

3/6/2015 House Appropriations Committee

Public Service Commission

Funding Source

As required by §69-1-402, Montana Code Annotated, the Montana Department of Public Service Regulation/Montana Public Service Commission (PSC) is funded by a state special revenue account (no general fund) that is calculated in a rather unique way, in that a tax is placed on the gross operating revenues of regulated utilities. Just after the close of each fiscal year, the PSC provides the Department of Revenue (DOR) with reports showing expenditures from the previous fiscal year as well as appropriation for the current year. At this same time, the DOR collects gross operating revenue information from regulated utilities, which is needed to complete the calculation. The DOR then calculates the new tax rate (our appropriation being the numerator and the regulated revenues being the denominator). A significant feature of this funding mechanism, and the reason the PSC provides both expenditures and appropriation, is that any unspent previous appropriation is deducted from the current appropriation amount and, in turn, then reduces the next year's rate calculation by creating an automatic credit of the unspent balance toward the next year's calculation. The current tax rate from (10/1/14 - 9/30/15) is .2 percent.

Retirement Payouts

The PSC requests authority to fund retirement payouts each biennium and the calculation used is based on staff eligible for retirement (as opposed to staff actually planning to retire). This way, we are prepared for each worse-case scenario and the authority given to us is always biennial restricted, one-time-only. Again, going back to the PSC funding source, any unspent appropriation becomes an automatic credit toward the next years' calculation.

For the 2017 biennium, the calculation came to \$200,412 (\$115,385 for vacation, \$85,026 for sick leave); 10 people (28.5% of our staff) will be eligible to retire in the 2017 biennium. In our subcommittee, we were granted \$50,000 to fund our retirement payouts. We have since identified as many as five staff retirements that may take place in the 2017 biennium. Our request is for a biennial restricted contingency fund of \$100,767 to help cover those retirement payouts.

Because of the way the PSC is funded, we are not able to utilize the Personal Services Contingency Fund, typically found in HB 13, which allows agencies to approach the Budget Office for extra authority if retirement payouts cannot be met with current appropriation. Our funding source allows for us to receive our cash from the DOR up front at the beginning of the each fiscal year so, if we were given any additional authority at any point in the biennium, we more than likely would not have the cash to accommodate it.

Information Technology (IT)

Initially, our request was associated with computer/IT related replacement costs based on the 5 year replacement cycle administered by the Department of Administration, State Information Technology Services Division (SITSD):

For fiscal year 2016, our request is for \$45,925, which would include replacement of all 5 of our printers and any software licenses and/or dues in need of renewal.

For fiscal year 2017 our request is for \$64,200, which would include replacing 2 computers and any servers and related equipment due to be replaced.

However, during our subcommittee hearing, we were upfront with committee members that we were undergoing an audit of our IT environment with SITSD. We have since learned the results of that audit.

Fiscal year 2016: \$47,662

Fiscal year 2017: \$47,662

Our new request would allow us funding to seek help from SITSD that we desperately need for them to host our servers, databases, and applications plus provide with us Local Area Network support.

Elected Official Request - Statewide 4% FTE Reduction

In accordance with legislative intent included in HB 2 passed by the 2013 Legislature, agencies are required to reduce FTE in fiscal years 2016 and 2017 in place of vacancy savings. The PSC reduction comes out to be 1.56 FTE/\$99,899. We respectfully ask that the PSC be exempt from the Statewide 4% FTE Reduction in HB 2 passed during the 2013 legislative session for three reasons. The first reason is the same reason that the PSC has always requested to be exempt from applying vacancy savings, in that ordinarily, the threshold for this type of reduction is less than 20 FTE. The PSC has just 35 FTE, not counting the 5 elected Commissioners, so the PSC is not too far above that 20 FTE limit.

The second reason is that the PSC cannot request modified FTE due to the cash constraint mentioned earlier in relation to our funding source. So the Public Service Commission is sort of in that same situation with restoring the 4% reduction in that, if other agencies found the need, they could request modified FTE through the Budget Office, but the Public Service Commission would be more challenged in that regard because of the previous mentioned cash constraint.

The third reason is that the PSC had 41 FTE in 1990 and today, there are only 35 FTE and have been at 35 FTE since roughly 2000. This shows that the PSC has resisted FTE inflation that has taken place in other state agencies, while in fact, the PSC has decreased in size from 41 FTE to 35 FTE over the last two and a half decades. Because the PSC is such a small agency and the work is very specialized, it is difficult to deal with a vacancy of any kind while still maintaining the required, desired level of service, but reducing FTE would make us have to distribute work

on a permanent level, instead of just temporarily while a position is vacant. So, as our only Elected Official Request, we respectfully ask that you restore the 1.56 FTE that was eliminated per legislative intent in HB 2 passed during the 2013 legislative session as well as the funding for those positions of \$99,902 for FY 2016 and \$99,898 for FY 2017.