0	0	0.00%	960,819	688,724	1,649,543	7.21%
Total Budget	\$0	\$0	\$0		\$11,615,476	\$11,249,635	\$22,865,111	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					317,665					320,379
Vacancy Savings					(298,321)					(298,432)
Inflation/Deflation					383					2,702
Total Statewide Present Law Adjustments		\$0	\$15,303	\$4,424	\$19,727		\$0	\$18,888	\$5,761	\$24,649
DP 2204 - Equipment Rental	0.00	0	(6,441)	(3,625)	(10,066)	0.00	0	(4,160)	(2,341)	(6,501)
DP 2205 - O/T/Differential	0.00	0	143,306	41,774	185,080	0.00	0	143,306	41,774	185,080
DP 2209 - CVIEW & CCAMS Projects	0.00	0	51,117	51,116	102,233	0.00	0	0	0	0
DP 2210 - Wyoming/Montana Joint Port Project	0.00	0	85,062	0	85,062	0.00	0	85,062	0	85,062
DP 2214 - Scale Site Repair	0.00	0	14,158	0	14,158	0.00	0	14,158	0	14,158
Total Other Present Law Adjustments	0.00	\$0	\$287,202	\$89,265	\$376,467	0.00	\$0	\$238,366	\$39,433	\$277,799
Grand Total All Present Law Adjustments	0.00	\$0	\$302,505	\$93,689	\$396,194	0.00	\$0	\$257,254	\$45,194	\$302,448

DP 2204 - Equipment Rental - The executive requests a reduction of operational expenses for equipment usage and associated rate changes from MDT's Equipment Program. For more information, refer to the LFD comments in the Agency Summary, Agency-Wide Decision Packages section of this report.

DP 2205 - O/T/Differential - The executive requests an increase in personal services costs to reestablish base year overtime and differential pay with associated benefits.

DP 2209 - CVIEW & CCAMS Projects – The executive requests appropriation authority to support the development of two information technology projects:

- o Commercial Carrier Account Management System (CCAMS) Project which is expected to improve the accuracy and consistency of Motor Carrier account information across registration, licensing and safety systems
- o Commercial Vehicle Information Exchange Window (CVIEW) Enhancement Project which is expected to make in-state vehicle registration information available to officers at the roadside

DP 2210 - Wyoming/Montana Joint Port Project – The executive requests a present law adjustment to bring base year expenditures up to the Dietz, Wyoming joint port-of-entry weigh station facility contract levels.

DP 2214 - Scale Site Repair – The executive requests additional appropriation authority in FY 2014 to retrofit/repair the scale pit at the Lima weigh station facility and in FY 2015 to retrofit/repair the Bozeman 4 corners weigh scale facility.

New Proposals

New Proposals											
-----Fiscal 2014-----Fiscal 2015-----											
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2201 - MCS Patrol FTE											
22	4.00	0	584,256	0	584,256	4.00	0	312,711	0	312,711	
DP 2202 - Border Enforcement FTE											
22	7.00	0	0	376,563	376,563	7.00	0	0	376,013	376,013	
Total	11.00	\$0	\$584,256	\$376,563	\$960,819	11.00	\$0	\$312,711	\$376,013	\$688,724	

DP 2201 - MCS Patrol FTE – The executive requests appropriation authority for 4.00 new FTE to establish a roving patrol program. The new patrol officers would address areas state-wide where increased commercial trucking activities are occurring, particularly related to Canadian oil sands transports and heavy vehicle traffic of oil production and fracking operations in the eastern portion of the state.

DP 2202 - Border Enforcement FTE - The executive requests appropriation authority for 7.00 new FTE to establish a roving border patrol program. The new patrol officers would increase or sustain regulation compliance for commercial vehicles crossing the US/Canadian border.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	9.00	9.00	9.00	9.00	9.00	9.00	0.00	0.00%
Personal Services	627,813	648,142	639,093	642,339	1,275,955	1,281,432	5,477	0.43%
Operating Expenses	617,251	1,496,226	1,168,717	890,734	2,113,477	2,059,451	(54,026)	(2.56%)
Grants	458,323	519,859	488,000	488,000	978,182	976,000	(2,182)	(0.22%)
Transfers	7,478	10,818	7,478	7,478	18,296	14,956	(3,340)	(18.26%)
Total Costs	\$1,710,865	\$2,675,045	\$2,303,288	\$2,028,551	\$4,385,910	\$4,331,839	(\$54,071)	(1.23%)
State Special	1,638,236	1,825,191	1,954,071	1,829,334	3,463,427	3,783,405	319,978	9.24%
Federal Special	72,629	849,854	349,217	199,217	922,483	548,434	(374,049)	(40.55%)
Total Funds	\$1,710,865	\$2,675,045	\$2,303,288	\$2,028,551	\$4,385,910	\$4,331,839	(\$54,071)	(1.23%)

The Aeronautics Division: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations, and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The division administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 14 other state-owned airports.

Program Highlights

Aeronautics Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The budget for the Aeronautics Program would be reduced by \$54,071 or 1.2% from the 2013 biennium budget <ul style="list-style-type: none"> ● Present law adjustments add \$633,442 to the base and include increases for pavement preservation grants/loans and updates to the annual state aviation system plan ● New proposals would add another \$276,667 in FY 2014 for cleanup and rehabilitation at the Lincoln airport ◆ Federal funding is reduced in this program because of the cancellation of a federally funded project for a equipment storage facility

Program Discussion

The Aeronautics Program has a HB 2 budgeted program and a non-budgeted proprietary program (West Yellowstone Airport). The main part of this section will analyze the HB 2 budget request for the Aeronautics Program and the analysis of the non-budgeted West Yellowstone Airport proprietary program is found in the proprietary section below.

The proposed reduction in the Aeronautics Program results from the cancellation of a federally funded project approved by the 2011 Legislature. The project would have funded the construction of a building for storage of firefighting and snow plowing equipment at a cost of \$475,000.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - Aeronautics Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$3,783,405	\$0	\$0	\$3,783,405	79.6%		
02286 Aeronautical Loan Account	\$700,000	\$0	\$0	\$700,000	14.7%		
02287 Aeronautical Grant Account	\$800,000	\$0	\$0	\$800,000	16.8%		
02349 Highway Non-restricted Account	\$275,670	\$0	\$0	\$275,670	5.8%		
02827 Aeronautics Division	\$1,839,735	\$0	\$0	\$1,839,735	38.7%		
02962 Airport Pvm. Preservation	\$168,000	\$0	\$0	\$168,000	3.5%		
Federal Special Total	\$548,434	\$0	\$0	\$548,434	11.5%		
03060 Aeronautics Division	\$548,434	\$0	\$0	\$548,434	11.5%		
Proprietary Total	\$0	\$418,753	\$0	\$418,753	8.8%		
06007 West Yellowstone Airport	\$0	\$418,753	\$0	\$418,753	8.8%		
Total All Funds	\$4,331,839	\$418,753	\$0	\$4,750,592	100.0%		
Percent - Total All Sources	91.2%	8.8%	0.0%				

The Aeronautics Program is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,710,865	1,710,865	3,421,730	78.99%
Statewide PL Adjustments	0	0	0	0.00%	3,698	5,559	9,257	0.21%
Other PL Adjustments	0	0	0	0.00%	312,058	312,127	624,185	14.41%
New Proposals	0	0	0	0.00%	276,667	0	276,667	6.39%
Total Budget	\$0	\$0	\$0		\$2,303,288	\$2,028,551	\$4,331,839	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,417					40,798
Vacancy Savings					(26,537)					(26,672)
Inflation/Deflation					(3,206)					(1,917)
Fixed Costs					(3,976)					(6,650)
Total Statewide Present Law Adjustments		\$0	\$12,110	(\$8,412)	\$3,698		\$0	\$13,971	(\$8,412)	\$5,559
DP 4006 - Aeronautics Grants, Loans & Pavement Preservation	0.00	0	143,851	0	143,851	0.00	0	143,851	0	143,851
DP 4007 - Aeronautics State System Plan	0.00	0	15,000	135,000	150,000	0.00	0	15,000	135,000	150,000
DP 4008 - Reestablish Aeronautics Base	0.00	0	18,207	0	18,207	0.00	0	18,276	0	18,276
Total Other Present Law Adjustments	0.00	\$0	\$177,058	\$135,000	\$312,058	0.00	\$0	\$177,127	\$135,000	\$312,127
Grand Total All Present Law Adjustments	0.00	\$0	\$189,168	\$126,588	\$315,756	0.00	\$0	\$191,098	\$126,588	\$317,686

DP 4006 - Aeronautics Grants, Loans & Pavement Preservation – The executive requests an increase of the base budget to the original budgeted amount for the 2013 biennium and new appropriation authority for grant, loan and pavement preservation budgets as shown below.

DP 4006 - Aeronautics Grants, Loans & Pavement Preservation						
Type	Base Amount	Requested FY2014	Requested FY2015	FY 2014 Total	FY 2015 Total	Biennial Total
Airport Grants	\$394,823	\$5,177	\$5,177	\$400,000	\$400,000	\$800,000
Airport Loans	235,826	114,174	114,174	350,000	350,000	700,000
Pavement Preserv. Grants	<u>59,500</u>	<u>24,500</u>	<u>24,500</u>	<u>84,000</u>	<u>84,000</u>	<u>168,000</u>
Total	<u>\$690,149</u>	<u>\$143,851</u>	<u>\$143,851</u>	<u>\$834,000</u>	<u>\$834,000</u>	<u>\$1,668,000</u>

Airport grants for safety and development are issued based upon application and available funds. Airport loans for safety and development are issued based upon application and available funds. Pavement preservation grants are given to the seven large commercial service airports in the state for the purpose of preserving the runways and are awarded by the Aeronautics board.

DP 4007 - Aeronautics State System Plan – The executive requests appropriation authority of state special and federal special revenue that would fund an update to the annual state aviation system plan. Federal funds for this update are from a system planning grant from the FAA. The system plan provides both voluntary and mandated infrastructure and capital improvement plans that the FAA, state, and local communities use to develop individual airport projects around the state.

DP 4008 - Reestablish Aeronautics Base – The executive requests appropriation authority that would reestablish base budget for fuel, travel, supplies and equipment for the search and rescue program. Expenditures in this program were below average (59.2% of average) due to the lack of extended air searches during the base budget period. This request would also increase the Aeronautics Board per diem, travel, and meeting expenditures.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4002 - Lincoln Airport Runway Improvements	40	0.00	0	16,667	150,000	166,667	0.00	0	0	0	0
DP 4004 - Lincoln Airport Cleanup	40	0.00	0	110,000	0	110,000	0.00	0	0	0	0
Total	0.00	\$0	\$126,667	\$150,000	\$276,667	0.00	\$0	\$0	\$0	\$0	\$0

DP 4002 - Lincoln Airport Runway Improvements – The executive requests appropriation authority for improvements at the Lincoln airport runway. The improvements are requested to meet current FAA pavement requirements and rehabilitation of the runway surfaces at the airport.

DP 4004 - Lincoln Airport Cleanup – The executive requests appropriation authority for cleanup activities at the Lincoln airport. The airport, now owned and operated by MDT, is located on a defunct post and pole treating plant. The agency is currently monitoring the site and actively developing the plans for cleanup and mitigation of pollutants and PCB soil contamination.

Proprietary Funds

Program Description

The Yellowstone Airport located in West Yellowstone, Montana provides the closest private and commercial air service to Yellowstone National Park, as well as service for other recreational opportunities in the surrounding greater Yellowstone area. Commercial air service is available seasonally from June 1st to September 30th annually and the airport is open for private aircraft operations usually from mid-May through mid-November. The airport accomplishes these missions with extensive facilities to accommodate all sized aircraft and operations ranging from large, four engine, commercial service jets to small, single engine, piston aircraft.

Fees for leases and other business services are both market and recovery based. Additional operating expenses planned in the 2015 biennium include a minor runway maintenance project funded with 90% FAA airport improvement program funds and performed in accordance with FAA mandates and advisory circulars. There is one airport manager who works 8 months full time and 4 months half time. The airport also has two other employees, an airport operations chief and an airport fire fighter who are employed seasonally.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. The report for the enterprise fund is available in the appendix.

LFD COMMENT	Statute requires that agencies providing enterprise/internal service functions must provide information related to the use of revenues obtained through rates and charges and the estimated fund balance of the proprietary fund. This information may be seen in the appendix of this report.
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Program Narrative

West Yellowstone Airport - 06007								
	Actual	Budgeted	Budgeted	Budgeted	2013 Bien	2015 Bien	Biennial	%
	FY2012	FY2013	FY2014	FY2015			Change	Change
Operating Revenues:								
Fee revenue	\$75,083	\$92,584	\$92,584	\$92,584	\$167,667	\$185,168	17,501	10.4%
Other Operating Revenues	<u>134,757</u>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>264,757</u>	<u>260,000</u>	<u>(4,757)</u>	<u>-1.8%</u>
Total Operating Revenue	209,840	222,584	222,584	222,584	432,424	445,168	12,744	2.9%
Operating Expenses:								
Personal Services	135,417	157,683	150,959	150,748	293,100	301,707	8,607	2.9%
Other Operating Expenses	<u>61,411</u>	<u>71,060</u>	<u>51,746</u>	<u>52,118</u>	<u>132,471</u>	<u>103,864</u>	<u>(28,607)</u>	<u>-21.6%</u>
Total Operating Expenses	196,828	228,743	202,705	202,866	425,571	405,571	(20,000)	-4.7%
Operating Income (Loss)	<u>\$13,012</u>	<u>(\$6,159)</u>	<u>\$19,879</u>	<u>\$19,718</u>	<u>\$6,853</u>	<u>\$39,597</u>		

Expenses

Significant biennial costs for the program are:

- o Personal services for 2.00 FTE are \$301,707 or 74.4% of total costs
- o Operating costs are \$103,864 or 25.6% of total costs and include:
 - o Electricity and natural gas, \$41,228
 - o Consultant and professional services, \$22,974

In the 2015 biennium the West Yellowstone budget includes:

- o Personal services - projected to increase by \$8,607, or 2.9%
- o Operating costs – projected to decline by \$28,607, or 21.6%
- o Total expenses – projected to decline by 4.7%

Revenues

Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Total operating revenues in the 2015 biennium, as seen in the figure above, are expected to be \$445,168, an increase of 2.9% over revenues in the 2013 biennium.

Proprietary Rates

For the 2015 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes. This information is provided for informational reasons only, and the Legislature is not required to approve the rates.

Most landing fees are not projected to increase in the 2015 biennium. Car Rental and Airlines rental space fees will increase from \$2.25 a square foot to \$2.50 a square foot and the building lease agreement with Nevada Testing will go from \$5.50 a square foot to \$6.00 a square foot.

West Yellowstone Airport Rates	
2015 Biennium Fees	
Description	Fee
Landing Fees	
Scheduled Air Carrier	\$1.10/1000 lbs.
Landing Fees	
Other Uses	9,001-16,500 lbs. = \$25
Landing Fees	
Other Uses	>16,500 lbs. = \$1.60/1000 lbs.
Fuel Flowage Fee	\$0.08/gallon
Building Leases	
Car Rental, Airline	\$2.50/sq. ft.
Building Leases	
FBO, Hangar Ground	\$0.12/sq. ft.
Ad Boards	\$200 per board
Tax Transfer	\$11,000 est.
Sales receipts	
Car Rental, Café, and Gift	10% of gross sales
<u>Non-Aero Rentals</u>	
City (2014 & 2015)	\$11,000 per year
Energy West (2014 & 2015)	\$13,500 per year
	6.00/sq. ft. + utilities + usage fee
Nevada Testing (2014 & 2015)	(\$975/customer annual +\$75/day)

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	103.50	103.50	105.50	105.50	103.50	105.50	2.00	1.93%
Personal Services	7,083,186	7,433,288	7,667,303	7,675,920	14,516,474	15,343,223	826,749	5.70%
Operating Expenses	4,208,419	5,409,568	5,466,206	5,283,745	9,617,987	10,749,951	1,131,964	11.77%
Equipment & Intangible Assets	87,728	64,787	152,728	152,728	152,515	305,456	152,941	100.28%
Grants	13,040,360	15,681,856	16,902,993	16,720,993	28,722,216	33,623,986	4,901,770	17.07%
Benefits & Claims	500	1,500	500	500	2,000	1,000	(1,000)	(50.00%)
Transfers	1,516,624	1,821,433	2,211,624	1,936,624	3,338,057	4,148,248	810,191	24.27%
Total Costs	\$25,936,817	\$30,412,432	\$32,401,354	\$31,770,510	\$56,349,249	\$64,171,864	\$7,822,615	13.88%
State Special	5,313,420	6,136,576	6,950,763	6,955,085	11,449,996	13,905,848	2,455,852	21.45%
Federal Special	20,623,397	24,275,856	25,450,591	24,815,425	44,899,253	50,266,016	5,366,763	11.95%
Total Funds	\$25,936,817	\$30,412,432	\$32,401,354	\$31,770,510	\$56,349,249	\$64,171,864	\$7,822,615	13.88%

The Rail, Transit, and Planning Division provides: 1) a continuous statewide multimodal transportation planning process used to allocate highway program resources to ensure highway system performance goals are maintained and federal-aid highway and transit grant eligibility is maintained within the federal surface transportation programs; 2) an inventory of transportation infrastructure for the allocation of state fuel taxes to local governments; 3) support for the state's comprehensive statewide highway safety plan including technical analysis, performance tracking, and coordination with multiple administrative agencies and jurisdictions; 4) the point of contact for MDT for major developers seeking access onto the state's highway system; 5) mapping functions to aid in the publication of the state tourist map and geo-spatial infrastructure inventories; 6) transportation planning and programming assistance to metropolitan and urban areas; 7) administration and implementation of safety programs that help reduce traffic deaths, injuries, and property losses resulting from traffic crashes; 8) administration and implementation of environmental services that assure environmental compliance with all relative laws, rules, regulations, policies, orders, and agreements; and 9) responses to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. The planning function addresses system areas that include buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

Program Highlights

Rail, Transit, & Planning Division Major Budget Highlights	
◆	Total funds in this program would increase by nearly \$7.8 million or 13.9% from the 2013 biennium to the 2015 biennium
◆	Two present law adjustments of \$10.6 million are related to the new federal surface transportation legislation, MAP 21 <ul style="list-style-type: none"> • \$1.1 million of state special revenue funds • \$9.5 million of federal special revenue funds
◆	Personal services costs would increase 5.7% primarily because: <ul style="list-style-type: none"> • 1.00 FTE transferred from the Construction Program • 2.00 FTE requested for activities related to MAP 21

Program Discussion

The main table shows that total budget of the Rail, Transit, and Planning Division would increase by nearly \$7.8 million, or 13.9%, from the 2013 biennium, primarily because of increased activities required by the newly passed federal surface transportation legislation (MAP 21) and pollution abatement. The personal service increase of 5.7% is partially related to the request for an additional 2.00 FTE, at a personal service cost of \$275,762. Furthermore, personal services were increased from the 2013 biennium with a program transfer in FY 2012 that moved 1.00 FTE and the personal service budget from the Construction Program to the Rail, Transit, and Planning Division, which increased costs in the 2013 biennium by \$123,551.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Transportation Funding by Source of Authority 2015 Biennium Budget - Rail, Transit, & Planning Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$13,905,848	\$0	\$0	\$13,905,848	21.7%		
02282 Fta Local Match	\$1,219,112	\$0	\$0	\$1,219,112	1.9%		
02349 Highway Non-restricted Account	\$2,215,518	\$0	\$0	\$2,215,518	3.5%		
02422 Highways Special Revenue	\$8,915,350	\$0	\$0	\$8,915,350	13.9%		
02436 County Dui Prevention Programs	\$989,870	\$0	\$0	\$989,870	1.5%		
02795 Trans Aid Special Revenue	\$565,998	\$0	\$0	\$565,998	0.9%		
Federal Special Total	\$50,266,016	\$0	\$0	\$50,266,016	78.3%		
03147 Fta Grants	\$21,307,034	\$0	\$0	\$21,307,034	33.2%		
03407 Highway Trust - Sp Rev	\$17,287,509	\$0	\$0	\$17,287,509	26.9%		
03828 Traffic Safety	\$11,671,473	\$0	\$0	\$11,671,473	18.2%		
Total All Funds	\$64,171,864	\$0	\$0	\$64,171,864	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Rail, Transit, and Planning Division is funded with a combination of state and federal special revenue funds. Transit grants provided through the program are based on a sliding scale. The state match is provided by the local entity receiving services or on a rare occasion with the constitutionally restricted highways state special revenue funds. The remaining division activities after deducting federal transit grants and local matching funds are funded with federal planning and research funds and state special revenue funds. State special revenue funds include \$1.2 million in local match pass-through authority, \$0.6 million transportation aid funds, and \$8.9 million highway restricted account funds for the 2015 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	25,936,817	25,936,817	51,873,634	80.84%
Statewide PL Adjustments	0	0	0	0.00%	415,508	424,635	840,143	1.31%
Other PL Adjustments	0	0	0	0.00%	6,049,029	5,409,058	11,458,087	17.86%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$32,401,354	\$31,770,510	\$64,171,864	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					728,297					737,496
Vacancy Savings					(312,459)					(312,835)
Inflation/Deflation					(543)					(239)
Fixed Costs					213					213
Total Statewide Present Law Adjustments		\$0	\$670,601	(\$255,093)	\$415,508		\$0	\$674,321	(\$249,686)	\$424,635
DP 5003 - Overtime/Differential	0.00	0	30,295	0	30,295	0.00	0	30,295	0	30,295
DP 5004 - Equipment Rental	0.00	0	(5,040)	0	(5,040)	0.00	0	(3,255)	0	(3,255)
DP 5006 - MAP 21 Adjustment to Grant Programs	0.00	0	470,000	4,668,900	5,138,900	0.00	0	470,000	4,033,100	4,503,100
DP 5008 - MAP21 Performance Based Planning	2.00	0	103,347	413,387	516,734	2.00	0	102,164	408,614	510,778
DP 5009 - City Park Rest Areas	0.00	0	17,507	0	17,507	0.00	0	17,507	0	17,507
DP 5010 - Pollution Prevention & Abatement	0.00	0	320,000	0	320,000	0.00	0	320,000	0	320,000
DP 5011 - EMS Grant Local Match	0.00	0	30,633	0	30,633	0.00	0	30,633	0	30,633
Total Other Present Law Adjustments	2.00	\$0	\$966,742	\$5,082,287	\$6,049,029	2.00	\$0	\$967,344	\$4,441,714	\$5,409,058
Grand Total All Present Law Adjustments	2.00	\$0	\$1,637,343	\$4,827,194	\$6,464,537	2.00	\$0	\$1,641,665	\$4,192,028	\$5,833,693

DP 5003 - Overtime/Differential - The executive requests an increase in personal services to reestablish base year overtime and differential pay with associated benefits. This request would be funded HSRA-R state special revenues. Any expenditures in FY 2012 for this purpose are removed from the base and must be requested in full for the 2015 biennium in a DP.

DP 5004 - Equipment Rental - The executive requests a reduction of operational expenses for equipment usage and associated rate changes from MDT's Equipment Program. For more information, refer to the LFD Comments in the Agency Summary, Agency-Wide Decision Packages section of this report.

DP 5006 - MAP 21 Adjustment to Grant Programs - The executive requests base restoration and additional spending authority of combined state special and federal special revenue for the biennium to fund transit operating costs and transit grants, and highway safety operating costs and safety grants due to newly passed surface transportation legislation (MAP 21).

DP 5008 - MAP21 Performance Based Planning – The executive requests an adjustment to combined state special and federal special revenue in the biennium to fund personal services and operating costs for 2.00 FTE, contracted services, and equipment due to more extensive statutory requirements for transportation planning and programming under MAP 21.

DP 5009 - City Park Rest Areas – The executive requests an adjustment in appropriation authority for funding assistance to local governments for routine maintenance and minor improvements of City Park Rest Areas.

DP 5010 - Pollution Prevention & Abatement –The executive requests an adjustment in appropriation authority to fund revised environmental fees for storm water permits and Clean Water Act certifications, along with new requirements for monitoring stream mitigation projects and storm water management and pollution prevention within small municipal separate storm sewer system (MS4) facilities.

DP 5011 - EMS Grant Local Match – The executive requests base restoration for the EMS program to bring the budget to \$1,100,000. The Emergency Medical Services grant program expenses were less than the base spending and statutory match due the late processing of purchase orders in the base year.

Total Department Of Transportation Funding by Source of Authority
2015 Biennium Budget

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
State Special Total	\$485,406,082	\$0	\$42,965,452	\$528,371,534	35.6%
02282 Fta Local Match	\$1,219,112	\$0	\$0	\$1,219,112	0.1%
02286 Aeronautical Loan Account	\$700,000	\$0	\$0	\$700,000	0.0%
02287 Aeronautical Grant Account	\$800,000	\$0	\$0	\$800,000	0.1%
02294 Ucr Fund	\$2,229,944	\$0	\$0	\$2,229,944	0.2%
02301 Tribal Motor Fuels Admin.	\$0	\$0	\$82,610	\$82,610	0.0%
02303 Tribal Motor Fuels Tax Acct	\$0	\$0	\$8,142,842	\$8,142,842	0.5%
02349 Highway Non-restricted Account	\$18,348,354	\$0	\$0	\$18,348,354	1.2%
02422 Highways Special Revenue	\$458,545,069	\$0	\$34,740,000	\$493,285,069	33.3%
02436 County Dui Prevention Programs	\$989,870	\$0	\$0	\$989,870	0.1%
02795 Trans Aid Special Revenue	\$565,998	\$0	\$0	\$565,998	0.0%
02827 Aeronautics Division	\$1,839,735	\$0	\$0	\$1,839,735	0.1%
02962 Airport Pvmt. Preservation	\$168,000	\$0	\$0	\$168,000	0.0%
Federal Special Total	\$855,918,764	\$0	\$31,001,851	\$886,920,615	59.8%
03060 Aeronautics Division	\$548,434	\$0	\$0	\$548,434	0.0%
03147 Fta Grants	\$21,307,034	\$0	\$0	\$21,307,034	1.4%
03292 Mcs Federal Grants	\$6,146,889	\$0	\$0	\$6,146,889	0.4%
03407 Highway Trust - Sp Rev	\$816,244,934	\$0	\$31,001,851	\$847,246,785	57.1%
03828 Traffic Safety	\$11,671,473	\$0	\$0	\$11,671,473	0.8%
Proprietary Total	\$0	\$68,176,949	\$0	\$68,176,949	4.6%
06007 West Yellowstone Airport	\$0	\$418,753	\$0	\$418,753	0.0%
06506 Motor Pool - Int Svc	\$0	\$11,338,122	\$0	\$11,338,122	0.8%
06508 Highway Equipment - Int Svc.	\$0	\$56,420,074	\$0	\$56,420,074	3.8%
Total All Funds	\$1,341,324,846	\$68,176,949	\$73,967,303	\$1,483,469,098	100.0%
Percent - Total All Sources	90.4%	4.6%	5.0%		

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

54010 - Montana Department of Transportation

Minimum Requirement

		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET			\$ 627,217
Priority	SERVICE(S) TO BE ELIMINATED OR REDUCED	General Fund Annual Savings	State Special Revenue Annual Savings
1	MDT's 5% reduction plan will come from the State Funded Construction Program expenditures in the Maintenance Program.		\$ 627,217
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
	TOTAL SAVINGS	\$ -	\$ 627,217
	DIFFERENCE		0 0

5% Base Budget Reduction Form

AGENCY CODE & NAME:

54010 - Department of Transportation

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

MDT's 5% reduction plan will be a reduction in the State Funded Construction Program within MDT's Maintenance Program. This reduction is based on the 2013-biennium's increase to MDT's State Funded Construction Program and management of our Highway State Special Revenue Fund.

#2 THE SAVINGS THAT ARE EXPECTED:

There will be \$627,217 of savings generated by this reduction .

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

The impacts of this reduction proposal will help MDT manage the Highway State Special Revenue Fund by reducing amounts expended at 100% from this fund. This will free up funding for matching federal highway funded projects.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

There may be a positive impact if these funds can be used to match federal highway funding; more highway construction projects can be completed.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

#2 THE SAVINGS THAT ARE EXPECTED:

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

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- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

2015 BIENNIUM GOALS AND OBJECTIVES

GENERAL OPERATIONS

Director's Office | 2013 Goals

- Promote long-term fiscal stability within the department
 - MDT has submitted and is managing its 2015 biennium budget.
 - The department has recently completed the Tentative Construction Plan through 2017, which plans how to utilize all federal aid authority through the next five years. This allows fiscal management and constraint over the long term for both state and federal dollars.
- Maximize utilization of Federal Highway Funds
 - MDT continues to utilize all available federal highway funding and will apply for additional funds through earmarks and redistributions.
- Ensure that all available Federal Funds are obligated
 - All federal funds will be obligated.
- Deliver an environmentally responsible highway construction program
 - MDT will comply with federal and state requirements under NEPA and MEPA.
- Promote department operations in a streamlined, efficient manner
 - MDT continues to promote department operations in a streamlined, efficient manner.
- Promote coordination between entities for highway traffic safety programs.
 - MDT manages a highway traffic safety grants program and puts priority towards traffic safety when allocating financial resources.

Internal Audit Unit | 2013 Goals

- Encourage taxpayer compliance through a comprehensive audit program to level the "playing field" for all taxpayers.
 - Fulfill our contractual audit requirements under the IFTA and IRP programs.

- Improve our taxpayer account selection process to optimize revenues and voluntary compliance, and minimize evasion.
- Provide management with independent, objective assurance and consulting services designed to add value and improve department operations.
 - Promote compliance with laws, regulations, policies, procedures, rules, and agreements through reviews and analyses of the department's activities.
 - Promote adequate systems of internal control.
 - Improve operational efficiency and effectiveness.
 - Monitor contract compliance.
 - Develop an annual audit plan to evaluate and improve the effectiveness of risk management, control, operational and governance processes.
 - Conduct quality assurance reviews in accordance with professional auditing standards.
 - Monitor office operations and staff engagement for conformance to IIA Standards.

Human Resources Division | 2013 Goals

- Monitor the uniform Department pay matrix plan.
- Identify and update all MDT policies that are no longer valid.
- Work Force Planning – Continue to monitor recruitment and selection processes to ensure compliance to agency policies and procedures by reviewing 50 files (12 postings per quarter, statewide) annually.
- Analyze the agency performance indicators and establish strategies based on those metrics.
- Continue to develop a plan to work toward fully integrated Talent Management approach driven by the agency's mission statement to include performance management, compensation, succession planning, and employee development.
- Monitor and continue to customize injury prevention plans for MDT occupations and/or tasks with a history of high injury rates and associated workers' compensation costs.

Information Services Division | 2013 Goals

- Maintain MDT's computing resources and environment.
 - Provide after-hours on-call support for MDT's computer network.
 - Provide hardware repair and maintenance support on an on-going basis.
 - Develop and implement a long-term computer equipment replacement plan.
 - Perform daily network maintenance and support activities as necessary.
 - Provide MDT computing resources to meet the business requirement demands of the agency as necessary.
- Maintain existing application systems.
 - Correct all MDT application bug fixes within 24 hours of problem identification.
 - Identify and manage all routine MDT application maintenance needs as necessary.
- Create new and enhanced applications to meet the business needs of MDT.
 - Perform all approved MDT application enhancement requests on an on-going basis.
 - Perform all approved new application development work on an on-going basis.
- Provide customer support for all ISD services.
 - Provide computer help desk support for MDT users between the hours of 7:30 a.m. and 5:00 p.m.
 - Provide records center support for MDT users between the hours of 7:30 a.m. and 5:00 p.m.
 - Provide Print Shop support for MDT users between the hours of 7:30 a.m. and 4:00 p.m.
 - Procure all routine purchase requests within four weeks of receipt.
 - Provide continual support for all approved MDT application requests.
 - Continually assess new technologies to meet the needs of MDT.
 - Employ Project/Program Management best practices to ensure timely and cost effective delivery of IT Projects.

- Protect departmental assets.
 - Continue to assess, implement and monitor internal controls associated with the department's material business processes.
- Continue to strive to maintain a stable and well-trained workforce.
 - Continue to identify opportunities for career growth.
- Provide management with sound financial information to make operational and investment decisions.
 - Continuously monitor department finances, trends and revenue data to project budgetary needs and fund stability.

CONSTRUCTION PROGRAM | 2013 Goals

Engineering Division

- To survey, design, acquire the right-of-way, and construct safe, cost effective highway improvement projects in order to develop and maintain a cost effective, efficient and safe transportation system.
 - 85% of projects planned for the fiscal year are ready for contract.
 - Maintain statewide average construction engineering costs under 10% of total contract costs.
 - Maintain statewide final costs under 7% above award amount.
 - Proactively manage to ensure a high percentage of all projects have a certificate of completion within 180 days of finishing the construction.
 - Obligate 100% of available federal funds.

MAINTENANCE PROGRAM | 2013 Goals

- Maintain safe winter driving conditions through snow removal and application of abrasive materials and anti-icing chemicals to reduce roadway hazards and slippery surface conditions.
 - Ensure the Interstate System has bare pavement within 24 hours of a typical winter storm event.
- Continue to research new equipment, materials, and processes to improve winter driving conditions of roadways.

- A biennial customer survey will be taken to determine the Maintenance Program's effectiveness.
- Perform pavement preservation activities to improve the system index.
- Improve customer satisfaction levels for Rest Area maintenance.
- Increase public and internal utilization of the Maintenance Program's electronic information systems.
- Provide visible, legible and understandable signs and pavement markings.
- 85% of roads under MDT jurisdiction will meet reflectivity standards for striping by July 1 annually.
- Continue to support the disaster emergency services program in all events whether small or large scale.
 - Continued support in building relationships with all entities that provide support during an emergency.

STATE MOTOR POOL | 2013 Goals

- Provide efficient, cost effective and reliable vehicles on a daily and extended use basis to state employees conducting official business.
 - Maintain or reduce variance between actual and projected needs as identified in the annual fleet analysis.
 - Ensure 90% of the fleet is meeting the Level II preventive maintenance schedule.
 - Ensure safety inspections are performed on 50% of the fleet each year.
 - Purchase vehicles that meet or exceed the CAFÉ standard per MCA 2–17–416.
- Enhance customer satisfaction.
 - Maintain or enhance the customer satisfaction index through a biennial survey.

EQUIPMENT PROGRAM | 2013 Goals

- Provide safe and reliable vehicles and equipment to meet the needs of the department's users.

- Maintain or reduce variance between actual and projected needs as identified in the annual fleet analysis.
- Ensure 90% of the fleet is meeting the Level II preventive maintenance schedule.
- Ensure safety inspections are performed on 95% of the fleet each year.
- Purchase vehicles that meet or exceed the CAFÉ standard per MCA 2–17–416.

MOTOR CARRIER SERVICES | 2013 Goals

Within established budget, provide a service to the traveling public by enhancing the safety of our highways, a service to the commercial motor carriers, and a service to the tax payers by protecting our highway infrastructure. Attracting, recruiting, retaining and developing high quality employees are essential to achieve exceptional and quantifiable level of quality services.

- A service to the traveling public by making our roads safer i.e., decrease the number and severity of Commercial Vehicle crashes.
 - Continue providing targeted inspections on commercial vehicles to reduce the number of safety non-compliant commercial vehicles and commercial drivers; increase our visual presence on our highways.
 - Properly route and permit oversized loads; license appropriate vehicles/companies.
 - Maintain or enhance commercial motor carrier safety compliance through development and implementation of Montana's Commercial Vehicle Safety Plan and Certification. Ensure continued federal funding of Montana's commercial motor carrier safety program by submitting and implementing a federally approved Plan and Certification annually.
- A service to the commercial motor carriers.
 - Provide a level playing field by helping carriers comply with and enforce the motor carrier laws; operating with at least one 24/7 scale on the interstate system to accommodate the carrier's needs.

- Maintain 24/7 internet service availability and continuously work with the industry to explore ways to increase the efficiency and effectiveness of obtaining the required licenses and permits; including increased use of self-issued permits.
- Explore, procure, deploy and maintain state of the art technologies to improve the efficiency and effectiveness of freight movement on Montana highways.
- Provide a service to the tax payers by protecting our infrastructure.
 - Maintain or enhance commercial motor carrier size and weight compliance through the annual development of the Federal Size and Weight Enforcement Plan. Annually submit the Federal Certification of Accomplishment Report; increase our visual presence with more mobile patrol units, when appropriate.
 - Issue appropriate oversize/overweight permits, in a timely manner.
 - Provide certification and maintenance of all active weigh scales.
 - Compile and analyze truck weight and volume information on Montana roadways to identify issues and assist with resource management.

AERONAUTICS PROGRAM | 2013 Goals

- Advance further growth and promote Montana Aviation.
 - Ensure Montana pilots register with the department.
- Provide for the protection of the flying public and the promotion of flight safety and accident prevention programs and other state aviation interests.
 - Coordinate safety programs for pilots and other aviation industry interests.
- Continue to expand and improve the statewide air search and rescue program.
 - Build relationships with statewide and federal partners that have the charge of search and rescue, emergency services and homeland security.
- Continue to provide aviation education and a resource aviation education center for Montana teachers and students.
 - Conduct aviation educator program, career awareness programs and make available a library of resources.

- Provide airport development programs to assist airport sponsors to plan, construct, and maintain Montana's public use airports.
 - Provide annual updates to state aviation system plan, offer technical assistance to airports and ensure loan and grant program information is readily available.
- Provide safe, modern, well-maintained state-owned and operated airports including the Yellowstone commercial service airport.
 - 100% readiness for anticipated aircraft operations and 100% compliance with part 139 goals and recommendations. 100% readiness with ARFF and security requirements. 100% availability for aircraft and FBO hangar development.

TRANSPORTATION PLANNING PROGRAM | 2013 Goals

- Develop and implement a long-range multi-modal construction program that addresses Montana's most important statewide transportation needs, is consistent with statewide long-range transportation plan and management system output, and maximizes the use of federal funds through the Performance Programming Process (P3).
 - Ensure at least 70% of available federal and state resources are prioritized into a performance based funding plan to support core state highway system needs (I, NH, P) based on system goals defined through P3. P3 outcome goals include.
 - Pavement Condition: provide a ride experience for the traveling public within desirable or superior range (average ride index above 60) with less than 3% of lane miles exhibiting poor ride characteristics.
 - Reduce the number of structurally deficient and functionally obsolete bridges.
 - Maintain average statewide mobility within desirable or superior ranges (Level of Service C or greater).
 - Project selection supports the goal and objectives of the CHSP to reduce fatal and incapacitation injury crashes by half by 2030.

- Ensure 90% of the projects programmed are consistent with the funding plan developed through P3.
- For environmental documents with negotiated timelines, MDT will meet all timeframes barring unanticipated events.
- Provide environmental documents and permitting to meet Engineering Division goals of 85% of projects planned for fiscal year are ready for contract.
- Utilize the Performance Programming Process to improve planning and programming decisions.
- Ensure 50% of the public and transportation stakeholders perception of MDT's overall quality of service at an A or B level in our TranPlan 21 public involvement surveys, which measures progress on the department's long range multi-modal transportation plan.

2015 Biennium Report on Internal Service and Enterprise Funds

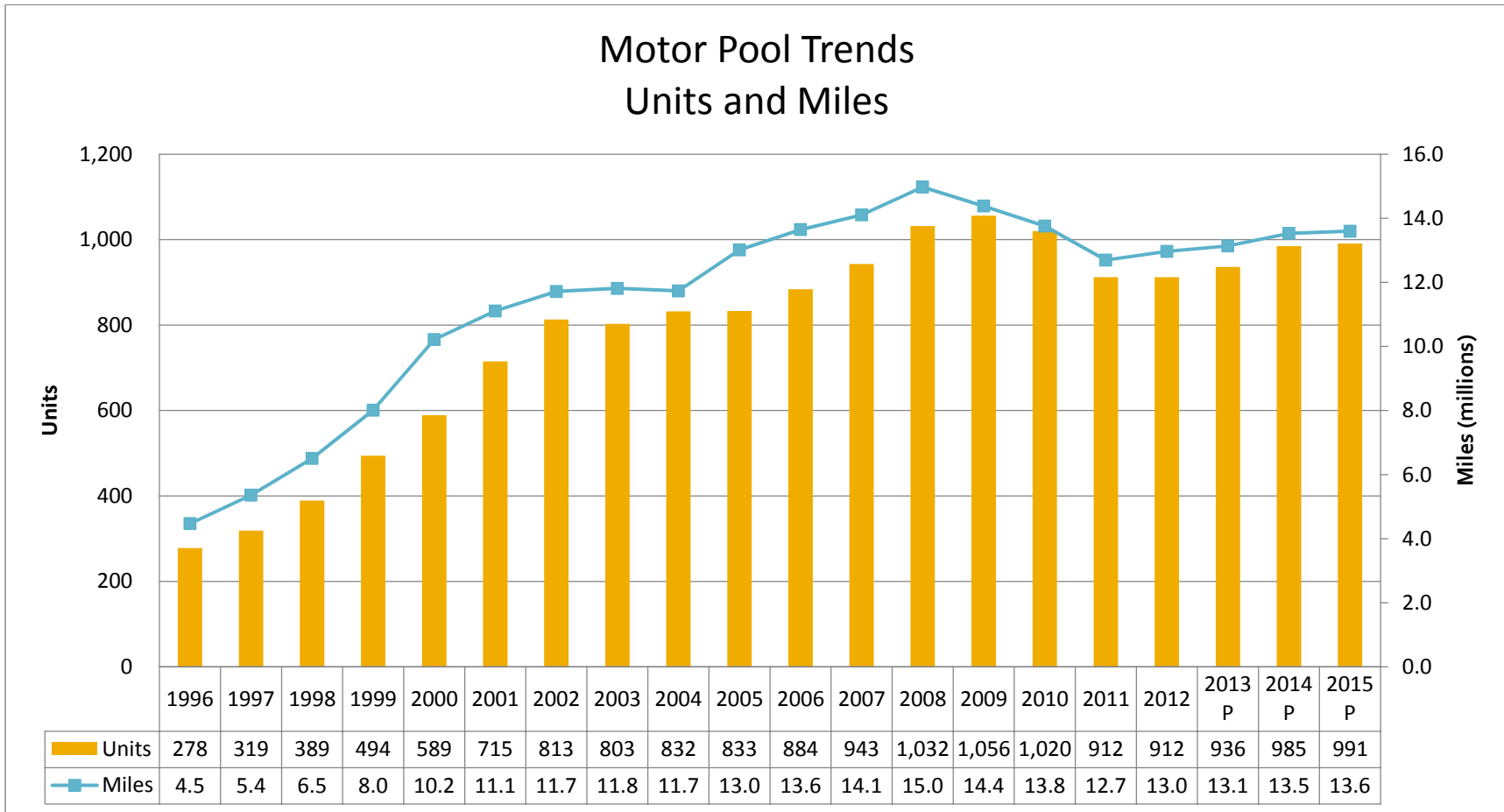
Fund		Fund Name	Agency #	Agency Name	Program Name				
6506		Motor Pool	5401	Transportation	State Motor Pool				
				Actual	Actual	Actual	Budgeted	Projected	Projected
				FY10	FY11	FY12	FY13	FY14	FY15
Operating Revenues:									
Service Reimbursements				6,804,989.80	6,383,488.15	4,899,276.91	5,599,508	5,170,680	5,280,639
Net Fee Revenue				6,804,989.80	6,383,488.15	4,899,276.91	5,599,508	5,170,680	5,280,639
Investment Earnings				-					
Securities Lending Income				-					
Premiums				-					
Other Operating Revenues				6,663.04	23,728.39	7,195.32	-		
Total Operating Revenue				6,811,652.84	6,407,216.54	4,906,472.23	5,599,508	5,170,680	5,280,639
Operating Expenses:									
Personal Services				318,893.31	349,754.13	347,704.46	350,095	343,630	343,501
Other Operating Expenses				4,926,591.40	4,545,166.26	4,437,227.63	5,290,308	5,089,478	5,199,566
Total Operating Expenses				5,245,484.71	4,894,920.39	4,784,932.09	5,640,403	5,433,108	5,543,067
Operating Income (Loss)				1,566,168.13	1,512,296.15	121,540.14	(40,895)	(262,428)	(262,428)
Nonoperating Revenues (Expenses):									
Gain (Loss) Sale of Fixed Assets				269,732.12	187,382.01	133,545.66			
Federal Indirect Cost Recoveries				-					
Other Nonoperating Revenues (Expenses)									
Net Nonoperating Revenues (Expenses)				269,732.12	187,382.01	133,545.66	-	-	-
Income (Loss) Before Operating Transfers				1,835,900.25	1,699,678.16	255,085.80	(40,895)	(262,428)	(262,428)
Contributed Capital				-					
Operating Transfers In (Note 13)				-					
Operating Transfers Out (Note 13)				-					
Change in net assets				1,835,900.25	1,699,678.16	255,085.80	(40,895)	(262,428)	(262,428)
Total Net Assets- July 1 - As Restated				1,495,997.59	3,331,897.84	5,068,067.36	5,323,153	5,282,259	5,019,832
Prior Period Adjustments					36,490.36				
Cumulative effect of account change				-					
Total Net Assets - July 1 - As Restated				1,495,997.59	3,368,388.20	5,068,067.36	5,323,153	5,282,259	5,019,832
Net Assets- June 30				3,331,897.84	5,068,067.36	5,323,153.16	5,282,259	5,019,832	4,757,405
60 days of expenses									
(Total Operating Expenses divided by 6)				874,247.00	815,820.00	797,489.00	940,067	905,518	923,845

Table provided by Montana Department of Transportation

MDT Motor Pool Trends

Historical and Projected Trends

The program increased its inventory from 278 units in fiscal 1996 to a high of 1,056 in fiscal 2009. During that time, annual mileage increased from 4.4 million to a high of 14.9 million miles in fiscal 2008. This growth in the number of vehicles and miles traveled was largely due to the adoption of rules that encourage agencies to lease new vehicles from the State Motor Pool instead of purchasing vehicles directly. During fiscal 2010 the program began to reduce fleet size based on miles traveled. Along with a reduction in travel by state employees, this fleet reduction decreased the fleet size to 912 vehicles in FY 2012 and the miles traveled to 12,964,321.



2015 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name				
6508	Highway Equipment	5401	Transportation	Equipment Program				
			Actual FY10	Actual FY11	Actual FY12	Budgeted FY13	Projected FY14	Projected FY15
Operating Revenues:								
Service Reimbursements			-					
Net Fee Revenue			23,785,631	22,748,221	28,562,706	28,837,898	27,707,793	27,940,295
Investment Earnings								
Securities Lending Income								
Premiums								
Other Operating Revenues			246,924	250,744	401,220		-	-
Total Operating Revenue			24,032,555	22,998,965	28,963,926	28,837,898	27,707,793	27,940,295
Operating Expenses:								
Personal Services			7,142,235	7,534,773	7,531,765	7,716,280	7,668,569	7,679,735
Other Operating Expenses			17,609,299	20,791,086	21,031,997	21,610,274	20,039,224	20,260,560
Total Operating Expenses			24,751,534	28,325,860	28,563,762	29,326,554	27,707,793	27,940,295
Operating Income (Loss)			(718,979)	(5,326,894)	400,164	(488,656)	-	-
Nonoperating Revenues (Expenses):								
Gain (Loss) Sale of Fixed Assets			37,724	(12,964)	162,271			
Federal Indirect Cost Recoveries			-					
Other Nonoperating Revenues (Expenses)			-					
Net Nonoperating Revenues (Expenses)			37,724	(12,964)	162,271	-	-	-
Income (Loss) Before Operating Transfers			(681,255)	(5,339,858)	562,435	(488,656)	-	-
Contributed Capital			1,007,817	1,575,896	1,847,963		774,000	-
Operating Transfers In (Note 13)								
Operating Transfers Out (Note 13)			-					
Change in net assets			326,562	(3,763,962)	2,410,398	(488,656)	774,000	-
Total Net Assets- July 1 - As Restated			68,646,346	68,973,758	65,502,593	67,912,990	67,424,334	68,198,334
Prior Period Adjustments			850	292,796				
Cumulative effect of account change			-					
Total Net Assets - July 1 - As Restated			68,647,196	69,266,554	65,502,593	67,912,990	67,424,334	68,198,334
Net Assets- June 30			68,973,758	65,502,593	67,912,990	67,424,334	68,198,334	68,198,334
60 days of expenses (Total Operating Expenses divided by 6)			4,125,256	4,720,977	4,760,627	4,887,759	4,617,966	4,656,716
Requested Rates for Internal Service Funds								
Fee/Rate Information								
Requested Rates for Internal Service Fund								
The fee charges will not be done till the actual Fiscal Year the rate pertain to. These rates will be supported by the EVMS systems, which was used in the past. The Equipment program may charge rates necessary to establish and maintain a 60 day working capital balance to operate the program.								
The program uses a leapfrog process to account for prior year gains or losses.								

Table provided by Montana Department of Transportation

2013 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name					
6007	West Yellowstone Airport	54010	Transportation	Aeronautics Program					
				Actual	Actual	Actual	Budgeted	Budgeted	Budgeted
				FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Operating Revenues:									
Fee revenue									
Miscellaneous Service Fee									
				-	-	-	-	-	-
Net Fee Revenue				49,446.00	63,870.00	75,083.00	92,584	92,584	92,584
Investment Earnings									
				-	-	-	-	-	-
Securities Lending Income									
				-	-	-	-	-	-
Premiums									
				-	-	-	-	-	-
Other Operating Revenues									
				108,255.00	139,031.00	134,757.00	130,000	130,000	130,000
Total Operating Revenue				157,701.00	202,901.00	209,840.00	222,584	222,584	222,584
Operating Expenses:									
Personal Services									
				132,030.00	138,122.00	135,417.00	157,683	150,959	150,748
Other Operating Expenses									
				100,736.00	66,294.00	56,267.00	71,060	51,746	52,118
Total Operating Expenses				232,766.00	204,416.00	191,684.00	228,743	202,705	202,866
Operating Income (Loss)				(75,065.00)	(1,515.00)	18,156.00	(6,159)	19,879	19,718
Nonoperating Revenues (Expenses):									
Gain (Loss) Sale of Fixed Assets									
				-	-	-	-	-	-
Federal Indirect Cost Recoveries									
				-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)									
				(135,238.00)	(169,614.00)	(140,249.00)	-	-	-
Net Nonoperating Revenues (Expenses)				(135,238.00)	(169,614.00)	(140,249.00)	-	-	-
Income (Loss) Before Operating Transfers				(210,303.00)	(171,129.00)	(122,093.00)	(6,159)	19,879	19,718
Contributed Capital									
				119,040.00	-	-	-	-	-
Operating Transfers In (Note 13)									
				-	2,709.00	7,478.00	7,478	7,478	7,478
Operating Transfers Out (Note 13)									
				-	-	-	-	-	-
Change in net assets				(91,263.00)	(168,420.00)	(114,615.00)	1,319	27,357	27,196
Total Net Assets - July 1 - As Restated				3,137,555.22	3,046,292.22	2,877,872.22	2,763,257	2,764,576	2,791,933
Prior Period Adjustments									
				-	-	-	-	-	-
Cumulative effect of account change									
				-	-	-	-	-	-
Total Net Assets - July 1 - As Restated				3,137,555.22	3,046,292.22	2,877,872.22	2,763,257	2,764,576	2,791,933
Net Assets - June 30				3,046,292.22	2,877,872.22	2,763,257.22	2,764,576	2,791,933	2,819,129
60 days of expenses									
(Total Operating Expenses divided by 6)				38,794.33	34,069.33	31,947.33	38,124	33,784	33,811
Fee/Rate Information									
		Actuals FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015				
Fee Group A									
Landing Fees - Schd. Air Carrier		\$1.10/1000 lbs	\$1.10/1000 lbs	\$1.10/1000 lbs	\$1.10/1000 lbs				
Landing Fees - Other uses		9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00	9,001-16,500lbs =\$25.00				
Landing Fees - Other uses		>16,500 lbs - \$1.60/1000lbs	>16,500 lbs - \$1.60/1000lbs	>16,500 lbs - \$1.60/1000lbs	>16,500 lbs - \$1.60/1000lbs				
Fuel Flowage Fee		\$0.06/Gallon	\$0.06/Gallon	\$0.08/Gallon	\$0.08/Gallon				
Building Leases - Car rental, Airline		\$2.25-2.50/sq.ft..	\$2.25-2.50/sq.ft..	\$2.50/sq.ft..	\$2.50/sq.ft..				
Building Leases -FBO, Hangar		\$0.12/sq.ft	\$0.12/sq.ft	\$0.12/sq.ft	\$0.12/sq.ft				
Adboards		\$200 / board	\$200 / board	\$200 / board	\$200 / board				
Tax Transfers		\$11,000	11,000.00	\$11,000	\$11,000				
Sales Receipts		10% of Gross Sales	10% of Gross Sales	10% of Gross Sales	10% of Gross Sales				
Non-Aero Rentals									
Nevada Testing		5.50 psfpa + utiities + usage	6.00 psfpa + utiities + usage fee(\$925 per	6.00 psfpa + utiities + usage fee(\$925 per	6.00 psfpa + utiities + usage fee(\$925				
City		\$11,000/Year	\$11,000/Year	\$11,000/Year	\$11,000/Year				
Energy West		\$13,500/Year	\$13,500/Year	\$13,500/Year	\$13,500/Year				

Table provided by Montana Department of Transportation