

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	12.00	12.00	11.00	11.00	12.00	11.00	(1.00)	(8.33)%
Personal Services	655,800	761,155	772,464	772,557	1,416,955	1,545,021	128,066	9.04 %
Operating Expenses	2,270,880	2,421,560	2,621,048	2,621,208	4,692,440	5,242,256	549,816	11.72 %
Transfers	135,117	200,000	135,117	135,117	335,117	270,234	(64,883)	(19.36)%
Total Costs	\$3,061,797	\$3,382,715	\$3,528,629	\$3,528,882	\$6,444,512	\$7,057,511	\$612,999	9.51 %
General Fund	785,698	867,217	883,015	882,874	1,652,915	1,765,889	112,974	6.83 %
State/Other Special Rev. Funds	2,276,099	2,515,498	2,645,614	2,646,008	4,791,597	5,291,622	500,025	10.44 %
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$3,061,797	\$3,382,715	\$3,528,629	\$3,528,882	\$6,444,512	\$7,057,511	\$612,999	9.51 %

Program Description

The Montana Correctional Enterprises (MCE) Industry program includes furniture, upholstery, print, sign, sewing, garment graphics, and laundry operations at the Montana State Prison and Montana Women's Prison facilities. At the current time there are no programs operating at the regional and private facilities.

The MCE Ranch and Dairy operation includes range cattle, crops, feedlot, land management, dairy milking parlor, dairy processing, heifer reproduction, and lumber processing, which are all located at the Montana State Prison facility.

The MCE Vocational Education program operates a motor vehicle maintenance shop and Toyota cutaway operation at the Montana State Prison facility.

The MCE Food Factory program prepares bulk and trayed meals, including baked goods, at the Montana State Prison facility for eight institutions in Montana.

The MCE License Plate program manufactures vehicle license plates at the Montana State Prison facility. Currently there are over 160 different types of plates manufactured.

The MCE Inmate Canteen provides offender commissary goods for all Montana correctional facilities. The commissary is located at the Montana State Prison facility.

The Adult Education and MCE Vocational Education program is funded with general fund and operates at the Montana State Prison.

Program Highlights

Montana Correctional Enterprises Major Budget Highlights
<ul style="list-style-type: none"> • Compared to the 2015 legislative funding, budget changes are for: <ul style="list-style-type: none"> ◦ A request to purchase items for the prison canteen ◦ Funding to annualize the 2013 legislative pay plan
Major LFD Issues
<ul style="list-style-type: none"> • Revenues estimated by the executive for the industries proprietary program may not be realistic

Program Discussion -

FY 2016 and FY 2017 contain any reductions in FTE made by the executive to implement the boilerplate language in HB 2. Though intended by the legislature, the FY 2014 and FY 2015 FTE levels do not reflect this language.

Personal Services

In the FY 2015 legislative budget, personal services comprised 59.5% of the program budget. The Governor proposes 59.7% in FY 2016 and FY 2017. The increases in costs are due to:

- Funding to annualize pay increases of the legislative pay plan
- Funding to annualize pay increases provided at the agency’s discretion

For this program, 133 pay adjustments were funded within the agency’s budget during FY 2014 in addition to the increases funded in HB 13. These additional increases averaged 7.3% and added an estimated \$280,000 to the funding requirements of subsequent years. Of these increases 62% were for market adjustments and 30% were for career ladder adjustments.

Funding

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

Department of Corrections, 04-Mont Correctional Enterprises Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,765,889	0	0	1,765,889	5.13 %
02917 MSP Canteen Revolving Acct	5,291,622	0	0	5,291,622	100.00 %
State Special Total	\$5,291,622	\$0	\$0	\$5,291,622	15.36 %
03315 Misc Federal Grants	0	0	0	0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
06033 Prison Ranch	0	9,089,283	0	9,089,283	33.18 %
06034 MSP Institutional Industries	0	5,141,961	0	5,141,961	18.77 %
06545 Prison Indust. Training Prog	0	1,276,437	0	1,276,437	4.66 %
06572 MCE License Plate Production	0	3,229,924	0	3,229,924	11.79 %
06573 MSP - Cook Chill	0	8,660,139	0	8,660,139	31.61 %
Proprietary Total	\$0	\$27,397,744	\$0	\$27,397,744	79.52 %
Total All Funds	\$7,057,511	\$27,397,744	\$0	\$34,455,255	

The bulk of the HB 2 funding for this program comes from the general fund. A small amount of the program’s funding comes from state special revenue, primarily from fees charged for the collection of restitution from offenders. The remainder

of the program's funding comes from proprietary funds such as the prison ranch, industries program, and cook chill operation.

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. 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	867,217	867,217	1,734,434	98.22 %	3,382,715	3,382,715	6,765,430	95.86 %
PL Adjustments	15,798	15,657	31,455	1.78 %	145,914	146,167	292,081	4.14 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$883,015	\$882,874	\$1,765,889		\$3,528,629	\$3,528,882	\$7,057,511	

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	(10,293)	21,602	0	11,309	0.00	(10,513)	21,915	0	11,402
DP 99 - LEG. Present Law	0.00	26,091	108,514	0	134,605	0.00	26,170	108,595	0	134,765
Grand Total All Present Law Adjustments	0.00	\$15,798	\$130,116	\$0	\$145,914	0.00	\$15,657	\$130,510	\$0	\$146,167

DP 98 - LEG. Personal Services Present Law -

The following table outlines various components of the changes included in the PS PL 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	11.00	\$3,888	\$1,458	\$0	\$5,346
Executive Implementation of 2015 Pay Increase		8,596	2,819	-	11,415
Fully Fund 2015 Legislatively Authorized FTE		13,461	-	-	13,461
Other		(36,238)	17,325	-	(18,913)
Personal Services Present Law Adjustments	11.00	(\$10,293)	\$21,602	\$0	\$11,309

FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	11.00	\$3,888	\$1,458	\$0	\$5,346
Executive Implementation of 2015 Pay Increase		8,596	2,819	-	11,415
Fully Fund 2015 Legislatively Authorized FTE		13,461	-	-	13,461
Other		(36,458)	17,638	-	(18,820)
Personal Services Present Law Adjustments	11.00	(\$10,513)	\$21,915	\$0	\$11,402

The executive has proposed to increase general fund to support personal services by 1.5% in FY 2016 and FY 2017 compared to the FY 2015 legislative budget.

Other - Changes that make up the other adjustments include the following, while individually listed adjustments in the other category are described separately:

- Overtime

The executive requests funding for overtime at levels that are \$8,500 per year lower than the FY 2015 legislative funding for overtime. Inmate pay is requested at the FY 2015 legislative funding level.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
FY 2016				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Additional Canteen Authority	\$0	\$36,221	\$0	\$36,221
Other	26,091	72,293	-	98,384
Legislative Present Law Adjustments	\$26,091	\$108,514	\$0	\$134,605

FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Additional Canteen Authority	\$0	\$36,221	\$0	\$36,221
Other	26,170	72,374	-	98,544
Legislative Present Law Adjustments	\$26,170	\$108,595	\$0	\$134,765

The executive has proposed to increase general fund support for all other expenditure categories excluding personal services by 5.1% in FY 2016 and in FY 2017 compared to the FY 2015 legislative budget. Changes that make up the other category include the following, while individually listed adjustments are described separately:

- FY 2014 expenditures for transfers that were not budgeted in the FY 2015 legislative funding

In FY 2014, the program expended funds for transfers that are not budgeted in the FY 2015 legislative funding. The executive requests the FY 2014 expenditure level.

Additional Canteen Authority - The executive requests increased authority to make purchases for the prison canteen.

Other Issues -

The Montana Correctional Enterprises Program provides the following functions funded with proprietary funds. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Prison Ranch
- Industries
- Food Factory
- License Plate Operations

Agricultural – Fund 06033*Proprietary Proposed Budget*

The 2017 biennium report on enterprise funds for the Prison Ranch shows the financial information for the fund from FY 2012 through FY 2017. The report is provided as submitted by the executive and is included in the appendix for this agency.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises			
	Fund	Fund Name					
	06033	Prison Ranch					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A		4,751,321	4,426,329	4,951,689	5,100,000	5,150,000	5,250,000
Revenue A		-	3,500	3,177	-	-	-
Total Operating Revenues		4,751,321	4,429,829	4,954,866	5,100,000	5,150,000	5,250,000
Expenses:							
Personal Services							
Other Operating Expenses		1,393,101	1,417,047	1,542,480	1,619,604	1,668,192	1,718,237
Expense B		-	-	-	-	550,000	-
Total Operating Expenses		3,927,046	4,614,216	4,850,416	5,019,604	5,668,192	5,218,237
Operating Income (Loss)		824,275	(184,387)	104,450	80,396	(518,192)	31,763
Nonoperating Revenues:							
Other Revenue A		139,268	(23,608)	679,679	-	-	-
Nonoperating Expenses:							
Other Expense A		(62,099)	55,054	222,414	-	-	-
Total Nonoperating Revenues (Expenses)		77,169	31,446	902,093	-	-	-
Income (Loss) Before Contributions and Transfers		901,444	(152,941)	1,006,543	80,396	(518,192)	31,763
Transfers In							
Transfers Out		61,000	-	-	-	-	-
Change in Net Position		901,444	(152,941)	1,006,543	80,396	(1,068,192)	31,763
Beginning Net Position - July 1		9,572,265	10,473,709	10,320,768	11,327,311	11,407,707	10,339,515
Change in Net Position		901,444	(152,941)	1,006,543	80,396	(1,068,192)	31,763
Ending Net Position - June 30		10,473,709	10,320,768	11,327,311	11,407,707	10,339,515	10,371,278
Net Position (Fund Balance) Analysis							

Proprietary Program Description

The Agriculture program trains inmates in specific work skills and life skills in operations which include range and dairy cattle production, dairy milking parlor and processing plant, crops and land management, lumber processing, wild land firefighting, and various community work programs.

Proprietary Program Narrative

Expenses

Personal services funds 21.76 FTE. The largest operating expenses for the program include items such as feed, grain, gasoline, diesel fuel, and veterinary supplies. The cost of these supplies varies with general economic conditions.

Revenues

Revenues for this program are derived primarily from the sale of raw milk and livestock. Additionally, a small amount of revenue is generated through logging. Revenues vary depending upon general economic conditions that impact commodity prices.

Funding Sources

Prison ranch products are sold in the private sector.

Proprietary Present Law Adjustments

Present law adjustments for this fund consist of reductions of \$43,822 for the biennium associated with statewide present law adjustments.

Proprietary Rates

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program.

MSP Institutional Industries – Fund 06034

Proprietary Proposed Budget

The 2017 biennium report on enterprise funds for the MSP Institutional Industries shows the financial information for the fund from FY 2012 through FY 2017. The report is provided as submitted by the executive and is included in the appendix for this agency.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises			
	Fund	Fund Name					
	06034	MSP Institutional Industries					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
	Fee Revenue A	2,528,434	2,515,381	2,665,450	2,750,000	3,016,460	3,132,460
	Total Operating Revenues	2,528,434	2,515,381	2,665,450	2,750,000	3,016,460	3,132,460
Expenses:							
	Personal Services	936,909	978,376	1,013,636	1,144,318	1,178,648	1,214,007
	Other Operating Expenses	1,327,272	1,309,503	1,483,241	1,680,865	1,806,929	1,897,276
	Total Operating Expenses	2,264,181	2,287,879	2,496,877	2,825,183	2,985,577	3,111,283
	Operating Income (Loss)	264,253	227,502	168,573	(75,183)	30,883	21,177
Nonoperating Revenues:							
Nonoperating Expenses:							
	Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
	Income (Loss) Before Contributions and Transfers	264,253	227,502	168,573	(75,183)	30,883	21,177
	Capital Contributions	-	-	2,135	-	-	-
	Change in Net Position	264,253	227,502	170,708	(75,183)	30,883	21,177
	Beginning Net Position - July 1	1,815,738	2,079,991	2,307,493	2,478,201	2,403,018	2,433,901
	Change in Net Position	264,253	227,502	170,708	(75,183)	30,883	21,177
	Ending Net Position - June 30	2,079,991	2,307,493	2,478,201	2,403,018	2,433,901	2,455,078
Net Position (Fund Balance) Analysis							

Proprietary Program Description

The Industries program trains inmates in specific work skills and life skills in operations which include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, Web design, marketing, and hygiene kit assembly. In addition Industries includes a dog training program located at the Montana Women’s Prison, called Prison Paws and teaches inmates how to provide basic training and social skills to dogs that have been donated to the program or rescued from the local animal shelters.

Two industries are certified by the U.S. Justice Department’s Prison Industry Enhancement Certification Program. Inmates in these programs are paid prevailing wage for their work, and 80 percent of their gross wage is deducted for state and federal income tax, crime victim compensation, family support, and room and board. In addition, each inmate working in a certified program has 10 percent of his or her net wages deposited into a mandatory savings account available upon release.

Proprietary Program Narrative

Expenses

The expenses are split almost equally between personal services for 19.75 FTE and operating expenses. The largest categories of operating expenses for the program include items related to furniture manufacturing, shop supplies, and items to be embroidered.

Revenues

Revenues are derived primarily from the sale of merchandise (furniture and signs) and charges for laundry services. In FY 2014 about \$1.1 million, or 41.8%, of revenue was derived from furniture sales and upholstery work, and garment graphics to state agencies and the private sector and \$367,000 was derived from the provision of laundry services to Montana State Prison (MSP) and Montana State Hospital (MSH).

Funding Sources

Because a large portion of revenues are the result of business done with state agencies, a portion of the revenue from this program comes indirectly from the general fund and other special revenue and proprietary funds in undeterminable amounts.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$492,557 for the biennium to fund statewide present law adjustments.

Proprietary Rates

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Although the industries program is an enterprise fund, it has requested rate approvals for the laundry rate per pound, as these will directly affect the general fund customers served. The laundry is not an internal service fund as it is a small operation in the overall industries program. The executive is requesting requesting rate increases of \$.07 and \$.08 per pound for FY 2016 and FY 2017 respectively. The following rates are requested for the 2017 biennium.

Requested Rates for Internal Service - Fund 06034				
Rate Item	Actual FY 2014	Budgeted FY 2015	Request FY 2016	Request FY 2017
Cost Per Pound Laundry Services	\$0.51	\$0.52	\$0.59	\$0.60
Delivery Charge per Pound:				
Montana Development Center	0.05	0.05	0.05	0.05
Riverside Youth Correctional Facility	0.05	0.05	0.05	0.05
Montana Law Enforcement Academey	0.15	0.15	0.15	0.15
Montana Chemical Dependency Corp	0.04	0.04	0.04	0.04
START Program	0.01	0.01	0.01	0.01
Montana State Hospital	(0.01)	(0.01)	-	-
University of Montana	0.20	0.20	0.20	0.20

MCE Food Factory – Fund 06573

Proprietary Proposed Budget

The 2017 biennium report on internal service funds for the MCE Food Factory shows the financial information for the fund from FY 2012 through FY 2017. The report is provided as submitted by the executive and is included in the appendix for this agency.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises			
	Fund	Fund Name					
	06573	MSP - Cook Chill					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		3,918,933	3,979,361	4,429,009	4,632,211	4,700,000	5,166,901
Total Operating Revenues							
		3,918,933	3,979,361	4,429,009	4,632,211	4,700,000	5,166,901
Expenses:							
Personal Services							
		973,675	952,023	1,023,955	1,135,153	1,169,207	1,204,283
Other Operating Expenses							
		3,077,361	3,273,454	3,226,740	3,323,543	3,489,720	3,664,206
Total Operating Expenses							
		4,051,036	4,225,477	4,250,695	4,458,696	4,658,927	4,868,489
Operating Income (Loss)							
		(132,103)	(246,116)	178,314	173,515	41,073	298,412
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		(132,103)	(246,116)	178,314	173,515	41,073	298,412
Transfers Out							
		(170,000)	-	-	-	-	-
Change in Net Position							
		(302,103)	(246,116)	178,314	173,515	41,073	298,412
Beginning Net Position - July 1							
		2,607,096	2,304,993	2,058,877	2,237,191	2,410,706	2,451,779
Change in Net Position							
		(302,103)	(246,116)	178,314	173,515	41,073	298,412
Ending Net Position - June 30							
		2,304,993	2,058,877	2,237,191	2,410,706	2,451,779	2,750,191
Net Position (Fund Balance) Analysis							

Proprietary Program Description

This proprietary program consists of food processing and creation of trayed meals and products that are sold to other facilities of the agency and the Montana State Hospital at Warm Springs.

Proprietary Program Narrative

Expenses

The expenses include personal services for 22.00 FTE and operating expenses, with the bulk of the funding supporting operating costs. The largest category of operating cost is raw materials, which includes the various grocery type items needed to prepare meals.

Revenues

Revenues are derived from the sale of meals to facilities. The largest customer is MSP.

Funding Sources

Revenues supporting MSP, the food factory's largest customer, come from the general fund.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$178,000 for the biennium to fund statewide present law adjustments.

Proprietary Rates

This program is funded with an internal service type proprietary fund. As such, the legislature approves the maximum rates the program may charge for its services. The executive requests the following rates for the 2017 biennium. The overhead charges are allocated in the same percentages as in the 2015 biennium. There are no changes proposed for delivering meals. The executive proposes increases for all tray meal prices in FY 2017. The requested rates are shown on the figure.

Requested Rates for Internal Service - Fund 06573				
Rate Item	Actual FY 2014	Budgeted FY 2015	Request FY 2016	Request FY 2017
Tray Meal Prices to all customers				
Base Tray-hot/cold	\$2.14	\$2.32	\$2.32	\$2.35
Base Tray-hot	1.08	1.18	1.18	1.22
Detention Center Trays	2.72	2.92	2.92	2.95
Accessory Package	0.16	0.16	0.16	0.16
Delivery Charge Per Trayed Meal				
Delivery charge per mile	0.50	0.50	0.50	0.50
Delivery charge per hour	35.00	35.00	35.00	35.00
Spoilage percentage to all bulk customers	5%	5%	5%	5%
Overhead Charges				
Montana State Prison	76%	76%	76%	76%
Montana State Hospital	11%	11%	11%	11%
Treasure State Correctional Training	13%	13%	13%	13%

Note: Bulk food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses. Overhead charge is based on historical costs and volume of sales to the customer, as a percentage of overall food costs. Delivery is based on actual delivery costs.

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.

Vocational Education (Industries Training) – Fund 06545

Proprietary Proposed Budget

The 2017 biennium report on internal service funds for vocational education shows the financial information for the fund from FY 2012 through FY 2017. The report is provided as submitted by the executive and is included in the appendix for this agency.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises			
	Fund	Fund Name					
	06545	Prison Indust. Training Prog					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		585,665	606,566	543,328	593,328	600,000	600,000
Total Operating Revenues							
		585,665	606,566	543,328	593,328	600,000	600,000
Expenses:							
Personal Services							
		145,423	160,540	187,009	194,459	200,293	200,294
Other Operating Expenses							
		382,333	403,557	389,952	395,000	397,000	397,000
Total Operating Expenses							
		527,756	564,097	576,961	589,459	597,293	597,294
Operating Income (Loss)							
		57,909	42,469	(33,633)	3,869	2,707	2,706
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers							
		57,909	42,469	(33,633)	3,869	2,707	2,706
Change in Net Position							
		57,909	42,469	(33,633)	3,869	2,707	2,706
Beginning Net Position - July 1							
		49,265	107,174	149,643	116,010	119,879	122,586
Change in Net Position							
		57,909	42,469	(33,633)	3,869	2,707	2,706
Ending Net Position - June 30							
		107,174	149,643	116,010	119,879	122,586	125,292
Net Position (Fund Balance) Analysis							

**LFD
ISSUE**

Fee Revenue Not Realistic

The fee revenues shown on the report for each year of the 2017 biennium are questionable as they are exactly the same as projected for FY 2015, even though the executive is proposing an increase in rates with no change in expected demand for the services. Given the revenue estimates shown on the report the program would be operating at a loss and net assets are being depleted. If revenues are accurate, they will be just enough to fund expenses of this program during the 2017 biennium.

Before considering the proposed rates, the legislature may want to request that the agency provide updated revenue estimates for FY 2016 and FY 2017 to see how more realistic revenues would impact operating income.

Proprietary Program Description

The Vocational Education program trains inmates in specific work skills and life skills in operations which include motor vehicle maintenance, welding and machining and metals programs in conjunction with the general fund vocational education program.

Proprietary Program Narrative

Expenses

The expenses are split between personal services (4.00 FTE) and operating expenses, with about one-third of the budget supporting personal services and the remaining two-thirds supporting operating costs. The largest category of operating expense for the program is merchandise.

Revenues

Revenues are derived primarily from motor vehicle maintenance completed for MSP and the prison ranch.

Funding Sources

Because a largest portion of the revenues are the result of business done with MSP and the prison ranch, the primary funding sources supporting payment for services are the ranch proprietary fund and the general fund, which supports MSP.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$132,000 for the biennium to fund statewide present law adjustments.

Proprietary Rates

This program is funded with an internal service type proprietary fund. As such, the legislature approves the maximum rates the program may charge for its services. The executive requests the following rates for the program.

Requested Rates for Internal Service - Fund 06545				
Rate Item	Actual FY 2014	Budgeted FY 2015	Request FY 2016	Request FY 2017
Labor Charge/hour	\$27.45	\$28.45	\$28.45	\$28.45
Supply fee as percentage of actual cost of parts	5%	5%	8%	8%
Parts are sold at cost				

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.

MCE License Plate – Fund 06572

Proprietary Proposed Budget

The 2017 biennium report on internal service funds for the license plate program shows the financial information for the fund from FY 2012 through FY 2017. The report is provided as submitted by the executive and is included in the appendix for this agency.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 64010	Agency Name: Department of Corrections			Program Name: Mont Correctional Enterprises			
	Fund	Fund Name					
	06572	MCE License Plate Production					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues:							
Fee and Charges							
	Fee Revenue A	847,418	1,485,978	1,927,342	1,752,129	1,950,000	1,950,000
	Total Operating Revenues	847,418	1,485,978	1,927,342	1,752,129	1,950,000	1,950,000
Expenses:							
	Personal Services	153,904	160,183	175,082	208,836	215,101	221,554
	Other Operating Expenses	973,047	997,724	1,335,942	1,510,000	1,825,000	2,235,000
	Total Operating Expenses	1,126,951	1,157,907	1,511,024	1,718,836	2,040,101	2,456,554
	Operating Income (Loss)	(279,533)	328,071	416,318	33,293	(90,101)	(506,554)
Nonoperating Revenues:							
Nonoperating Expenses:							
	Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
	Income (Loss) Before Contributions and Transfers	(279,533)	328,071	416,318	33,293	(90,101)	(506,554)
	Transfers Out	(1,222,061)	-	-	-	-	-
	Change in Net Position	(1,501,594)	328,071	416,318	33,293	(90,101)	(506,554)
	Beginning Net Position - July 1	3,315,414	1,813,820	2,141,891	2,558,209	2,591,502	2,501,401
	Change in Net Position	(1,501,594)	328,071	416,318	33,293	(90,101)	(506,554)
	Ending Net Position - June 30	1,813,820	2,141,891	2,558,209	2,591,502	2,501,401	1,994,847
Net Position (Fund Balance) Analysis							

Proprietary Program Description

This proprietary program consists of license plate manufacturing. The License Plate Factory program trains inmates in specific work skills and life skills in license plate production, inventory control and shipping, while providing all license plates to County Treasurers throughout Montana.

Proprietary Program Narrative

Expenses

The expenses for this program include personal services for 2.50 FTE and operating expenses, with the bulk of the funding supporting operating costs for materials used in the production of license plates.

Revenues

Revenues are derived from the sale of license plates to the Department of Justice. The Department of Justice pays for the license plates with fee revenue collected from license plate sales.

Funding Sources

Revenues supporting license plate manufacturing come from members of the public who purchase license plates.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of a reduction of \$33,000 for the biennium associated with statewide present law adjustments.

Proprietary Rates

This program is funded with an internal service type proprietary fund. As such, the legislature approves the maximum rates the program may charge for its services. The executive requests the legislature approved \$6.20 per set of plates as the rate for both FY 2016 and FY 2017. This is the same rate set for the 2015 biennium.

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.