

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	14.71	14.71	14.25	14.25	14.71	14.25	(0.46)	(3.13)%
Personal Services	990,178	1,138,039	1,218,294	1,215,906	2,128,217	2,434,200	305,983	14.38 %
Operating Expenses	510,936	403,672	517,066	516,253	914,608	1,033,319	118,711	12.98 %
Total Costs	\$1,501,114	\$1,541,711	\$1,735,360	\$1,732,159	\$3,042,825	\$3,467,519	\$424,694	13.96 %
General Fund	1,501,114	1,541,711	1,735,360	1,732,159	3,042,825	3,467,519	424,694	13.96 %
Total Funds	\$1,501,114	\$1,541,711	\$1,735,360	\$1,732,159	\$3,042,825	\$3,467,519	\$424,694	13.96 %

Program Description

The State Human Resources Division (SHRD) provides statewide human resource services utilizing the following functions and programs:

- The Human Resources Policy and Programs (HRPP) Bureau establishes the human resource rules, policies and standards for Montana’s executive branch.
- The Professional Development Center (PDC) offers training and other professional development services to Montana state government and other organizations.
- The Human Resources Information Systems (HRIS) Bureau processes the biweekly payroll and other HR information systems for all branches of state government.

Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> • The majority of the funding for this program is from non-budgeted proprietary funds that are included in the proprietary rate section of HB 2 • The executive proposes an increase of 13.9% from the 2015 biennium
Major LFD Issues
<ul style="list-style-type: none"> • Changes in assessment of vacancy savings result in higher proprietary rates for state agencies

Program Discussion -

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The following table highlights the differences between the FY 2015 appropriations implemented by the executive compared to the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Administration State Human Resources Division FY 2015 Appropriation Transactions				
Category	Legislative Appropriation	Program Transfers	Reorganization	Total Executive Implementation
Personal Services	\$1,465,304	(\$19,852)	(\$327,265)	\$1,118,187
Operating Expenses	<u>454,172</u>	<u>(500)</u>	<u>(50,500)</u>	<u>403,172</u>
Total Costs	<u>\$1,919,476</u>	<u>(\$20,352)</u>	<u>(\$377,765)</u>	<u>\$1,521,359</u>

The number for total executive implementation on the table above does not tie to FY 2015 appropriation for FY 2015 as the executive inadvertently included the \$20,352 that was transferred to the Director's Office. The State Human Resources Division transferred a total of \$398,117 in authority to the Director's Office. SHRD transferred the Office of Labor Relations with 3.5 FTE and \$327,265 supporting those positions. In addition \$50,500 in operating costs were also transferred. SHRD also transferred 0.46 FTE and associated personal services and operating costs to the Director's Office.

Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures are \$418,362 lower than the FY 2015 legislative appropriation. The primary reasons for the differences are the reorganization and the transfer of authority and FTE.

Executive Request

The State Human Resource Division budget for HB 2 provides for the Human Resources Policy and Programs Bureau. The Office of Labor Relations was moved from SHRD to the Director's Office during FY 2014. Personal services changes between biennia supported by general fund include:

- Annualization of increases provided in FY 2015
- Annualization of state share contribution for health insurance
- Reclassification of 2.25 FTE
- Reinstating funding for vacancy savings assessed in the 2015 biennium. The executive chose to eliminate positions from other areas to comply with the boilerplate language of HB 2 passed by the 2013 Legislature

Operating expense increases between biennia are due to:

- Funding increases for IT professional and consulting services for programming changes for a recruitment project. The costs occurred in FY 2014 and are carried into the 2017 biennium. They were not included in FY 2015 budgeted operating expenses.

Funding

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

Department of Administration, 23-State Human Resources Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,467,519	0	0	3,467,519	30.95 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06525 Intergovernmental Training	0	754,295	0	754,295	9.75 %	
06563 Payroll Fund	0	6,981,946	0	6,981,946	90.25 %	
Proprietary Total	\$0	\$7,736,241	\$0	\$7,736,241	69.05 %	
Total All Funds	\$3,467,519	\$7,736,241	\$0	\$11,203,760		

HB 2

General fund supports the Human Resources Policy and Programs Bureau.

Proprietary Funding

The majority of the division’s operations are supported by proprietary funds that support two programs:

- Professional Development Center (PDC)
- Human Resource Information Services Bureau

The PDC is supported through fees in the form of tuition paid by state agencies that enroll employees in the various classes provided by PDC and fees for other services offered by the PDC.

The HRIS Bureau is funded through a fee charged state agencies for each employee payroll processed in a pay period. Both of these funds are considered and approved as rates charged to other state agencies and are discussed in the “Proprietary Rates” section of the narrative.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,919,476	1,919,476	3,838,952	110.71 %	1,919,476	1,919,476	3,838,952	110.71 %
PL Adjustments	(184,116)	(187,317)	(371,433)	(10.71)%	(184,116)	(187,317)	(371,433)	(10.71)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,735,360	\$1,732,159	\$3,467,519		\$1,735,360	\$1,732,159	\$3,467,519	

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	(247,010)	0	0	(247,010)	0.00	(249,398)	0	0	(249,398)
DP 99 - LEG. Present Law	0.00	62,894	0	0	62,894	0.00	62,081	0	0	62,081
Grand Total All Present Law Adjustments	0.00	(\$184,116)	\$0	\$0	(\$184,116)	0.00	(\$187,317)	\$0	\$0	(\$187,317)

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. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	14.25	\$6,926	\$0	\$0	\$6,926
Executive Implementation of 2015 Pay Increase		21,173	-	-	21,173
Fully Fund 2015 Legislatively Authorized FTE		28,203	-	-	28,203
Other	(1.54)	(303,311)	-	-	(303,311)
Personal Services Present Law Adjustments	12.71	(\$247,010)	\$0	\$0	(\$247,010)
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	14.25	\$6,926	\$0	\$0	\$6,926
Executive Implementation of 2015 Pay Increase		21,173	-	-	21,173
Fully Fund 2015 Legislatively Authorized FTE		28,203	-	-	28,203
Other	(1.54)	(305,699)	-	-	(305,699)
Personal Services Present Law Adjustments	12.71	(\$249,398)	\$0	\$0	(\$249,398)

The majority of the change in personal services is due to the reorganization bringing the Office of Labor Relations into the Director's Office.

DP 99 - LEG. Present Law -

As shown in the present law adjustment table on the previous page the executive proposes increases for SHRD. The changes reflect higher projected costs for IT professional consulting services.

Other Issues -

Proprietary Rates

The State Human Resources Division provides the following programs funded through proprietary rates:

- Professional Development Center (PDC), which trains state employees

- Human Resource Information Services, including payroll and benefits eligibility processing

Professional Development Center/Training Program - 06525*Program Description*

The PDC program provides training and related services throughout locations in the state of Montana. The PDC offers training directed towards improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design.

Program Narrative

The 2017 Biennium Report on Internal Service and Enterprise Funds is shown on the following page. As shown the program began FY 2014 with a negative fund balance but strong revenues in the period allowed the program to generate sufficient revenues to pay for costs of the program in the year and provide for a positive ending fund balance (net position).

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Human Resources Division			
	Fund	Fund Name					
	06525	Intergovernmental Training					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
	Fee Revenue A	293,959	318,012	407,877	423,032	405,000	405,000
	Other Operating Revenue	-	40	244	-	-	-
	Total Operating Revenues	293,959	318,052	408,121	423,032	405,000	405,000
Expenses:							
	Personal Services	246,036	175,330	190,456	240,319	242,252	241,630
	Other Operating Expenses	123,302	124,222	132,909	144,445	135,395	135,018
	Total Operating Expenses	369,338	299,552	323,365	384,764	377,647	376,648
	Operating Income (Loss)	(75,379)	18,500	84,756	38,268	27,353	28,352
Nonoperating Revenues:							
Nonoperating Expenses:							
	Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
	Income (Loss) Before Contributions and Transfers	(75,379)	18,500	84,756	38,268	27,353	28,352
	Transfers In	24,002	-	-	-	-	-
	Change in Net Position	(51,377)	18,500	84,756	38,268	27,353	28,352
	Beginning Net Position - July 1	23,564	(27,813)	(9,313)	75,443	113,711	141,064
	Change in Net Position	(51,377)	18,500	84,756	38,268	27,353	28,352
	Ending Net Position - June 30	(27,813)	(9,313)	75,443	113,711	141,064	169,416
Net Position (Fund Balance) Analysis							

Expenses

Significant costs for the program include:

- Personal services of \$0.5 million over the biennium
- Operating expenses of \$0.3 million over the biennium

To manage costs in FY 2014 the PDC left about 0.50 FTE of 2.0 FTE training development specialists vacant.

Revenues

Funding for the PDC is generated through two rates:

1. Open-enrollment fees, which is per-person tuition charged for attendance. Tuition rates are based on two factors: 1) projected attendance; and 2) competitive pricing.

- 2. Contract fees, which is a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

Proprietary Rates

For the 2017 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
PDC Fee per FTE	N/A	N/A	N/A	N/A
Fee Group A				
Training Services per hour				
Open Enrollment Courses				
Two-Day Course (per participant)	\$190.00	\$190.00	\$190.00	\$190.00
One-Day Course (per participant)	\$123.00	\$123.00	\$123.00	\$123.00
Half-Day Course (per participant)	\$95.00	\$95.00	\$95.00	\$95.00
Eight-Day Management Series (per participant)	\$570.00	\$570.00	\$800.00	\$800.00
Six-Day Management Series (per participant)	\$440.00	\$440.00	\$600.00	\$600.00
Four-Day Administrative Assistant Series (per participant)	\$333.00	\$333.00	\$400.00	\$400.00
Contract Courses				
Full Day Training (flat fee)	\$830.00	\$830.00	\$915.00	\$915.00
Half Day Training (flat fee)	\$570.00	\$570.00	\$630.00	\$630.00
The Training Program determines rates by analyzing its billable staff hours, overhead costs, and variable costs which are directly associated with providing a specific training services. Service fees include an allocation of total overhead costs based on an estimate of total billable hours during the year. Rates are established to build up to a 60-day working capital.				

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.

Human Resources Information System Bureau (HRIS) - 06563

Program Description:

The HRIS Bureau operates the SABHRS-HR payroll, benefits and human resources system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for over 13,500 state employees in the Executive, Legislative and Judicial branches. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and

programs including employee benefits (group insurance, FSA, deferred compensation, and pension) classification, pay, labor relations, policy, and training.

Program Narrative:

Overall program costs to state agencies increase 0.01% in FY 2016 and 1.17% in FY 2017 for HRIS. As shown in the figure in below, the executive proposes to utilize fund balance to offset increased program costs for the program.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Human Resources Division			
	Fund 06563	Fund Name Payroll Fund					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		2,835,394	3,309,456	3,299,769	3,320,064	3,313,523	3,327,153
Other Operating Revenue		772	772	861	1,000	500	500
Total Operating Revenues		2,836,166	3,310,228	3,300,630	3,321,064	3,314,023	3,327,653
Expenses:							
Personal Services		1,520,347	1,567,523	1,805,636	1,686,308	1,953,827	1,954,197
Other Operating Expenses		1,623,486	1,358,218	1,295,782	1,641,701	1,571,211	1,502,711
Total Operating Expenses		3,143,833	2,925,741	3,101,418	3,328,009	3,525,038	3,456,908
Operating Income (Loss)		(307,667)	384,487	199,212	(6,945)	(211,015)	(129,255)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(307,667)	384,487	199,212	(6,945)	(211,015)	(129,255)
Transfers Out		(49,667)	(49,578)	-	-	-	-
Change in Net Position		(357,334)	334,909	199,212	(6,945)	(211,015)	(129,255)
Beginning Net Position - July 1		1,161,841	804,507	1,139,416	1,338,628	1,331,683	1,120,668
Change in Net Position		(357,334)	334,909	199,212	(6,945)	(211,015)	(129,255)
Ending Net Position - June 30		804,507	1,139,416	1,338,628	1,331,683	1,120,668	991,413
Net Position (Fund Balance) Analysis							

Expenses

Significant costs for the program include:

- \$3.9 million in personal services over the 2017 biennium to support 21.75 FTE
- \$3.1 million in operating costs, including:
 - \$0.9 million in IT costs
 - \$1.0 million in multi-user computers and terminals
 - \$0.4 million in indirect administrative costs

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Changes in Vacancy Savings Result in Personal Services Increases

As discussed in the agency summary, proprietarily funded programs were assessed vacancy savings in previous biennia in line with the vacancy savings required of HB 2 programs. In the 2017 biennium the proprietary programs eliminated vacancy savings but did not provide for corresponding reductions in positions to offset the increased program costs. As a result, SHRD proprietary program personal services costs increased by about \$88,000 each year of the biennium with \$78,000 attributable to HRIS.

A review of the positions within HRIS shows that 1.25 FTE were vacant throughout the year, a .25 FTE for an operations manager and 1.00 FTE associated with a computer information systems manager. The costs associated with each position by fiscal year are shown in the figure below.

Department of Administration State Human Resources Division Vacant FTE in FY 2014			
Position	FTE	FY 2016	FY 2017
Computer Information Systems Manager	1.00	122,134	121,803
Operations Manager	<u>0.25</u>	<u>36,611</u>	<u>36,511</u>
Total	1.25	<u>\$158,745</u>	<u>\$158,314</u>

Reducing costs supported by the proprietary rates would allow for a reduction in costs to state agencies.

Legislative Option

If the legislature wishes to mitigate the impact of higher personal services costs it may:

1. Eliminate all or a portion of the funding for the FTE which were vacant; or
2. Assess vacancy savings to permanent proprietarily funded positions in the SHRD program to reduce total costs of the programs.

Revenues

HRIS rates are set as a fixed cost and allocated out to each agency based on the number of paychecks processed during the two prior fiscal years.

Proprietary Rates

For the 2017 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
HRIS fees (per employee process per pay period)	8.06	8.10	8.13	8.15	8.15	8.15
Health Resources Information Services (HRIS) rates have been established under the authority of 2-18-401, MCA and 2-18-403, MCA. Projected HRIS expenditures anticipated for the 2017 biennium are distributed as a fixed cost fee to the Health Care Benefits Division for services rendered by HRIS to support benefit operations associated with managing the state's payroll system; and as a fixed cost rate to state agencies based on an estimated average number of payroll warrants/advices per pay period per agency. The agencies' payroll warrant/advice counts are based upon FY 2013 and FY 2014 data.						

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.