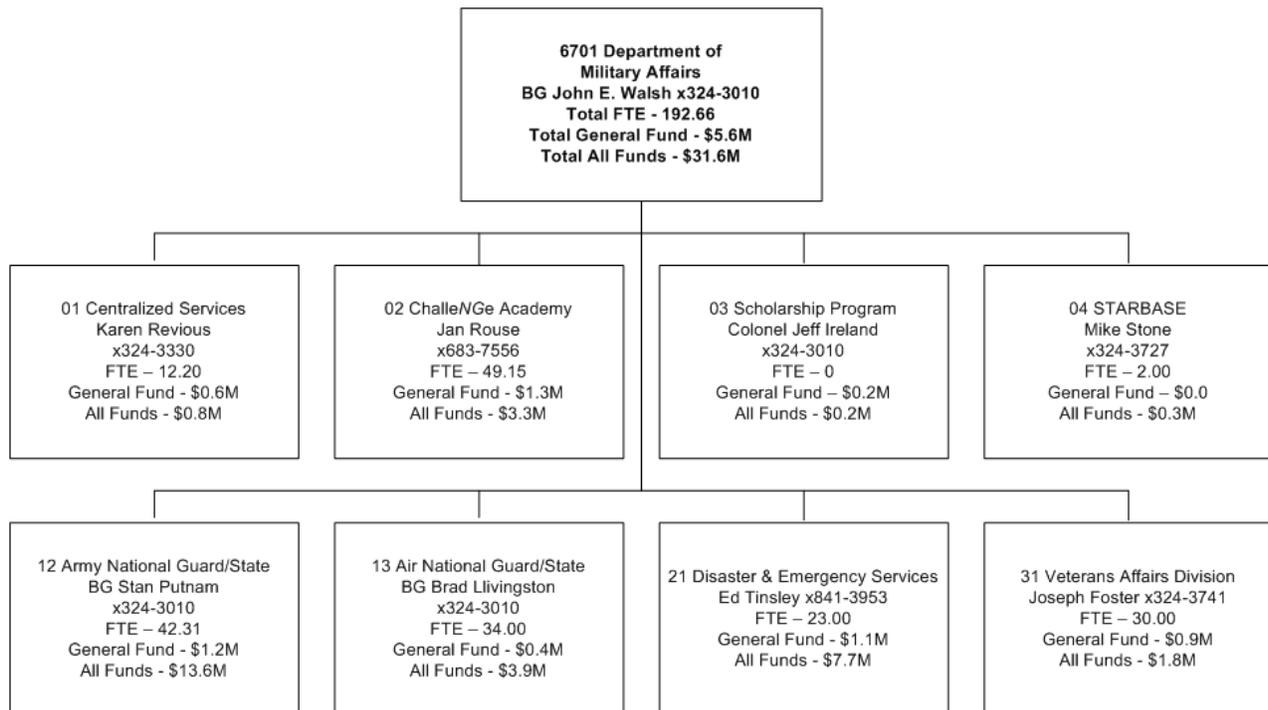


**Agency Budget Comparison**

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	192.66	192.66	193.82	193.82	192.66	193.82	1.16	0.60%
Personal Services	10,767,265	10,506,254	11,184,368	11,209,981	21,273,519	22,394,349	1,120,830	5.27%
Operating Expenses	14,815,955	16,327,320	15,610,541	15,562,628	31,143,275	31,173,169	29,894	0.10%
Equipment & Intangible Assets	357,423	323,976	357,423	357,423	681,399	714,846	33,447	4.91%
Capital Outlay	0	0	0	0	0	0	0	n/a
Grants	5,265,505	13,614,431	5,367,505	5,367,505	18,879,936	10,735,010	(8,144,926)	(43.14%)
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00%
Transfers	441,549	0	441,549	441,549	441,549	883,098	441,549	100.00%
<b>Total Costs</b>	<b>\$31,649,977</b>	<b>\$40,774,261</b>	<b>\$32,963,666</b>	<b>\$32,941,366</b>	<b>\$72,424,238</b>	<b>\$65,905,032</b>	<b>(\$6,519,206)</b>	<b>(9.00%)</b>
General Fund	5,612,637	5,825,156	5,622,291	5,613,922	11,437,793	11,236,213	(201,580)	(1.76%)
State Special	1,127,398	1,393,170	1,383,886	1,366,373	2,520,568	2,750,259	229,691	9.11%
Federal Special	24,909,942	33,555,935	25,957,489	25,961,071	58,465,877	51,918,560	(6,547,317)	(11.20%)
<b>Total Funds</b>	<b>\$31,649,977</b>	<b>\$40,774,261</b>	<b>\$32,963,666</b>	<b>\$32,941,366</b>	<b>\$72,424,238</b>	<b>\$65,905,032</b>	<b>(\$6,519,206)</b>	<b>(9.00%)</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 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.



**Agency Description**

Agency Mission: To provide for safety and well being for citizens of Montana through mission-ready forces, for federal and state activations, emergency services as directed by the Governor, and services to Montana Veterans.

The Department of Military Affairs is administered by the Adjutant General and his staff. The agency oversees all activities of the Army and Air National Guard, Disaster and Emergency Services, the National Guard Youth Challenge program, and the National Guard educational outreach program, STARBASE. The Veterans Affairs Division, which is administratively attached to the department, manages and coordinates with state and federal agencies in providing services for veterans and their families as well as the state veterans' cemeteries.

The department, through the Army and Air National Guard, manages a joint federal-state program that maintains trained and equipped military organizations for the Governor in the event of a state emergency and the President in the event of a national emergency. The department also plans for and coordinates state responses in disaster and emergency situations.

### Agency Highlights

<b>Department of Military Affairs Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Governor's proposed budget decreases by 9% from the previous biennium due primarily from a change in the requested level of federal special revenue spending authority related to federal grant funds</li> <li>◆ Major initiatives in the executive budget include: <ul style="list-style-type: none"> <li>• 4% personal services general fund reduction eliminating 4.84 FTE across the agency</li> <li>• The addition of 6.0 FTE fire fighter positions in the Air National Guard</li> </ul> </li> <li>◆ General fund decreases by 1.76% over the biennium due to: <ul style="list-style-type: none"> <li>• A change in the state-federal funding match for the Youth Challenge program</li> <li>• The 4% personal services general fund reductions</li> </ul> </li> </ul>
<b>Legislative Action Issues</b>
<ul style="list-style-type: none"> <li>◆ Major LFD Issues <ul style="list-style-type: none"> <li>• There is no proposal included in the executive budget to address ongoing personal services expenditure/funding issues in the Youth Challenge Program</li> <li>• Requested level of funding for the Veterans' Affairs program is not sustainable from the state special revenue account budgeted</li> </ul> </li> <li>◆ Interim Committee Recommendations <ul style="list-style-type: none"> <li>• The Legislative Finance Committee recommends that the budget starting point be the adjusted base minus 5%</li> </ul> </li> </ul>

### Agency Discussion

#### *Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- o Goals, objectives and year-to-date outcomes from the 2011 biennium.
- o Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

#### 2011 Biennium Goals

The following provides an update of the goals monitored by the LFC during the 2011 biennium.

The LFC monitored one goal of the Department of Military Affairs during the 2011 biennium. The Disaster and Emergency Services (DES) division administers a state special revenue fund that receives revenue from a surcharge on conservation licenses and from a portion of the off-road vehicle licensing fees. These funds are used to defray some of the costs of local search and rescue organizations including reimbursement for costs of rescue missions, training, and for matching funds for equipment and other activities. The monitored DES goal was to improve the process of distributing funding to local entities for search and rescue activities from this account. Objective performance measures examined included:

- o The number of local funding applications processed
- o The average funding amounts requested
- o The time between application for and distribution of funding

During each reporting period, the agency provided the LFC workgroup with the relevant data for the performance measurements. The division hired a temporary employee to interface with the Montana Sheriff's and Peace Officers Association and local search and rescue organizations to raise the level of knowledge and understanding and to provide training on the reimbursement processes. The agency further identified certain elements of the Montana Code Annotated (MCA) and administrative rule that could possibly be changed to streamline the process of distributing the funding to local entities.

Proposed legislation was submitted by the agency to modify MCA to allow for greater flexibility in funding of the various types of reimbursement requests and for the establishment of estimated funding availability so that disbursements can be obligated in advance of actual revenues.

During the LFC performance measurement workgroup meeting in October of 2010, the workgroup members, satisfied with the reporting and progress the division had made in obtaining the monitored goal, released the agency from further reporting.

#### 2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The LFD did not select critical goals and performance measures for the agency to monitor.

#### **Agency Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Labor Market Experience** – The Department of Military Affairs has been able to effectively fill vacant positions during the previous biennium. Recent hiring pools have been large, but a majority of the applicants do not meet the minimum qualifications. Nevertheless, multiple recruitments for the same position have been rare. Rejections of offers of employment have also been rare, but rate of pay is the typical reason cited for the rejection.
- o **Pay Philosophy** – Salaries for new hires are between 85 and 100% of market depending on qualifications. The agency does not use pay as a component of succession planning or career tracks.
- o **Obstacles** – There have been no obstacles identified by the agency in attracting and retaining qualified workers.

#### *Agency Overview*

The executive's proposed budget for the Department of Military Affairs decreases by 9.0% from the previous biennium. This change is significantly attributable to the reduced request for federal special revenue spending authority for grants in the Disaster and Emergency Services (DES) Division. In the previous biennium, DES had estimated all of the federal grants that could be received by the state and requested the appropriation authority for that amount, roughly \$14 million each year of the biennium, in HB 2. In prior biennia, the agency had used base budget amounts for HB 2 authority requests and then requested budget amendment authority from the executive as federal grants were received after the end

of the legislative session. Because of a number of factors, including timing of the federal fiscal year, type and availability of grant funding, and original appropriation type, only a fraction of the actual grant expenditures from federal funding sources is accounted for in the base year for budgeting purposes. The proposed budget for DES includes grant expenditure amounts consistent with the base year and no proposal was included to bring the requested appropriation amounts to the level that was requested in the previous biennium. The result of this is an artificially large decrease in the proposed budget. If the decreased grant funding were backed out of the proposed budget, the remaining proposal would show a 2.2% increase from the previous biennium.

The Department of Military Affairs currently employs 192.66 FTE funded under HB 2. The proposed budget contains a net increase of 1.16 FTE. The proposed agency-wide 4% general fund personal services reduction eliminates 4.84 FTE across multiple divisions. The offset of this reduction that results in the net growth is the requested addition of 6.0 FTE Air National Guard federally funded fire fighter positions as required by the federal National Guard Bureau. The federally funded STARBASE program started the 2011 biennium with 4.0 FTE, but transferred the positions to other divisions just prior to the base year personal services snapshot. The National Guard Challenge program is the largest employer of FTE in the division with 47.65 FTE positions in the proposed budget accounting for 24.6% of the total number of employees funded under HB 2.

Changes in state funds matching requirements for the National Guard Challenge program have significantly reduced the amount of general fund required for the program. Please see the funding section of the program for details.

#### *Common Purpose Decision Packages*

The following group of decision packages addresses common purposes that cross program lines within the agency. The legislature may wish to examine and/or act on the decision packages as a group.

With the exception of the Scholarship program, each of the agency's divisions include a commonly numbered (DP 55400) decision package implementing a 4% personal services general fund reduction. Each of these decision packages is also included in the 5% reduction plan that was submitted with the proposed budget. The agency wide impact of these decision packages is the elimination of 4.84 FTE and a \$436,826 reduction in total funding. Because of state-federal matching requirements, federal funding is negatively impacted by the reduction in general fund in several of the programs. The impacts of these reductions vary by program, from little or no impact due to the removal of a vacant position to increased workload for remaining staff.

#### **5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following table lists the components of the 5% reduction plans for the agency. If the component is included in the executive budget the specific decision package is listed.

Total 5% Reduction Plan Identified by Military Affairs, By Division Included and Not Included in Executive Budget 2013 Biennium					
Program/DP Number/Description	FTE	General Fund	% Of Total	State Special Revenue	% Of Total
<u>Central Services Division</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	0.44	\$46,141	8.2%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95101 5% Plan General Operating Expense Reduction		<u>\$16,909</u>	3.0%	<u>\$0</u>	0.0%
Total Central Services Division		\$63,050	11.2%	\$0	0.0%
<u>Montana Youth Challenge</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction*	1.50	\$42,435	7.6%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95102 5% Plan General Operating Expense Reduction*		<u>\$84,029</u>	15.0%	<u>\$0</u>	0.0%
Total Montana Youth Challenge		\$126,464	22.6%	\$0	0.0%
<u>Scholarship Program</u>					
<i>Not Included in Executive Budget</i>					
95103 5% Plan General Operating Expense Reduction		<u>20,940</u>	3.7%	<u>0</u>	0.0%
Total Scholarship Program		\$20,940	3.7%	\$0	0.0%
<u>Army National Guard</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	0.50	\$9,484	1.7%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95112 5% Plan General Operating Expense Reduction		<u>112,528</u>	20.1%	<u>0</u>	0.0%
Total Army National Guard		\$122,012	21.8%	\$0	0.0%
<u>Air National Guard</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction*	0.40	\$11,154	2.0%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95113 5% Plan General Operating Expense Reduction*		<u>25,080</u>	4.5%	<u>0</u>	0.0%
Total Air National Guard		\$36,234	6.5%	\$0	0.0%
<u>Disaster and Emergency Services</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction*	1.00	\$55,305	9.9%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95121 5% Plan General Operating Expense Reduction*		<u>49,815</u>	8.9%	<u>21,120</u>	18.7%
Total Disaster and Emergency Services		\$105,120	18.8%	\$21,120	18.7%
<u>Veterans' Affairs</u>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	1.00	\$60,106	10.7%	\$0	0.0%
<i>Not Included in Executive Budget</i>					
95131 5% Plan General Operating Expense Reduction		<u>26,608</u>	4.7%	<u>91,566</u>	81.3%
Total Veterans' Affairs		\$86,714	15.5%	\$91,566	81.3%
<u>Total Reduction Plan</u>					
Included in Executive Budget		\$224,625	40.1%	\$0	0.0%
Not Included in Executive Budget		<u>335,909</u>	59.9%	<u>112,686</u>	100.0%
Total Agency Reduction Plan		<u>\$560,534</u>		<u>\$112,686</u>	
*Federal funds would also be impacted. See the decision package description for further information.					

*Narrative Discussion*

In general, the 5% reduction plan that was submitted with the executive's proposed budget includes two items: a 4% general fund personal services reduction and various unspecified operating expense reductions. The 4% personal services reductions are included in the Governor's proposed budget and are discussed above and detailed in each of the program sections. The unspecified operating expense reductions that are not included in the budget comprise 60% of the general fund reductions and 100% of the state special revenue reductions. What is not shown in the table above is the impact to federal special revenue funding as a result of state-federal matching requirements in the agency. The total reduction of federal funding is \$580,643 for the biennium, \$368,441 of which is not included in the proposed budget.

The agency did not provide specific impacts related to the unspecified operating expense reductions as required by law, or the additional federal special revenue reductions resulting from the plan. The adoption of the 5% reduction plan by the legislature would reduce total funding for the agency by a further 1.24% from the executive's proposed budget.

**LFD  
ISSUE**Agency Has Not Provided Impacts

17-7-111 (3)(f), MCA requires that agencies submit a 5% reduction plan, and that it also submit, among other things, a prioritized list of services that would be reduced or eliminated and the consequences or impacts of the proposed elimination or reduction of each service. Without specificity or consequences, the legislature has no way of determining what impact the reduction will have either on the agency's ability to provide services or what services may be reduced or eliminated.

**LFD  
COMMENT**

A change in the federal-state matching requirement for the National Guard Youth Challenge program resulted in a reduction of general fund totaling nearly \$800,000 from the previous biennium. The 5% reduction plan requires that the agency create a plan for reducing their proposed budget by 5% annually of the general fund and some state special revenue funds in the current biennium. For the Department of Military Affairs, the general fund reduction target for the 2013 biennium is \$560,534. As noted above, this amount does not include the impact on federal funds of \$580,634. The reduction in general fund as a result of the federal-state match requirement in the Youth Challenge program would have been more than sufficient to satisfy the requirements of the 5% reduction plan (not including the state special revenue portion) with no impact to federal funding, but the executive did not choose to exercise this option in the proposed budget.

**Funding**

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2013 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %	
01 Centralized Services Division	\$ 1,288,841	\$ -	\$ 651,344	\$ 1,940,185	2.94%	
02 Challenge Program	1,668,322	-	5,104,975	6,773,297	10.28%	
03 Scholarship Program	418,816	-	-	418,816	0.64%	
04 Starbase	-	-	631,903	631,903	0.96%	
12 Army National Guard Pgm	3,253,850	-	25,026,397	28,280,247	42.91%	
13 Air National Guard Pgm	750,986	-	8,027,045	8,778,031	13.32%	
21 Disaster & Emergency Services	2,082,706	720,400	12,476,896	15,280,002	23.18%	
31 Veterans Affairs Program	1,772,692	2,029,859	-	3,802,551	5.77%	
Grand Total	<u>\$ 11,236,213</u>	<u>\$ 2,750,259</u>	<u>\$ 51,918,560</u>	<u>\$ 65,905,032</u>	<u>100.00%</u>	

The Department of Military Affairs is dominated by federal government initiatives, programs, and objectives. As such the agency's primary funding source is federal funds. The exceptions to this paradigm are the Centralized Services, Veterans' Affairs, and Scholarship programs. Although total general fund use declines by \$201,580 from the previous

biennium, the reduction in federal revenue authority for DES grants increases general fund as a portion of total agency funding from 15.8% in the 2011 biennium to 17% in the 2013 biennium as proposed by the executive.

State special revenue funds are included in the budgets of the DES and the Veterans' Affairs programs. Veterans' Affairs accounts for 73.8% of the state special revenue funding with revenues generated through vehicle registrations, specialty license plate sales, and cemetery plot fees.

### Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations Department of Military Affairs					
Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
<i>No Direct Bearing on Agency Operations</i>					
National Guard death benefit	10-1-1202	GF	\$0	\$0	\$0
MT military family relief	10-1-1303	SSR	\$27,500	\$0	\$0
<i>Direct Bearing on Agency Operations</i>					
State veterans' cemetery	10-2-603	SSR	\$236,023	\$232,854	\$233,224
<i>Emergency and Disaster</i>					
Federal payments for disasters an fire suppression	10-3-203	FSR	\$44,283	\$0	\$0
Local incidence response by state	10-3-310	GF	\$0	\$0	\$0
Governor declared emergency or disaster	10-3-312(1)	GF	\$301,962	\$0	\$0
Contingency to address environmental problem	75-1-1101	SSR	\$0	\$0	\$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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	5,612,637	5,612,637	11,225,274	99.90%	31,649,977	31,649,977	63,299,954	96.05%
Statewide PL Adjustments	(27,705)	(36,023)	(63,728)	(0.57%)	(74,838)	(92,528)	(167,366)	(0.25%)
Other PL Adjustments	149,646	149,646	299,292	2.66%	1,233,932	1,219,477	2,453,409	3.72%
New Proposals	(112,287)	(112,338)	(224,625)	(2.00%)	154,595	164,440	319,035	0.48%
<b>Total Budget</b>	<b>\$5,622,291</b>	<b>\$5,613,922</b>	<b>\$11,236,213</b>		<b>\$32,963,666</b>	<b>\$32,941,366</b>	<b>\$65,905,032</b>	

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	12.20	12.20	11.76	11.76	12.20	11.76	(0.44)	(3.61%)
Personal Services	792,410	842,364	877,496	878,718	1,634,774	1,756,214	121,440	7.43%
Operating Expenses	90,224	79,281	92,344	87,067	169,505	179,411	9,906	5.84%
Equipment & Intangible Assets	0	1,291	0	0	1,291	0	(1,291)	(100.00%)
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	0	0.00%
<b>Total Costs</b>	<b>\$884,914</b>	<b>\$925,216</b>	<b>\$972,120</b>	<b>\$968,065</b>	<b>\$1,810,130</b>	<b>\$1,940,185</b>	<b>\$130,055</b>	<b>7.18%</b>
General Fund	632,072	641,685	646,645	642,196	1,273,757	1,288,841	15,084	1.18%
Federal Special	252,842	283,531	325,475	325,869	536,373	651,344	114,971	21.43%
<b>Total Funds</b>	<b>\$884,914</b>	<b>\$925,216</b>	<b>\$972,120</b>	<b>\$968,065</b>	<b>\$1,810,130</b>	<b>\$1,940,185</b>	<b>\$130,055</b>	<b>7.18%</b>

### Program Description

The Centralized Services Division provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, and purchasing and property management oversight. The program operates in accordance with Title 2, Chapter 15, part 12 and Title 10, MCA.

### Program Highlights

<b>Centralized Services Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The Governor's proposed budget for the division increases by 7.18% from the previous biennium due entirely from statewide present law adjustments</li> <li>◆ A proposed 4% personal services reduction eliminates 0.44 FTE, eliminating one part time position and reducing a second half time position to quarter time</li> <li>◆ Although transferred prior to the budget snapshot in the base year and therefore not shown as a change in the budget comparison table above, staffing for the division increased by 1.0 FTE due to the transfer of a position from the STARBASE program</li> </ul>	

### Program Narrative

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program. The 5% reduction plan for the agency includes a reduction in the Centralized Services Division of \$63,050 in general fund. The majority of the 5% reduction plan for the division is contained in the Governor's proposed budget as a 4% personal services reduction of \$46,141 over the biennium. This item eliminates a part time administrative clerk position and reduces a half time operations manager position to quarter time. The reduced or eliminated functions of these positions are currently funded entirely from general fund, so no impact to federal funds result from the reduction. The remaining reduction of \$16,909 of the 5% reduction plan is not included in the executive's proposed budget. This item would be applied against general operating expenditures for the program. Please see the issue in the summary section.

The agency did not specify which expenditures would be reduced, so actual impacts are unknown. The agency reports, however, that the reduction will impact the division's ability to pay for indirect fixed costs to other state agencies, exacerbate existing personnel management issues due to decreased travel, and reduce or eliminate military awards. The program provided no plan for mitigating these impacts.

Adoption of the 5% reduction plan by the legislature would reduce the funding for the program by a further 0.87% from the Governor's proposed budget.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 632,072	71.4%	\$ 646,645	66.5%	\$ 642,196	66.3%
01100 General Fund	632,072	71.4%	646,645	66.5%	642,196	66.3%
03000 Total Federal Special Funds	252,842	28.6%	325,475	33.5%	325,869	33.7%
03132 National Guard	157,185	17.8%	183,958	18.9%	184,885	19.1%
03134 Disaster & Emergency Services	56,404	6.4%	97,199	10.0%	96,833	10.0%
03453 Air National Guard	<u>39,253</u>	<u>4.4%</u>	<u>44,318</u>	<u>4.6%</u>	<u>44,151</u>	<u>4.6%</u>
Grand Total	<u>\$ 884,914</u>	<u>100.0%</u>	<u>\$ 972,120</u>	<u>100.0%</u>	<u>\$ 968,065</u>	<u>100.0%</u>

The Centralized Services Division is funded through both the general fund and federal funds. General fund is the predominate source of funding for the division in accordance with state-federal agreements. Division activities and positions that support entirely federally funded programs are available for federal funding. Federal funds as a percentage of total funding would increase from 30% to 34%.

### 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	632,072	632,072	1,264,144	98.08%	884,914	884,914	1,769,828	91.22%
Statewide PL Adjustments	37,627	33,211	70,838	5.50%	110,260	106,238	216,498	11.16%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(23,054)	(23,087)	(46,141)	(3.58%)	(23,054)	(23,087)	(46,141)	(2.38%)
<b>Total Budget</b>	<b>\$646,645</b>	<b>\$642,196</b>	<b>\$1,288,841</b>		<b>\$972,120</b>	<b>\$968,065</b>	<b>\$1,940,185</b>	

### 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					145,663					146,970
Vacancy Savings					(37,523)					(37,575)
Inflation/Deflation					116					116
Fixed Costs					2,004					(3,273)
<b>Total Statewide Present Law Adjustments</b>		\$37,627	\$0	\$72,633	\$110,260		\$33,211	\$0	\$73,027	\$106,238
<b>Grand Total All Present Law Adjustments</b>	0.00	\$37,627	\$0	\$72,633	\$110,260	0.00	\$33,211	\$0	\$73,027	\$106,238

**Program Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The Centralized Services program follows the agency pay plan rules without exception.
- o **Program Specific Obstacles** – No program specific obstacles have been encountered by the program in attracting and retaining qualified workers.
- o **Vacancy** – The program has not experienced any issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – Legislatively applied vacancy savings has been achieved by using carry forward authority and by holding vacant positions open.
- o **Pay/Position Changes** – No position or pay changes were reported by the program.
- o **Retirements** – One employee in the program is eligible for retirement in the 2013 biennium at a cost of \$6,000.

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% Personal Services Reduction Centralized Service	01	(0.44)	(23,054)	0	0	(23,054)	(0.44)	(23,087)	0	0	(23,087)
<b>Total</b>		<b>(0.44)</b>	<b>(\$23,054)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$23,054)</b>	<b>(0.44)</b>	<b>(\$23,087)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$23,087)</b>

DP 55400 - 4% Personal Services Reduction Centralized Service - This request is for a \$46,141 general fund and 0.44 FTE reduction for the biennium.

<b>LFD COMMENT</b>	As stated above, this reduction would eliminate a part time administrative clerk position and reduce a half time operations manager position to quarter time.
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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								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	49.15	49.15	47.65	47.65	49.15	47.65	(1.50)	(3.05%)
Personal Services	2,166,300	2,135,491	2,076,229	2,076,603	4,301,791	4,152,832	(148,959)	(3.46%)
Operating Expenses	1,092,570	1,157,787	1,312,283	1,308,182	2,250,357	2,620,465	370,108	16.45%
<b>Total Costs</b>	<b>\$3,258,870</b>	<b>\$3,293,278</b>	<b>\$3,388,512</b>	<b>\$3,384,785</b>	<b>\$6,552,148</b>	<b>\$6,773,297</b>	<b>\$221,149</b>	<b>3.38%</b>
General Fund	1,264,643	1,278,056	834,626	833,696	2,542,699	1,668,322	(874,377)	(34.39%)
State Special	0	0	0	0	0	0	0	n/a
Federal Special	1,994,227	2,015,222	2,553,886	2,551,089	4,009,449	5,104,975	1,095,526	27.32%
<b>Total Funds</b>	<b>\$3,258,870</b>	<b>\$3,293,278</b>	<b>\$3,388,512</b>	<b>\$3,384,785</b>	<b>\$6,552,148</b>	<b>\$6,773,297</b>	<b>\$221,149</b>	<b>3.38%</b>

### Program Description

The Montana National Guard Youth Challenge Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. Challenge is a 17-month, voluntary two-phased military modeled training program targeting unemployed, drug-free, and crime-free high school dropouts. The program provides an opportunity for high school "at risk" youth to enhance their life skills, and increase their educational levels and employment potential. Phase I of the program is a 22 week residential stay on the campus of Western Montana College of the University of Montana in Dillon focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially-trained member of the community where the youth resides to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

### Program Highlights

<b>Montana Youth Challenge Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Governor's proposed budget for the program increases by 3.38% from the previous biennium</li> <li>◆ Although the overall proposed budget increases, a change in state general fund matching requirements decreases general fund by \$874,377 from the previous biennium</li> <li>◆ A proposed 4% personal service reduction eliminates 1.5 FTE and \$169,763 in overall funding for the program. This item is also included in the agency's 5% reduction plan</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ There is no proposal included in the executive budget to resolve ongoing personal services expenditure/funding issues</li> </ul>

## Program Narrative

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The 5% reduction plan submitted by the agency reduces the total funding for the program by \$505,844 over the biennium. As discussed in the funding section below, for every three dollars of federal funding, the state is required to provide one dollar in matching funds. The reverse of this is that for every one dollar in state funding that is eliminated, three dollars of federal funding is eliminated as well.

A portion of the 5% reduction plan is included in the Governor's proposed budget as a 4% personal services reduction (NP55400) that reduces general fund by \$42,435 and a corresponding three fold decrease of federal funds in the amount of \$127,301 over the biennium and the elimination of 1.5 FTE. The remaining portion of the 5% reduction plan is not included in the executive's proposal and calls for a general operating expense reduction of \$84,029 in general fund and \$252,079 of federal funds over the biennium.

The agency did not specify which reductions would be made, and so impact of the reduction is unclear. However, the agency reports that reduced or eliminated services resulting from this reduction would include classes, allowance accounts, clothing, field trips, and initial physicals. Some of the costs of enrollment may also be shifted to the student's families and possibly negatively impact enrollment. No plan for mitigating the impacts of the reduction was submitted by the program.

## Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 1,264,643	38.8%	\$ 834,626	24.6%	\$ 833,696	24.6%
01100 General Fund	1,264,643	38.8%	834,626	24.6%	833,696	24.6%
03000 Total Federal Special Funds	1,994,227	61.2%	2,553,886	75.4%	2,551,089	75.4%
03132 National Guard	1,994,227	61.2%	2,553,886	75.4%	2,551,089	75.4%
Grand Total	<u>\$ 3,258,870</u>	<u>100.0%</u>	<u>\$ 3,388,512</u>	<u>100.0%</u>	<u>\$ 3,384,785</u>	<u>100.0%</u>

A major change in funding will impact the program in the upcoming biennium. A change in federal rules decreases the ratio of general fund required to match federal funding for the program. The previous biennium required a 40/60 general fund to federal fund ratio and the new rules call for a 25/75 or 1 to 3 ratio of general fund to federal funding. The result is that although the total proposed budget increases 3.4% from the previous biennium, general fund as a percentage of total funding decreases by 14.2%.

Federal funding is slightly above this ratio at 75.37% of total funding due to a provision that allows the program to pay for some national training for instructors and staff entirely from 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,264,643	1,264,643	2,529,286	151.61%	3,258,870	3,258,870	6,517,740	96.23%
Statewide PL Adjustments	(466,300)	(467,229)	(933,529)	(55.96%)	(65,490)	(69,217)	(134,707)	(1.99%)
Other PL Adjustments	57,500	57,500	115,000	6.89%	280,000	280,000	560,000	8.27%
New Proposals	(21,217)	(21,218)	(42,435)	(2.54%)	(84,868)	(84,868)	(169,736)	(2.51%)
<b>Total Budget</b>	<b>\$834,626</b>	<b>\$833,696</b>	<b>\$1,668,322</b>		<b>\$3,388,512</b>	<b>\$3,384,785</b>	<b>\$6,773,297</b>	

**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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					43,174					43,566
Vacancy Savings					(88,377)					(88,395)
Inflation/Deflation					1,698					2,111
Fixed Costs					(21,985)					(26,499)
<b>Total Statewide Present Law Adjustments</b>										
		<b>(\$466,300)</b>	<b>\$0</b>	<b>\$400,810</b>	<b>(\$65,490)</b>		<b>(\$467,229)</b>	<b>\$0</b>	<b>\$398,012</b>	<b>(\$69,217)</b>
DP 201 - Funding for ChalleNGe 24/7 overtime	0.00	10,000	0	30,000	40,000	0.00	10,000	0	30,000	40,000
DP 202 - Funding for increase in food service contract.	0.00	17,500	0	52,500	70,000	0.00	17,500	0	52,500	70,000
DP 203 - Federal spending authority for Challenge training	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 204 - Funding for increased enrollment and education	0.00	30,000	0	90,000	120,000	0.00	30,000	0	90,000	120,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$57,500</b>	<b>\$0</b>	<b>\$222,500</b>	<b>\$280,000</b>	<b>0.00</b>	<b>\$57,500</b>	<b>\$0</b>	<b>\$222,500</b>	<b>\$280,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$408,800)</b>	<b>\$0</b>	<b>\$623,310</b>	<b>\$214,510</b>	<b>0.00</b>	<b>(\$409,729)</b>	<b>\$0</b>	<b>\$620,512</b>	<b>\$210,783</b>

**Program Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The program does not make exceptions to the agency pay plan.
- o **Program Specific Obstacles** – The program did not identify specific obstacles to attracting and retaining qualified workers outside of compensation issues.
- o **Vacancy** – Drill Instructor and Cadre positions were both identified by the program as positions that incur high rates of turnover, but the reasons for this turnover were not provided. In order to reduce the turnover in these positions, the program provided shift differential pay for those employees and acting team leader positions doing shift work. The resultant vacancies due to turnover in these positions required that the program over utilize their part time staff to fill in.
- o **Legislatively Applied Vacancy Savings** – The program was not able to achieve the legislatively applied vacancy savings rate and, in fact, used 23% more FTE hours than was budgeted for the program. A personal

services contingency fund appropriation was granted to the program by the executive to cover the budget shortfall.

- o **Pay/Position Changes** – The pay and position changes in the program were limited to longevity increases and a single market adjustment made within the program pay plan.
- o **Retirements** – There are no anticipated retirements in the upcoming biennium for the program.

<b>LFD COMMENT</b>	<p><u>Unresolved Personal Services Expenditure Issues</u></p> <p>Although the program has consistently been unable to achieve the legislatively applied rate of vacancy savings and has had to request personal services contingency funding during the previous biennium, there are no proposals in the proposed budget to solve the over-spending issues. As a part of the appropriations and performance measurement process the legislature may want to consider having the program create a management plan and report that details the use of staff, federal staffing requirements and standards on a per-student and program basis, job descriptions of each position, and specific steps to bring expenditures in line with funding.</p>
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DP 201 - Funding for ChalleNGe 24/7 Overtime - The program is requesting \$40,000 in each year of the biennium to support overtime and holiday salaries. These costs are zero based and not included in the program's base budget. These costs are caused because the program is required to have staff coverage 24 hours a day, 7 days a week.

DP 202 - Funding for Increase in Food Service Contract - The program is requesting funding to cover increased food service costs for students due to a \$70,000 increase in the annual maximum amount payable for food service to the University of Montana - Western. The food service maximum is being increased from \$355,600 to \$425,600. Based on expected average enrollment of 230 students, and a cost per student of \$2,228, the maximum will be reached. Therefore, the food costs will be \$425,600 versus the previous maximum of \$355,600. The base budget reflects food costs of \$355,600. MYCA is requesting \$70,000 in each year of the biennium to cover this contract increase.

DP 203 - Federal Spending Authority for Challenge Training - The program is requesting federal spending authority in the amount of \$50,000 for each year of the biennium. These 100% federal funds are used for ChalleNGe employees to participate in essential training classes required by the federal National Guard Bureau. These federal funds do not require any state matching funds.

DP 204 - Funding for Increased Enrollment and Education - This DP is requesting funds each year of the biennium to provide for costs incurred due to increased student enrollment, restoration of services to students, and increasing educational opportunities and classroom resources. The amount requested is \$120,000 for each year of the biennium.

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% Personal Services Reduction Challenge										
02	(1.50)	(21,217)	0	(63,651)	(84,868)	(1.50)	(21,218)	0	(63,650)	(84,868)
<b>Total</b>	<b>(1.50)</b>	<b>(\$21,217)</b>	<b>\$0</b>	<b>(\$63,651)</b>	<b>(\$84,868)</b>	<b>(1.50)</b>	<b>(\$21,218)</b>	<b>\$0</b>	<b>(\$63,650)</b>	<b>(\$84,868)</b>

DP 55400 - 4% Personal Services Reduction Challenge - The program is requesting a personal services reduction. This amount reflects the 4% personal services reduction of \$34,202 reduced by the portion of the general funded FTE that are 24/7 positions. FTE would be reduced by 1.50.

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Operating Expenses	209,408	245,000	209,408	209,408	454,408	418,816	(35,592)	(7.83%)
<b>Total Costs</b>	<b>\$209,408</b>	<b>\$245,000</b>	<b>\$209,408</b>	<b>\$209,408</b>	<b>\$454,408</b>	<b>\$418,816</b>	<b>(\$35,592)</b>	<b>(7.83%)</b>
General Fund	209,408	245,000	209,408	209,408	454,408	418,816	(35,592)	(7.83%)
<b>Total Funds</b>	<b>\$209,408</b>	<b>\$245,000</b>	<b>\$209,408</b>	<b>\$209,408</b>	<b>\$454,408</b>	<b>\$418,816</b>	<b>(\$35,592)</b>	<b>(7.83%)</b>

### Program Description

The Montana National Guard Scholarship Program provides scholarships to eligible Montana National Guard personnel enrolled as undergraduate students in Montana colleges, universities, or training programs. The program assists Montana in recruiting and retaining personnel in both the Army and Air National Guard and in enhancing its operational readiness to assume both state and federal active duty missions. Scholarships also reward guard members for their service to the state by helping defray their educational costs at Montana post-secondary institutions.

### Program Highlights

Scholarship Program Major Budget Highlights	
◆	The Governor's proposed budget maintains expenditures at the FY 2010 level

### Program Narrative

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The agency has submitted a single general fund reduction of \$20,940 for the biennium as a part of its 5% reduction plan. This reduction is not included in the Governor's proposed budget. This reduction represents the elimination of 11.63 annual scholarships based on the maximum per-student award of \$1,800 per year.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Scholarship Program						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 209,408	100.0%	\$ 209,408	100.0%	\$ 209,408	100.0%
01100 General Fund	209,408	100.0%	209,408	100.0%	209,408	100.0%
Grand Total	<u>\$ 209,408</u>	<u>100.0%</u>	<u>\$ 209,408</u>	<u>100.0%</u>	<u>\$ 209,408</u>	<u>100.0%</u>

This program is funded entirely from the general fund.

<b>LFD COMMENT</b>	The funding for this program has historically been maintained at \$250,000 per year. The base budget represents actual expenditures for the program and no adjustments were requested by the executive.
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**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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	209,408	209,408	418,816	100.00%	209,408	209,408	418,816	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$209,408</b>	<b>\$209,408</b>	<b>\$418,816</b>		<b>\$209,408</b>	<b>\$209,408</b>	<b>\$418,816</b>	

**Program Personal Services Narrative**

This program has no 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00%
Personal Services	118,498	210,284	135,957	136,429	328,782	272,386	(56,396)	(17.15%)
Operating Expenses	180,312	156,918	180,043	179,474	337,230	359,517	22,287	6.61%
<b>Total Costs</b>	<b>\$298,810</b>	<b>\$367,202</b>	<b>\$316,000</b>	<b>\$315,903</b>	<b>\$666,012</b>	<b>\$631,903</b>	<b>(\$34,109)</b>	<b>(5.12%)</b>
Federal Special	298,810	367,202	316,000	315,903	666,012	631,903	(34,109)	(5.12%)
<b>Total Funds</b>	<b>\$298,810</b>	<b>\$367,202</b>	<b>\$316,000</b>	<b>\$315,903</b>	<b>\$666,012</b>	<b>\$631,903</b>	<b>(\$34,109)</b>	<b>(5.12%)</b>

### Program Description

The Montana STARBASE "Big Sky" Program is a program for elementary school aged children to raise the interest and improve the knowledge and skills of at-risk youth in math, science, and technology by exposing them and their teachers to real world applications of math and science through experimental learning, simulations, experiments in aviation and space-related fields as it deals with a technological environment, and by utilizing the positive role models found on military bases and installations. The program also addresses drug use prevention, health, self esteem, and life skills with a math and science based program.

### Program Highlights

<b>STARBASE</b>	
<b>Major Budget Highlights</b>	
◆	The Governor's proposed budget decreases by 5.12% from the previous biennium due to decreased personal services expenditures from the transfer of 2.0 FTE positions to other divisions during the base year before the budget snapshot

### Program Narrative

In the previous biennium, the program was staffed by 4.0 FTE. During the base year the agency requested and the executive approved the transfer of 2.00 FTE to other divisions: one to Centralized Services and one to the Army National Guard. The funding for those positions was to remain in the STARBASE program to pay contractors to perform the duties of the FTE. However, no transfer was made to operating expenses. The other divisions stated that they had sufficient existing authority to pay the transferred position. When the personal services snapshot that captures actual FTE information for preparing the upcoming biennium budget was made, the transferred FTE were counted in the divisions where they were transferred to and funded within the budgets of those divisions.

**Funding**

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

		Starbase					
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
03000	Total Federal Special Funds	\$ 298,810	100.0%	\$ 316,000	100.0%	\$ 315,903	100.0%
	03453 Air National Guard	298,810	100.0%	316,000	100.0%	315,903	100.0%
Grand	Total	<u>298,810</u>	<u>100.0%</u>	<u>316,000</u>	<u>100.0%</u>	<u>315,903</u>	<u>100.0%</u>

This program is funded entirely with federal special revenue.

**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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	298,810	298,810	597,620	94.57%
Statewide PL Adjustments	0	0	0	0.00%	17,190	17,093	34,283	5.43%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$316,000</b>	<b>\$315,903</b>	<b>\$631,903</b>	

**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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					23,124					23,615
Vacancy Savings					(5,665)					(5,684)
Inflation/Deflation					12					18
Fixed Costs					(281)					(856)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$17,190</b>	<b>\$17,190</b>		<b>\$0</b>	<b>\$0</b>	<b>\$17,093</b>	<b>\$17,093</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,190</b>	<b>\$17,190</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,093</b>	<b>\$17,093</b>

**Program Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The STARBASE program follows the agency pay plan rules without exception.
- o **Program Specific Obstacles** – No program specific obstacles have been encountered by the program in attracting and retaining qualified workers.

- o **Vacancy** – The program has not experienced any issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – Legislatively applied vacancy savings has been achieved due to savings from holding vacant positions open.
- o **Pay/Position Changes** – No position or pay changes were reported by the program.
- o **Retirements** – One employee in the program is eligible for retirement in the 2013 biennium at a cost of \$6,000.

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	42.31	42.31	41.81	41.81	42.31	41.81	(0.50)	(1.18%)
Personal Services	2,550,228	2,393,030	2,600,927	2,605,396	4,943,258	5,206,323	263,065	5.32%
Operating Expenses	10,719,283	11,774,991	11,187,526	11,171,552	22,494,274	22,359,078	(135,196)	(0.60%)
Equipment & Intangible Assets	357,423	304,955	357,423	357,423	662,378	714,846	52,468	7.92%
Capital Outlay	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$13,626,934</b>	<b>\$14,472,976</b>	<b>\$14,145,876</b>	<b>\$14,134,371</b>	<b>\$28,099,910</b>	<b>\$28,280,247</b>	<b>\$180,337</b>	<b>0.64%</b>
General Fund	1,224,762	1,353,553	1,627,607	1,626,243	2,578,315	3,253,850	675,535	26.20%
State Special	0	0	0	0	0	0	0	n/a
Federal Special	12,402,172	13,119,423	12,518,269	12,508,128	25,521,595	25,026,397	(495,198)	(1.94%)
<b>Total Funds</b>	<b>\$13,626,934</b>	<b>\$14,472,976</b>	<b>\$14,145,876</b>	<b>\$14,134,371</b>	<b>\$28,099,910</b>	<b>\$28,280,247</b>	<b>\$180,337</b>	<b>0.64%</b>

### Program Description

The Army National Guard, until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides funding for facilities management, environmental, and communications support to the organization by: 1) providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas; 2) planning, programming, and contracting for construction; 3) ensuring all activities and facilities comply with environmental regulations; and 4) providing state-wide communication services, security contracts, and leases for buildings and land used by the Army National Guard. The program is mandated by the U.S. and Montana constitutions and Title 10, Chapters 1-3, MCA.

### Program Highlights

<b>Montana Army National Guard Major Budget Highlights</b>	
◆	The Governor's proposed budget for the division increases by 0.64% from the previous biennium
◆	General fund, as a percentage of total funding increases by 2.33% from the previous biennium due to: <ul style="list-style-type: none"> <li>● Present law adjustments</li> <li>● Maintenance and support for the new Missoula Armory</li> </ul>
◆	A proposed 4% personal services reduction eliminates 0.5 FTE and \$9,484 from the budget

### Program Narrative

#### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The 5% reduction plan submitted by the agency includes a reduction of \$122,012 in total funding for the program over the biennium.

A portion of the 5% reduction plan is included in the Governor's proposed budget as a 4% personal services reduction (NP 55400) that eliminates a part time 0.5 FTE administrative support position. This proposal reduces general fund by \$9,484 over the biennium. As discussed in the funding section, funding sources vary by function and the position that is being eliminated is completely funded by general fund without matching federal dollars so there is no loss of federal funds for this portion of the proposed reduction.

The remaining reduction that is not included in the executive's proposed budget is a general operating expense reduction of \$112,528 in general fund over the biennium. This reduction is also applied to 100% general fund activities so there is no additional reduction in federal funding as a result. In addition to the personal services reduction, the agency reports that these reductions will reduce mechanical services and building and grounds maintenance on state owned and maintained buildings and equipment.

Adoption of the 5% reduction plan by the legislature would result in a further 3.5% general fund reduction and 0.4% total funding reduction for the program from the Governor's proposed budget.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 1,224,762	9.0%	\$ 1,627,607	11.5%	\$ 1,626,243	11.5%
01100 General Fund	1,224,762	9.0%	1,627,607	11.5%	1,626,243	11.5%
03000 Total Federal Special Funds	12,402,172	91.0%	12,518,269	88.5%	12,508,128	88.5%
03132 National Guard	<u>12,402,172</u>	<u>91.0%</u>	<u>12,518,269</u>	<u>88.5%</u>	<u>12,508,128</u>	<u>88.5%</u>
Grand Total	<u>\$ 13,626,934</u>	<u>100.0%</u>	<u>\$ 14,145,876</u>	<u>100.0%</u>	<u>\$ 14,134,371</u>	<u>100.0%</u>

The Army National Guard program is funded with a combination of general fund and federal funds. During the base year, general fund accounted for 9.0% of total funding, but increases to 11.5% of total program funding in the Governor's proposed budget for the upcoming biennium. This change is due to statewide present law adjustments and proposed additional general fund support of the Missoula Armory. The funding ratio between general and federal funds depends on the nature of the activity, the use or location of the facility, and the goals of the operation. Possible scenarios include funding:

- o Entirely with state funds
- o Entirely with federal funds
- o As a shared responsibility, with federal funds at 75% and general fund at 25% as is the case with service contract buildings

When a facility is owned by the state and located on state land, maintenance costs are the responsibility of the state and utility costs are split evenly with the federal government. When a facility is state owned, but located on federal land, the maintenance costs are funded 75% federal and 25% state general fund, but utility costs are funded 100% general fund. When a facility is classified as a logistics facility, the funding is 100% federal funds for the entire facility. Federally owned facilities located on federal land and those that serve training missions are predominantly funded with 100% federal funds, except when the building is used as an armory. Armories constructed with federal funds and located on federal land are funded 100% general fund for maintenance and 50/50 federal/general fund for utilities costs. When armories are rented to groups, the state special revenue funds generated from rental fees are used to augment general fund support of the facilities.

**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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,224,762	1,224,762	2,449,524	75.28%	13,626,934	13,626,934	27,253,868	96.37%
Statewide PL Adjustments	334,927	333,567	668,494	20.54%	176,666	165,165	341,831	1.21%
Other PL Adjustments	72,658	72,658	145,316	4.47%	347,016	347,016	694,032	2.45%
New Proposals	(4,740)	(4,744)	(9,484)	(0.29%)	(4,740)	(4,744)	(9,484)	(0.03%)
<b>Total Budget</b>	<b>\$1,627,607</b>	<b>\$1,626,243</b>	<b>\$3,253,850</b>		<b>\$14,145,876</b>	<b>\$14,134,371</b>	<b>\$28,280,247</b>	

**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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					164,010					168,665
Vacancy Savings					(108,571)					(108,753)
Inflation/Deflation					27,933					49,885
Fixed Costs					93,294					55,368
<b>Total Statewide Present Law Adjustments</b>		<b>\$334,927</b>	<b>\$0</b>	<b>(\$158,261)</b>	<b>\$176,666</b>		<b>\$333,567</b>	<b>\$0</b>	<b>(\$168,402)</b>	<b>\$165,165</b>
DP 1201 - Operational Support for New ARNG Facilities	0.00	68,658	0	274,358	343,016	0.00	68,658	0	274,358	343,016
DP 1202 - Operation & Maintenance of DES Generator	0.00	4,000	0	0	4,000	0.00	4,000	0	0	4,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$72,658</b>	<b>\$0</b>	<b>\$274,358</b>	<b>\$347,016</b>	<b>0.00</b>	<b>\$72,658</b>	<b>\$0</b>	<b>\$274,358</b>	<b>\$347,016</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$407,585</b>	<b>\$0</b>	<b>\$116,097</b>	<b>\$523,682</b>	<b>0.00</b>	<b>\$406,225</b>	<b>\$0</b>	<b>\$105,956</b>	<b>\$512,181</b>

**Program Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The Army National Guard program follows the agency pay plan rules without exception.
- o **Program Specific Obstacles** – No program specific obstacles have been encountered by the program in attracting and retaining qualified workers.
- o **Vacancy** – The program has not experienced any issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – Legislatively applied vacancy savings has been achieved by building the savings into the program personnel management plan.
- o **Pay/Position Changes** – Position or pay changes reported by the program were limited to market adjustments made within existing budget amounts.
- o **Retirements** – The program reports one anticipated retirement with a \$29,700 compensated absence liability.

DP 1201 - Operational Support for New ARNG Facilities - This request is for additional funding to support the operational costs of Army National Guard facilities which will come on line after the base year and for those that were not fully funded in the base year. This includes funds to provide a basic level of janitorial services in common use spaces such as latrines and in corridors. It also funds items such as utilities, ground maintenance, and code required inspections (such as fire sprinkler, fire alarm and kitchen hood inspections).

For facilities that are replacements for buildings that already exist, this request funds the difference between the old building costs and the estimated costs for the new building.

DP 1202 - Operation & Maintenance of DES Generator - The executive requests operations and maintenance funding for the original Disaster and Emergency Services (DES) emergency backup generator.

Army National Guard Facilities DP 1201 2013 Biennium	
Funding/Facility	FY 2012/2013
<u>General Fund</u>	
Missoula Armed Forces Reserve Center	\$68,658
<u>Federal Authority</u>	
Training Site Range Operations	\$10,270
Missoula Armed Forces Reserve Center	214,780
Civil Support Team Addition	7,260
Troop Medical Clinic Addition	21,930
Mess Hall Additions	12,090
Museum Addition	5,360
Post Exchange Addition	<u>2,668</u>
<b>Total</b>	<b>\$274,358</b>

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals Program	-----Fiscal 2012-----					-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 55400 - 4% Personal Services Reduction Army Program	12	(0.50)	(4,740)	0	0	(4,740)	(0.50)	(4,744)	0	0	(4,744)
<b>Total</b>	<b>(0.50)</b>	<b>(\$4,740)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$4,740)</b>	<b>(0.50)</b>	<b>(\$4,744)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$4,744)</b>	

DP 55400 - 4% Personal Services Reduction Army Program - The Governor has included a 4% reduction in general fund personal services budgets as a part of his budget recommendations. This decision package reduces the Army National Guard general fund by \$4,740 in FY 2012 and \$4,744 in FY 2013 to implement the budget reduction. The reduction includes the elimination of 0.50 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	34.00	34.00	39.60	39.60	34.00	39.60	5.60	16.47%
Personal Services	2,125,758	2,175,239	2,629,420	2,648,097	4,300,997	5,277,517	976,520	22.70%
Operating Expenses	1,740,739	1,795,533	1,746,795	1,753,719	3,536,272	3,500,514	(35,758)	(1.01%)
<b>Total Costs</b>	<b>\$3,866,497</b>	<b>\$3,970,772</b>	<b>\$4,376,215</b>	<b>\$4,401,816</b>	<b>\$7,837,269</b>	<b>\$8,778,031</b>	<b>\$940,762</b>	<b>12.00%</b>
General Fund	362,348	366,770	374,403	376,583	729,118	750,986	21,868	3.00%
Federal Special	3,504,149	3,604,002	4,001,812	4,025,233	7,108,151	8,027,045	918,894	12.93%
<b>Total Funds</b>	<b>\$3,866,497</b>	<b>\$3,970,772</b>	<b>\$4,376,215</b>	<b>\$4,401,816</b>	<b>\$7,837,269</b>	<b>\$8,778,031</b>	<b>\$940,762</b>	<b>12.00%</b>

### Program Description

The Air National Guard, until federalized, is a state military organization which provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides for administrative, facilities maintenance, security, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard program operates under both federal and state mandates in accordance with its dual missions and is mandated by the United States and Montana Constitutions and Title 10, Chapter 1-3, MCA.

### Program Highlights

<b>Air National Guard Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The Governor's proposed budget increases by 12.0% from the prior biennium due to: <ul style="list-style-type: none"> <li>• Re-establishment of federal funds spending authority for fire fighter overtime</li> <li>• The addition of 6.0 FTE fire fighter positions in accordance with federal requirements</li> </ul> </li> <li>◆ A proposed 4% general fund personal services reduction moves a procurement specialist position from full time to part time and includes the loss of federal matching dollars</li> <li>◆ The agency submitted a 5% reduction plan that includes \$91,627 in reductions not included in the Governor's budget</li> </ul>

### Program Narrative

#### *5% Reduction Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The 5% reduction plan submitted by the agency includes a reduction of \$127,861 in total funding for the program over the biennium.

A portion of the 5% reduction plan is included in the Governor's proposed budget as a 4% personal services reduction (NP 55400) that reduces a 1.0 FTE purchasing agent position to a part time 0.6 FTE position. This proposal reduces

general fund by \$11,154 over the biennium, but these dollars are matched by federal funds so the proposal also includes the reduction of federal funds of \$29,596. Not included in the executive’s proposed budget is a general operating expense reduction of \$25,080 in general fund over the biennium, which also includes a reduction in federal special revenue matching funds totaling \$66,547.

In addition to the personal services reduction, the agency reports that they would reduce janitorial services and eliminate some building and grounds maintenance contracts. No plan for mitigating the impact of the reductions was submitted by the agency.

Adoption of the 5% reduction plan by the legislature would result in a 3.3% general fund reduction and a 1.04% total funding reduction for the program from the Governor’s proposed budget.

**Funding**

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 362,348	9.4%	\$ 374,403	8.6%	\$ 376,583	8.6%
01100 General Fund	362,348	9.4%	374,403	8.6%	376,583	8.6%
03000 Total Federal Special Funds	3,504,149	90.6%	4,001,812	91.4%	4,025,233	91.4%
03453 Air National Guard	<u>3,504,149</u>	<u>90.6%</u>	<u>4,001,812</u>	<u>91.4%</u>	<u>4,025,233</u>	<u>91.4%</u>
Grand Total	<u>\$ 3,866,497</u>	<u>100.0%</u>	<u>\$ 4,376,215</u>	<u>100.0%</u>	<u>\$ 4,401,816</u>	<u>100.0%</u>

The Montana Air National Guard is funded predominately by federal funds. General fund, comprising less than 9% of the total funding for the program, supports some building and grounds maintenance activities, a portion of administrative expenses, and a small amount of personal services 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	362,348	362,348	724,696	96.50%	3,866,497	3,866,497	7,732,994	88.09%
Statewide PL Adjustments	17,630	19,814	37,444	4.99%	(176,829)	(166,671)	(343,500)	(3.91%)
Other PL Adjustments	0	0	0	0.00%	333,940	339,485	673,425	7.67%
New Proposals	(5,575)	(5,579)	(11,154)	(1.49%)	352,607	362,505	715,112	8.15%
<b>Total Budget</b>	<b>\$374,403</b>	<b>\$376,583</b>	<b>\$750,986</b>		<b>\$4,376,215</b>	<b>\$4,401,816</b>	<b>\$8,778,031</b>	

### 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(98,807)					(95,436)
Vacancy Savings					(81,078)					(81,215)
Inflation/Deflation					10,089					22,358
Fixed Costs					(7,033)					(12,378)
<b>Total Statewide Present Law Adjustments</b>		<b>\$17,630</b>	<b>\$0</b>	<b>(\$194,459)</b>	<b>(\$176,829)</b>		<b>\$19,814</b>	<b>\$0</b>	<b>(\$186,485)</b>	<b>(\$166,671)</b>
DP 1301 - Federal Authority for 24/7 Firefighter Salaries	0.00	0	0	333,940	333,940	0.00	0	0	339,485	339,485
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$333,940</b>	<b>\$333,940</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$339,485</b>	<b>\$339,485</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$17,630</b>	<b>\$0</b>	<b>\$139,481</b>	<b>\$157,111</b>	<b>0.00</b>	<b>\$19,814</b>	<b>\$0</b>	<b>\$153,000</b>	<b>\$172,814</b>

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The Air National Guard program follows the agency pay plan rules without exception.
- o **Program Specific Obstacles** – No program specific obstacles have been encountered by the program in attracting and retaining qualified workers.
- o **Vacancy** – The program has not experienced any issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – Legislatively applied vacancy savings has been achieved due to savings from deployed employees on leave without pay.
- o **Pay/Position Changes** – No position or pay changes were reported by the program.
- o **Retirements** – There are no anticipated retirements for the division.

DP 1301 - Federal Authority for 24/7 Firefighter Salaries - This request is for 100% federal spending authority for the overtime, regular hours over 40 per week, and related benefit costs incurred by the Air National Guard Firefighters in Great Falls. Costs for overtime and regular hours over 40 per week are zero based and are not captured in the personal services snapshot used for the initial budget preparation. There are 24 Air Guard Firefighters in Great Falls. These firefighters work between 182 and 416 regular extra hours per year. The requirement for additional hours is caused by the 24 hour a day, 7 day a week crash/fire coverage necessary to support and maintain the Air National Guard mission and joint use requirements with the Great Falls International Airport. Scheduling requirements and holiday hours result in an additional 10,164 paid hours each year (department total). FLSA overtime must be paid for all firefighter hours worked exceeding 212 in a two pay period month, and result in an additional 2,592 paid overtime hours each year.

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1302 - Federal Authority for New Fire FTEs	13	6.00	0	0	373,002	373,002	6.00	0	0	382,860	382,860
DP 55400 - 4% Personal Services Reduction Air Program	13	(0.40)	(5,575)	0	(14,820)	(20,395)	(0.40)	(5,579)	0	(14,776)	(20,355)
<b>Total</b>	<b>5.60</b>	<b>(\$5,575)</b>	<b>\$0</b>	<b>\$358,182</b>	<b>\$352,607</b>	<b>5.60</b>	<b>(\$5,579)</b>	<b>\$0</b>	<b>\$368,084</b>	<b>\$362,505</b>	

DP 1302 - Federal Authority for New Fire FTEs - This request is to provide 100% federal spending authority to permanently increase Air National Guard firefighter staffing by 6.00 FTE. The National Guard Bureau notified the Montana Air National Guard in August 2010 that the manpower standard for the base has been permanently increased from 24.00 FTE to 30.00 FTE, effective 1 October 2010, in support of the Air National Guard mission and joint use requirements with the Great Falls International Airport. The six fire positions will be paid 2,584 regular hours and 96 hours FLSA overtime in each year of the biennium to ensure 24 hour a day, 7 day a week crash/fire coverage.

DP 55400 - 4% Personal Services Reduction Air Program - This is a request for a \$5,251 general fund and .40 FTE reductions in each year of the biennium.

#### LFD COMMENT

As discussed in the 5% Reduction Plan discussion above, the program would reduce a 1.0 FTE purchasing agent position to a part time 0.60 FTE position. In addition to the general fund shown in the DP, federal matching funds would also be reduced.

### 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	23.00	23.00	22.00	22.00	23.00	22.00	(1.00)	(4.35%)
Personal Services	1,600,472	1,346,061	1,386,072	1,386,303	2,946,533	2,772,375	(174,158)	(5.91%)
Operating Expenses	412,625	568,417	457,753	431,766	981,042	889,519	(91,523)	(9.33%)
Grants	5,265,505	13,614,431	5,367,505	5,367,505	18,879,936	10,735,010	(8,144,926)	(43.14%)
Transfers	441,549	0	441,549	441,549	441,549	883,098	441,549	100.00%
<b>Total Costs</b>	<b>\$7,720,151</b>	<b>\$15,528,909</b>	<b>\$7,652,879</b>	<b>\$7,627,123</b>	<b>\$23,249,060</b>	<b>\$15,280,002</b>	<b>(\$7,969,058)</b>	<b>(34.28%)</b>
General Fund	1,051,209	1,059,877	1,040,632	1,042,074	2,111,086	2,082,706	(28,380)	(1.34%)
State Special	211,200	302,477	370,200	350,200	513,677	720,400	206,723	40.24%
Federal Special	6,457,742	14,166,555	6,242,047	6,234,849	20,624,297	12,476,896	(8,147,401)	(39.50%)
<b>Total Funds</b>	<b>\$7,720,151</b>	<b>\$15,528,909</b>	<b>\$7,652,879</b>	<b>\$7,627,123</b>	<b>\$23,249,060</b>	<b>\$15,280,002</b>	<b>(\$7,969,058)</b>	<b>(34.28%)</b>

### Program Description

The Disaster and Emergency Services Division duties and responsibilities are provided for under Title 10, Chapter 3, MCA. The division is responsible for the coordination, development, and implementation of emergency management planning, mitigation, response, and recovery statewide. This responsibility includes the administration and disbursement of federal Homeland Security and Emergency Management funds to eligible political subdivisions and tribal nations across the state. The division maintains a 24 hour a day point of contact to coordinate the volunteer, state, and federal response for assistance to political subdivisions and tribal nations in the event of an incident, emergency, or disaster.

### Program Highlights

<b>Disaster and Emergency Services Division</b>	
<b>Major Budget Highlights</b>	
◆	The Governor's proposed budget decreases by 34.3% from the previous biennium due entirely from reduced requests for federal funds spending authority
◆	Changes in administrative rules related to the distribution of search and rescue funds are reflected in proposed spending increases for state special revenue funds that support local search and rescue activities
◆	A 4% personal services expenditure reduction that eliminates 1.0 FTE and \$110,610 in biennial funding is included in the executive proposal

### Program Narrative

As stated in the summary section, in the previous biennium, DES had estimated all of the federal grants that could be received by the state and requested the appropriation authority for that amount, roughly \$14 million each year of the biennium, in HB 2. In prior biennia, the agency had used base budget amounts for HB 2 authority requests and then requested budget amendment authority from the executive as federal grants were received after the end of the legislative session. Because of a number of factors, including timing of the federal fiscal year, type and availability of grant funding, and original appropriation type, only a fraction of the actual grant expenditures from federal funding sources is accounted for in the base year for budgeting purposes. The proposed budget for DES includes grant expenditure amounts consistent with the base year and no proposal was included to bring the requested appropriation amounts to the

level that was requested in the previous biennium. The result of this is an artificially large decrease in the proposed budget.

#### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The 5% reduction plan as proposed by the executive reduces total funding for the Disaster and Emergency Services (DES) program by \$231,360 the biennium.

Of this amount, \$110,610 is included in the Governor's proposed budget as a decision package to reduce personal services expenditures by 4% (NP 55400), eliminating 1.0 FTE. Administrative expenses are funded on a 50/50 basis between state general fund and federal funds for DES so the reduction is split evenly between the two sources, and only the general fund portion and the 0.50 FTE funded with general fund shown in the decision package. The executive is not proposing to reduce the federal authority. The position that is proposed to be eliminated is an emergency management specialist position that has been vacant since September of 2010. A total of three emergency management specialist positions, including one modified FTE, are currently vacant.

Not included in the Governor's budget is a general operating reduction that makes up the balance of the targeted reductions for both general fund and state special revenue. General fund is reduced by \$49,815 and, due to matching requirements, federal funding is reduced by a corresponding amount. State special revenue reductions total \$21,120 for a total amount that is not included in the Governor's budget of \$120,750. Adoption of the plan by the legislature would reduce the budget for the program by a further 0.79% from the executive proposal.

The agency did not specify how the additional reduction would be applied, making determination of actual impact difficult. However, the agency reports the reductions could impact in some measure the division's ability to assist local jurisdictions with disaster planning, training, exercise, mitigation and response activities and the elimination of a hazardous material training program. To mitigate these impacts, the program would review program priorities, reducing services as necessary. Existing personnel would take on extra work as needed and specialized training to local emergency management organizations would be curtailed as appropriate.

#### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Disaster & Emergency Services						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 1,051,209	13.6%	\$ 1,040,632	13.6%	\$ 1,042,074	13.7%
01100 General Fund	1,051,209	13.6%	1,040,632	13.6%	1,042,074	13.7%
02000 Total State Special Funds	211,200	2.7%	370,200	4.8%	350,200	4.6%
02156 Sar Des Dfwp Fees	58,867	0.8%	84,867	1.1%	84,867	1.1%
02170 Sar Des Off Road Vehicles	123,971	1.6%	189,971	2.5%	189,971	2.5%
02180 Emergency Preparedness Summit	17,357	0.2%	40,357	0.5%	20,357	0.3%
02335 Des Training Conference	11,005	0.1%	55,005	0.7%	55,005	0.7%
03000 Total Federal Special Funds	6,457,742	83.6%	6,242,047	81.6%	6,234,849	81.7%
03134 Disaster & Emergency Services	<u>6,457,742</u>	<u>83.6%</u>	<u>6,242,047</u>	<u>81.6%</u>	<u>6,234,849</u>	<u>81.7%</u>
Grand Total	<u>\$ 7,720,151</u>	<u>100.0%</u>	<u>\$ 7,652,879</u>	<u>100.0%</u>	<u>\$ 7,627,123</u>	<u>100.0%</u>

Funding for the Disaster and Emergency Services Division is broken down roughly into three functional areas: administration and coordination, search and rescue, and grant programs.

Administrative and coordination functions that provide support to communities and contribute to the overall mission of the division are funded primarily through a 50/50 partnership between state general fund and federal revenues. Disaster coordination functions focusing on specifically identified hazards or functions are usually funded 100% with federal funds.

Search and rescue activities are geared toward providing technical and financial support to local search and rescue operations. This includes the reimbursement of local entities for costs incurred for local search and rescue missions and for funding of equipment purchases. These activities are funded through state special revenue funds derived from surcharges on conservation licenses and off-road vehicle licenses. A small portion of the state special revenue is fee revenue from division-sponsored workshops and conferences and is used to support these functions.

Grant activities are dominated by federal funding. The division uses this funding to make grants to extramural and state entities for disaster and emergency prevention and preparation according to federal agency goals. The amount of this funding that is budgeted in HB 2 varies greatly depending on the federal source and available amounts known at the time of the budget submission. This is reflected in the 39.5% reduction in federal funding for the upcoming biennium from the current biennium.

The office of the Governor is also provided a number of statutory appropriations in the event of a declared emergency or disaster. The most notable of these is the authority to authorize up to \$16 million dollars for disaster relief. These expenditures are authorized through executive orders. In FY 2010, the Governor authorized disaster relief expenditures from the general fund resulting from executive orders totaling \$301,396.

### 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,051,209	1,051,209	2,102,418	100.95%	7,720,151	7,720,151	15,440,302	101.05%
Statewide PL Adjustments	(2,416)	(967)	(3,383)	(0.16%)	(209,950)	(215,692)	(425,642)	(2.79%)
Other PL Adjustments	19,488	19,488	38,976	1.87%	197,976	177,976	375,952	2.46%
New Proposals	(27,649)	(27,656)	(55,305)	(2.66%)	(55,298)	(55,312)	(110,610)	(0.72%)
<b>Total Budget</b>	<b>\$1,040,632</b>	<b>\$1,042,074</b>	<b>\$2,082,706</b>		<b>\$7,652,879</b>	<b>\$7,627,123</b>	<b>\$15,280,002</b>	

### 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(160,476)					(160,223)
Vacancy Savings					(57,602)					(57,610)
Inflation/Deflation					(476)					(416)
Fixed Costs					8,604					2,557
<b>Total Statewide Present Law Adjustments</b>		<b>(\$2,416)</b>	<b>\$0</b>	<b>(\$207,534)</b>	<b>(\$209,950)</b>		<b>(\$967)</b>	<b>\$0</b>	<b>(\$214,725)</b>	<b>(\$215,692)</b>
DP 2101 - DES Duty Officer Overtime	0.00	19,488	0	19,488	38,976	0.00	19,488	0	19,488	38,976
DP 2102 - State Special Revenue Spending Authority	0.00	0	159,000	0	159,000	0.00	0	139,000	0	139,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$19,488</b>	<b>\$159,000</b>	<b>\$19,488</b>	<b>\$197,976</b>	<b>0.00</b>	<b>\$19,488</b>	<b>\$139,000</b>	<b>\$19,488</b>	<b>\$177,976</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$17,072</b>	<b>\$159,000</b>	<b>(\$188,046)</b>	<b>(\$11,974)</b>	<b>0.00</b>	<b>\$18,521</b>	<b>\$139,000</b>	<b>(\$195,237)</b>	<b>(\$37,716)</b>

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The Disaster and Emergency Services program follows the agency pay plan rules without exception.
- o **Program Specific Obstacles** – No program specific obstacles have been encountered by the program in attracting and retaining qualified workers.
- o **Vacancy** – The program has not experienced any issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – Legislatively applied vacancy savings has been achieved by holding vacant positions open.
- o **Pay/Position Changes** – No position or pay changes were reported by the program.
- o **Retirements** - Seven employees in the program will be eligible for retirement in the 2013 biennium at a cost of \$73,350.

DP 2101 - DES Duty Officer Overtime - This is a request to provide funding for the overtime salary and benefits costs incurred by the DES duty officers to provide 24 hour, 7 days a week disaster & emergency response. Overtime costs are zero based and are not captured in the personnel services snapshot used for the initial budget preparation.

DP 2102 - State Special Revenue Spending Authority - The division is requesting state special revenue spending authority.

The Emergency Management Assistance Compact (EMAC), codified under 10-3-1001 MCA, is an agreement between Governors for one state to provide assistance to another state under a disaster or emergency declaration. Costs incurred to provide assistance under the EMAC are reimbursable by the state requesting the assistance. Spending authority is requested for DES to incur the original costs prior to reimbursement.

The annual Governors Emergency Preparedness Summit requires the spending authority to cover expenses pending receipt of registration revenue.

Disaster and Emergency Services Division (DES) is responsible for implementing Montana Code Annotated (MCA) 10-3-801 which reimburses county sheriffs and local search and rescue units for expenses related to search and rescue missions, training, and equipment.

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% Personal Services Reduction DES										
21	(1.00)	(27,649)	0	(27,649)	(55,298)	(1.00)	(27,656)	0	(27,656)	(55,312)
<b>Total</b>	<b>(1.00)</b>	<b>(\$27,649)</b>	<b>\$0</b>	<b>(\$27,649)</b>	<b>(\$55,298)</b>	<b>(1.00)</b>	<b>(\$27,656)</b>	<b>\$0</b>	<b>(\$27,656)</b>	<b>(\$55,312)</b>

DP 55400 - 4% Personal Services Reduction DES - The division 4% reduction in personal services would be a currently vacant 0.5 FTE emergency management specialist position. The position is funded 50% with federal 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	30.00	30.00	29.00	29.00	30.00	29.00	(1.00)	(3.33%)
Personal Services	1,413,599	1,403,785	1,478,267	1,478,435	2,817,384	2,956,702	139,318	4.94%
Operating Expenses	370,794	549,393	424,389	421,460	920,187	845,849	(74,338)	(8.08%)
Equipment & Intangible Assets	0	17,730	0	0	17,730	0	(17,730)	(100.00%)
<b>Total Costs</b>	<b>\$1,784,393</b>	<b>\$1,970,908</b>	<b>\$1,902,656</b>	<b>\$1,899,895</b>	<b>\$3,755,301</b>	<b>\$3,802,551</b>	<b>\$47,250</b>	<b>1.26%</b>
General Fund	868,195	880,215	888,970	883,722	1,748,410	1,772,692	24,282	1.39%
State Special	916,198	1,090,693	1,013,686	1,016,173	2,006,891	2,029,859	22,968	1.14%
<b>Total Funds</b>	<b>\$1,784,393</b>	<b>\$1,970,908</b>	<b>\$1,902,656</b>	<b>\$1,899,895</b>	<b>\$3,755,301</b>	<b>\$3,802,551</b>	<b>\$47,250</b>	<b>1.26%</b>

### Program Description

The Veterans Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City, Fort Harrison in Helena, and Missoula. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs, and operates under a state mandate provided in Title 10, Chapter 2, MCA.

### Program Highlights

<b>Veterans' Affairs Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The executive's budget proposal includes a 4% personal services reduction that results in the elimination of 1.0 FTE</li> <li>◆ General fund increases by 1.39% due to statewide present law adjustments</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ The funding requested from the program's second largest state special revenue source is not supportable due to the projected levels of revenue and fund balance in the account</li> </ul>

### Program Narrative

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program. The agency submitted a 5% reduction plan for the Veterans' Affairs Division that totals \$178,280 over the biennium. General fund makes up \$86,714 of the total. Of the general fund amount, \$60,106 is included in the executive's proposed budget. The portion of the general fund reduction included in the budget is contained in DP 55400, a 4% general fund personal services reduction that will eliminate a veterans' services technician position in conjunction with the closing of the Wolf Point office.

The remaining \$26,608 in general fund and \$91,566 in state special revenue reductions are not included in the executive budget. The agency states that these additional reductions include the permanent closure of the Wolf Point office, reduced training and conference attendance, and reduced cemetery operations and maintenance functions. The adoption of the 5% plan by the legislature would result in a 0.7% reduction in general fund and a 3.11% reduction in total funding for the program from the Governor's proposed budget.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table							
Veterans Affairs Program							
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013	
01000 Total General Fund	\$ 868,195	48.7%	\$ 888,970	46.7%	\$ 883,722	46.5%	
01100 General Fund	868,195	48.7%	888,970	46.7%	883,722	46.5%	
02000 Total State Special Funds	916,198	51.3%	1,013,686	53.3%	1,016,173	53.5%	
02214 Veterans Affairs Cemeteries	236,023	13.2%	232,854	12.2%	233,224	12.3%	
02222 Patriotic License Plate Fees	-	-	75,000	3.9%	75,000	3.9%	
02523 Missoula Cemetery Plot Allowance	21,028	1.2%	25,000	1.3%	25,000	1.3%	
02524 Missoula Cemetery Donations	1,535	0.1%	12,175	0.6%	11,091	0.6%	
02548 Veterans Affairs Sb401	597,060	33.5%	599,192	31.5%	602,393	31.7%	
02550 Ft Harr Va Cemetery Donations	14,256	0.8%	14,465	0.8%	14,465	0.8%	
02551 Ft Harr Va Cemetery Plot Allow	31,141	1.7%	30,000	1.6%	30,000	1.6%	
02552 Estm Mt Va Cemetery Plot All	15,000	0.8%	15,000	0.8%	15,000	0.8%	
02553 Estm Mt Va Cemetery Donations	155	0.0%	10,000	0.5%	10,000	0.5%	
Grand Total	<u>\$ 1,784,393</u>	<u>100.0%</u>	<u>\$ 1,902,656</u>	<u>100.0%</u>	<u>\$ 1,899,895</u>	<u>100.0%</u>	

The Veterans' Affairs program is funded with both general fund and state special revenue. General fund comprises a slightly larger (1.42%) portion in the proposed budget than the previous biennium and is used to support functions throughout the program.

State special revenue is the largest funding source for the program. The primary state special revenue account was created by the legislature during the 2003 regular session in SB 401, which allocates proceeds from the sale of veterans specialty license plates. In addition to the revenue received from the sale of some specialty license plates, this account and the second most utilized account (Veterans' Affairs Cemeteries) receive a portion of all of the motor vehicle registration revenue that is deposited in the general fund each year. Remaining accounts include revenue derived primarily from cemetery donations and plot allowances.

The executive has also included a proposal in the budget to fund various activities of the program from the patriotic license plate fund in the amount of \$150,000 over the biennium. The appropriation request is significantly higher than historical revenues. For a further discussion please see the issue under DP 3101 below. This account receives revenue from a \$15 surcharge on original and renewal patriotic license plates issued in Montana. This is the first time the program has requested funding from this account in HB 2.

### LFD ISSUE

#### Requested Expenditures are Not Supportable with Projected Revenues

The amount of funding requested from the Veterans' Affairs Cemeteries Fund is not supportable with the revenues and fund balance of the account. The following chart shows the fund balance for the account beginning with actual amounts for the past two fiscal years, and the estimated amounts for the current fiscal year and the upcoming biennium as proposed in the executive budget. As shown, actual or requested expenditures exceed revenues in each year.

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ISSUE CONT**

The agency has not maintained structural balance in the the account for the past seven years beginning with FY 2004. The only exception to this is in FY 2008, when a non-budgeted general fund transfer of \$148,314 was made to enhance the fund balance.

This structural imbalance has eroded the fund balance and would result in a negative fund balance beginning in FY 2011 without significantly greater revenues than currently anticipated. The agency will then either have to reduce expenditures or find other sources of funding within the program or the agency. Either revenues to the account would have to be increased, most likely through an increase in the cost of the license plate, or some other source such as general fund would have to be utilized. A committee bill would be needed for this option.

Veterans' Affairs Cemeteries Fund 2214 Fund Balance Analysis					
	Fiscal 2009	Fiscal 2010	Fiscal 2011*	Fiscal 2012*	Fiscal 2013*
Beginning Fund Balance	\$179,723	\$112,528	\$41,595	(\$105,850)	(\$168,704)
Disbursements	(\$246,374)	(\$238,514)	(\$308,380)	(\$232,854)	(\$233,224)
Revenues	<u>179,179</u>	<u>167,581</u>	<u>160,935</u>	<u>170,000</u>	<u>170,000</u>
Ending Nominal Fund Balance	<u>\$112,528</u>	<u>\$41,595</u>	<u>(\$105,850)</u>	<u>(\$168,704)</u>	<u>(\$231,928)</u>

*\*disbursements are actual or proposed appropriation amounts, revenues are LFD estimated amounts*

Options

- o Reduce expenditures to comport with ongoing available revenues
- o Request a committee bill to increase the revenue revenues to the fund
- o Subsidize expenditures with other funding sources, such as 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	868,195	868,195	1,736,390	97.95%	1,784,393	1,784,393	3,568,786	93.85%
Statewide PL Adjustments	50,827	45,581	96,408	5.44%	73,315	70,556	143,871	3.78%
Other PL Adjustments	0	0	0	0.00%	75,000	75,000	150,000	3.94%
New Proposals	(30,052)	(30,054)	(60,106)	(3.39%)	(30,052)	(30,054)	(60,106)	(1.58%)
<b>Total Budget</b>	<b>\$888,970</b>	<b>\$883,722</b>	<b>\$1,772,692</b>		<b>\$1,902,656</b>	<b>\$1,899,895</b>	<b>\$3,802,551</b>	

### 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					157,567					157,745
Vacancy Savings					(62,847)					(62,855)
Inflation/Deflation					(12,580)					(11,783)
Fixed Costs					(8,825)					(12,551)
<b>Total Statewide Present Law Adjustments</b>		<b>\$50,827</b>	<b>\$22,488</b>	<b>\$0</b>	<b>\$73,315</b>		<b>\$45,581</b>	<b>\$24,975</b>	<b>\$0</b>	<b>\$70,556</b>
DP 3101 - Spending authority for Patriotic Plates	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$75,000</b>	<b>\$0</b>	<b>\$75,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$75,000</b>	<b>\$0</b>	<b>\$75,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$50,827</b>	<b>\$97,488</b>	<b>\$0</b>	<b>\$148,315</b>	<b>0.00</b>	<b>\$45,581</b>	<b>\$99,975</b>	<b>\$0</b>	<b>\$145,556</b>

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – The Veterans' Affairs program follows the agency pay plan rules without exception.
- o **Program Specific Obstacles** – No program specific obstacles have been encountered by the program in attracting and retaining qualified workers.
- o **Vacancy** – The program has not experienced any issues related to vacancies.
- o **Legislatively Applied Vacancy Savings** – Legislatively applied vacancy savings has been achieved by holding vacant positions open.
- o **Pay/Position Changes** – No position or pay changes were reported by the program.
- o **Retirements** - Six employees in the program are eligible for retirement in the 2013 biennium at an anticipated cost of approximately \$46,000. There are no expected operational impacts to the program based on anticipated retirements.

DP 3101 - Spending authority for Patriotic Plates - The executive requests spending authority from the patriotic license plate special revenue account. The funding would be used for staff training, operational support, and state veterans service organization projects of mutual support such as homeless veteran stand downs and outreach programs.

<b>LFD ISSUE</b>	<p><u>Decision Package Creates Base Expenditure Increase</u></p> <p>This decision package requests spending authority from the state special revenue account funded from the sale of patriotic license plates. This is not a switch in funding, but an increase in base expenditures. The use of this fund has not offset the use of other funds in the budget and the funding will be used to support expanded activities in the program. The legislature may want to consider reducing general fund or other state special revenue funding sources in the amount of the requested funding.</p>
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**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals											
Program	FTE	Fiscal 2012				Fiscal 2013					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 55400 - 4% Personal Services Reduction Veterans Affairs	31	(1.00)	(30,052)	0	0	(30,052)	(1.00)	(30,054)	0	0	(30,054)
<b>Total</b>	<b>(1.00)</b>	<b>(\$30,052)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$30,052)</b>	<b>(1.00)</b>	<b>(\$30,054)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$30,054)</b>	

DP 55400 - 4% Personal Services Reduction Veterans Affairs - This request is for a \$24,787 general fund and 0.5FTE reduction in each year of the biennium. The division would eliminate a veterans affairs technician in the Wolf Point office, which is scheduled for closure.