

**Program Budget Comparison**

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

| Program Budget Comparison      |                    |                     |                    |                    |                       |                       |                  |                   |
|--------------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item                    | Base Fiscal 2014   | Approp. Fiscal 2015 | Budget Fiscal 2016 | Budget Fiscal 2017 | Biennium Fiscal 14-15 | Biennium Fiscal 16-17 | Biennium Change  | Biennium % Change |
| FTE                            | 53.75              | 53.75               | 52.75              | 52.75              | 53.75                 | 52.75                 | (1.00)           | (1.86)%           |
| Personal Services              | 3,299,746          | 4,150,782           | 4,040,011          | 4,034,086          | 7,450,528             | 8,074,097             | 623,569          | 8.37 %            |
| Operating Expenses             | 162,674            | 174,068             | 197,743            | 187,404            | 336,742               | 385,147               | 48,405           | 14.37 %           |
| Transfers                      | 0                  | 0                   | 0                  | 0                  | 0                     | 0                     | 0                | 0.00 %            |
| <b>Total Costs</b>             | <b>\$3,462,420</b> | <b>\$4,324,850</b>  | <b>\$4,237,754</b> | <b>\$4,221,490</b> | <b>\$7,787,270</b>    | <b>\$8,459,244</b>    | <b>\$671,974</b> | <b>8.63 %</b>     |
| General Fund                   | 2,034,506          | 2,530,151           | 2,455,082          | 2,441,237          | 4,564,657             | 4,896,319             | 331,662          | 7.27 %            |
| State/Other Special Rev. Funds | 1,427,914          | 1,794,699           | 1,782,672          | 1,780,253          | 3,222,613             | 3,562,925             | 340,312          | 10.56 %           |
| <b>Total Funds</b>             | <b>\$3,462,420</b> | <b>\$4,324,850</b>  | <b>\$4,237,754</b> | <b>\$4,221,490</b> | <b>\$7,787,270</b>    | <b>\$8,459,244</b>    | <b>\$671,974</b> | <b>8.63 %</b>     |

**Program Description**

The Legislative Audit Division conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust.

Division services include:

1. Conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations;
2. Reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and any instances of apparent violations of the state code of ethics discovered in an audit;
3. Auditing records of entities under contract with the state; and
4. Assisting the Legislature, its committees, and its members by providing information related to the fiscal affairs of state government

The Legislative Auditor consults with the Legislative Audit Committee.

**Program Highlights**

| <b>Legislative Audit Division<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>• The state special operating costs increase primarily due to:                             <ul style="list-style-type: none"> <li>◦ Additional travel to comply with Governmental Accounting Standards Board GASB requirements of validating and auditing census data for all of Montana’s public retirement systems around the state</li> <li>◦ Consulting costs for actuary services</li> </ul> </li> <li>• Elimination of 1.00 FTE for the executive transition position (Chief Deputy)</li> </ul> |

**Program Discussion -**

**Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation**

Actual FY 2014 expenditures are \$862,430 below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- Unfilled 1.00 FTE executive transition position
- Vacancy savings of 17% in FY 2014

**Funding**

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

| Legislative Branch, 28-Audit & Examination<br>Funding by Source of Authority |                    |                             |                            |                      |                      |  |
|--|--------------------|-----------------------------|----------------------------|----------------------|----------------------|--|
| Funds  | HB2                | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds |  |
| 01100 General Fund   | 4,896,319          | 0                           | 0                          | 4,896,319            | 57.88 %              |  |
| 02042 Legislative Audit  | 3,562,925          | 0                           | 0                          | 3,562,925            | 100.00 %             |  |
| <b>State Special Total</b>   | <b>\$3,562,925</b> | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$3,562,925</b>   | <b>42.12 %</b>       |  |
| <b>Federal Special Total</b>   | <b>\$0</b>         | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$0</b>           | <b>0.00 %</b>        |  |
| <b>Proprietary Total</b>   | <b>\$0</b>         | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$0</b>           | <b>0.00 %</b>        |  |
| <b>Total All Funds</b>   | <b>\$8,459,244</b> | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$8,459,244</b>   |                      |  |

The division is funded with a combination of general fund and state special revenue. The state special revenue funds are generated through a charge to agencies of a billing rate calculated in accordance with federal regulations for audit services.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

| Budget Summary by Category |                               |                               |                                  |                      |                               |                               |                                  |                      |
|----------------------------|-------------------------------|-------------------------------|----------------------------------|----------------------|-------------------------------|-------------------------------|----------------------------------|----------------------|
| Budget Item                | -----General Fund-----        |                               |                                  |                      | -----Total Funds-----         |                               |                                  |                      |
|                            | Leg.<br>Budget<br>Fiscal 2016 | Leg.<br>Budget<br>Fiscal 2017 | Leg.<br>Biennium<br>Fiscal 16-17 | Percent<br>of Budget | Leg.<br>Budget<br>Fiscal 2016 | Leg.<br>Budget<br>Fiscal 2017 | Leg.<br>Biennium<br>Fiscal 16-17 | Percent<br>of Budget |
| 2015 Budget                | 2,530,151                     | 2,530,151                     | 5,060,302                        | 103.35 %             | 4,324,850                     | 4,324,850                     | 8,649,700                        | 102.25 %             |
| PL Adjustments             | (6,148)                       | (20,179)                      | (26,327)                         | (0.54)%              | 31,733                        | 15,148                        | 46,881                           | 0.55 %               |
| New Proposals              | (68,921)                      | (68,735)                      | (137,656)                        | (2.81)%              | (118,829)                     | (118,508)                     | (237,337)                        | (2.81)%              |
| <b>Total Budget</b>        | <b>\$2,455,082</b>            | <b>\$2,441,237</b>            | <b>\$4,896,319</b>               |                      | <b>\$4,237,754</b>            | <b>\$4,221,490</b>            | <b>\$8,459,244</b>               |                      |

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

| Present Law Adjustments                        |             |                  |                 |                 |                       |             |                   |                 |                 |                 |
|--|-------------|------------------|-----------------|-----------------|-----------------------|-------------|-------------------|-----------------|-----------------|-----------------|
| -----Fiscal 2016-----                          |             |                  |                 |                 | -----Fiscal 2017----- |             |                   |                 |                 |                 |
|  | FTE         | General Fund     | State Special   | Federal Special | Total Funds           | FTE         | General Fund      | State Special   | Federal Special | Total Funds     |
| DP 98 - LEG. Personal Services Present Law     | 0.00        | (1,561)          | 9,619           | 0               | 8,058                 | 0.00        | (2,414)           | 4,226           | 0               | 1,812           |
| DP 99 - LEG. Present Law                       | 0.00        | (4,587)          | 28,262          | 0               | 23,675                | 0.00        | (17,765)          | 31,101          | 0               | 13,336          |
| <b>Grand Total All Present Law Adjustments</b> | <b>0.00</b> | <b>(\$6,148)</b> | <b>\$37,881</b> | <b>\$0</b>      | <b>\$31,733</b>       | <b>0.00</b> | <b>(\$20,179)</b> | <b>\$35,327</b> | <b>\$0</b>      | <b>\$15,148</b> |

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments.

| Personal Services Present Law Adjustments        |              |                  |                |                 |                |
|--|--------------|------------------|----------------|-----------------|----------------|
| FY 2016  |              |                  |                |                 |                |
| CP 98 PSPL Item                                  | FTE          | General Fund     | State Special  | Federal Special | Total Funds    |
| State Share Health Insurance                     | 53.75        | \$14,245         | \$11,877       | \$0             | \$26,122       |
| Executive Implementation of 2015 Pay Increase    | 0.00         | -                | -              | -               | -              |
| Fully Fund 2015 Legislatively Authorized FTE     | 0.00         | 46,232           | 30,693         | -               | 76,925         |
| Other  | 0.00         | (62,038)         | (32,951)       | -               | (94,989)       |
| <b>Personal Services Present Law Adjustments</b> | <b>53.75</b> | <b>(\$1,561)</b> | <b>\$9,619</b> | <b>\$0</b>      | <b>\$8,058</b> |
| FY 2017  |              |                  |                |                 |                |
| CP 98 PSPL Item                                  | FTE          | General Fund     | State Special  | Federal Special | Total Funds    |
| State Share Health Insurance                     | 53.75        | \$14,245         | \$11,877       | \$0             | \$26,122       |
| Executive Implementation of 2015 Pay Increase    | 0.00         | -                | -              | -               | -              |
| Fully Fund 2015 Legislatively Authorized FTE     | 0.00         | 46,232           | 30,693         | -               | 76,925         |
| Other  | 0.00         | (62,891)         | (38,344)       | -               | (101,235)      |
| <b>Personal Services Present Law Adjustments</b> | <b>53.75</b> | <b>(\$2,414)</b> | <b>\$4,226</b> | <b>\$0</b>      | <b>\$1,812</b> |

DP 99 - LEG. Present Law -

As shown in the present law adjustment table, overall the executive is proposing an increase in state special costs and funding when compared to the FY 2015 legislative appropriation. The increase is primarily due to additional travel to comply with the Governmental Accounting Standards Board (GASB) requirements of validating and auditing census data for all of Montana’s public retirement systems. The financial audit of the Legislative Branch is a biennial audit therefore FY 2017 audit fees funded by general fund are eliminated.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

| New Proposals                                | -----Fiscal 2016----- |                   |                   |                 |                    | -----Fiscal 2017----- |                   |                   |                 |                    |
|--|-----------------------|-------------------|-------------------|-----------------|--------------------|-----------------------|-------------------|-------------------|-----------------|--------------------|
|  | FTE                   | General Fund      | State Special     | Federal Special | Total Funds        | FTE                   | General Fund      | State Special     | Federal Special | Total Funds        |
| DP 2828002 - LAD Personal Services Reduction | (1.00)                | (68,921)          | (49,908)          | 0               | (118,829)          | (1.00)                | (68,735)          | (49,773)          | 0               | (118,508)          |
| <b>Total</b>                                 | <b>(1.00)</b>         | <b>(\$68,921)</b> | <b>(\$49,908)</b> | <b>\$0</b>      | <b>(\$118,829)</b> | <b>(1.00)</b>         | <b>(\$68,735)</b> | <b>(\$49,773)</b> | <b>\$0</b>      | <b>(\$118,508)</b> |

DP 2828002 - LAD Personal Services Reduction -

This proposal reduces 1.00 FTE in the Legislative Audit Division, by eliminating position #11428103, an executive transition position vacant since 2008.