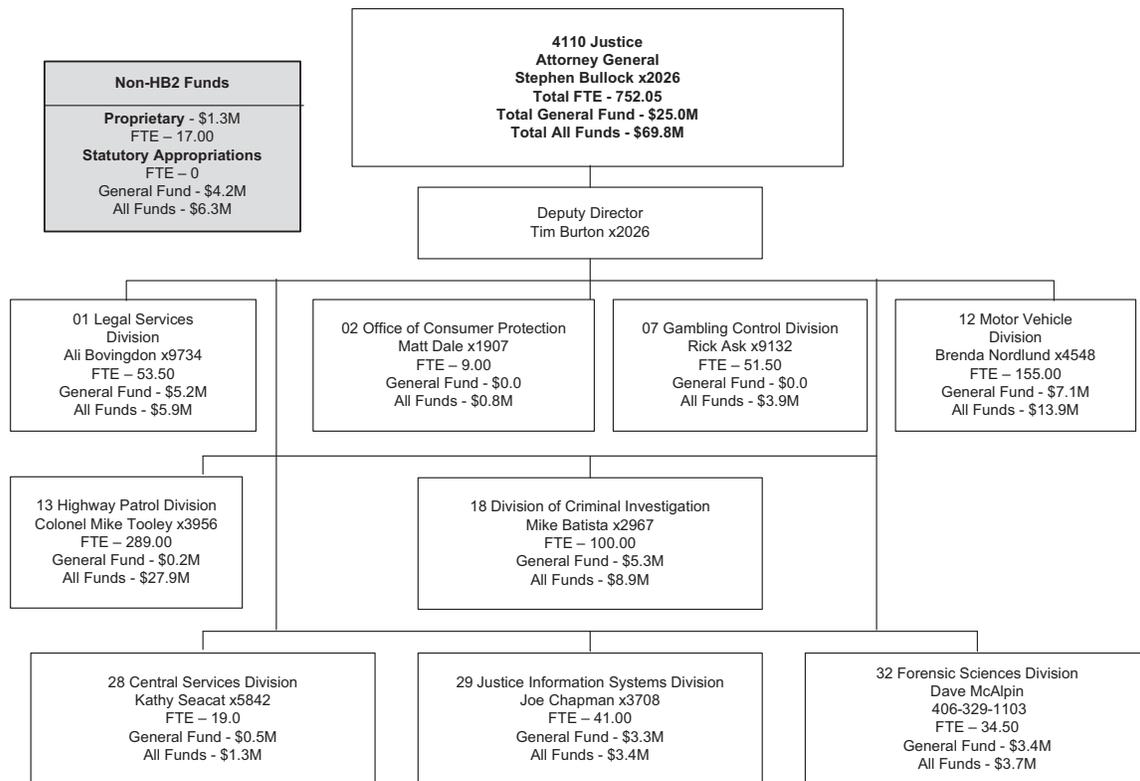


**Agency Budget Comparison**

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	752.05	752.05	752.89	752.85	752.05	752.85	0.80	0.11%
Personal Services	45,224,471	45,355,993	49,643,781	49,683,628	90,580,464	99,327,409	8,746,945	9.66%
Operating Expenses	20,867,277	25,904,682	28,638,924	27,989,642	46,771,959	56,628,566	9,856,607	21.07%
Equipment & Intangible Assets	1,995,547	2,111,490	2,265,547	2,265,547	4,107,037	4,531,094	424,057	10.33%
Benefits & Claims	1,011,704	1,868,328	1,261,704	1,261,704	2,880,032	2,523,408	(356,624)	(12.38%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	674,549	2,348,703	2,524,549	2,524,549	3,023,252	5,049,098	2,025,846	67.01%
<b>Total Costs</b>	<b>\$69,773,548</b>	<b>\$77,589,196</b>	<b>\$84,334,505</b>	<b>\$83,725,070</b>	<b>\$147,362,744</b>	<b>\$168,059,575</b>	<b>\$20,696,831</b>	<b>14.04%</b>
General Fund	24,957,152	25,938,858	27,391,940	27,391,113	50,896,010	54,783,053	3,887,043	7.64%
State Special	41,651,649	48,102,143	50,986,728	50,729,737	89,753,792	101,716,465	11,962,673	13.33%
Federal Special	1,405,530	1,760,313	1,492,068	1,493,495	3,165,843	2,985,563	(180,280)	(5.69%)
Other	0	0	2,250,000	2,250,000	0	4,500,000	4,500,000	n/a
Other	1,759,217	1,787,882	2,213,769	1,860,725	3,547,099	4,074,494	527,395	14.87%
<b>Total Funds</b>	<b>\$69,773,548</b>	<b>\$77,589,196</b>	<b>\$84,334,505</b>	<b>\$83,725,070</b>	<b>\$147,362,744</b>	<b>\$168,059,575</b>	<b>\$20,696,831</b>	<b>14.04%</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**

The Department of Justice, under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement, and public safety. The department:

- o Provides legal representation for the state and its political subdivisions in criminal appeals
- o Provides legal services and counsel for the state, county, and municipal agencies and their officials
- o Enforces Montana traffic laws and registers all motor vehicles
- o Enforces state fire safety codes and regulations
- o Assists local law enforcement agencies in bringing offenders to justice
- o Provides criminal justice officers and other qualified individuals with basic and specialized training in the field of law enforcement
- o Manages a statewide system of death investigations
- o Provides scientific analyses of specimens submitted by law enforcement officials, coroners, and state agencies
- o Maintains and disseminates criminal justice information to authorized state, local, and other entities
- o Provides uniform regulation of all gambling activities in the state of Montana
- o Enforces consumer protection laws and regulations relating to unfair and deceptive business practices
- o Assists Montana consumers in making sound decisions by providing public outreach
- o Provides statewide leadership on issues related to victims of crime and administers the Crime Victims Compensation program

**Agency Highlights**

<b>Department of Justice Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Funding for the department increases 14.0% (\$20.7 million) between the two biennia                             <ul style="list-style-type: none"> <li>• More than one half of the increase (\$12.0 million) is related to increases in state special revenue</li> </ul> </li> <li>◆ State special revenue increases 13.3% (\$12.0 million) between the two biennia due to:                             <ul style="list-style-type: none"> <li>• Statewide present law adjustments</li> <li>• Debt payments for information technology projects (\$6.6 million)</li> <li>• Funding for the new insurance verification system (\$1.8 million)</li> <li>• Funding increase for the Criminal Justice Information System (CJIS) \$1.1 million</li> </ul> </li> <li>◆ General fund support for the department increases 7.6% (\$3.9 million) between the two biennia primarily due to statewide present law adjustments</li> </ul>
<b>Legislative Action Issues</b>
<ul style="list-style-type: none"> <li>◆ Major LFD Issues                             <ul style="list-style-type: none"> <li>• Montana Enhanced Registration and Licensing Information Network (MERLIN) titling and registration implementation difficulties including: titling and registration work backlogs, printer malfunctions, help desk response time, system response time, and allocation of revenue on the accounting system</li> <li>• The Montana Law Enforcement Academy (MLEA) state special revenue fund does not have sufficient income to support expenses</li> <li>• The legislature may wish to consider transferring funds from the consumer settlement proceeds and highway patrol recruitment and retention accounts to the general fund</li> <li>• The executive budget does not use the highway patrol recruitment</li> </ul> </li> </ul>

- and retention fund to support the entire costs of additional troopers
- The impacts of personal services reductions cannot be determined because the positions included in the personal services reduction are not specified
- ◆ Interim Committee Recommendations
  - The Legislative Finance Committee recommends that the budget starting point be the adjusted base minus 5%

## Agency Discussion

### *Goals and Objectives:*

#### 2011 Biennium Goals

An update of the goals monitored by the LFC during the 2011 biennium is included in the narrative for the applicable division. Implementation of MERLIN the new motor vehicle system was monitored by the LFC and is discussed in more detail later in this narrative.

#### **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** - With the economic downturn and capabilities of new on-line recruitment, the agency receives extraordinarily large hiring pools for most vacant positions. A large portion of applicants do not meet minimum qualifications. The high unemployment rate and number of people who receive unemployment benefits may partially explain these high numbers. Because salaries are frozen, a trend within the department is for employees to accept promotions with other state agencies. On a regular basis the department offers multiple recruitments for information technology positions, Montana Highway Patrol dispatchers (communication system operators), and motor vehicle licensing clerks. Approximately one out of ten jobs offered is rejected. The two main reasons for rejections are that the applicant accepted another job offer or the applicant wants more money than the department can pay.
- o **Pay Philosophy** - New hires will be placed within the existing salary ranges based upon qualifications and internal equity. To plan for succession, the department will use training assignments and proficiency agreements. FY 2011 collective bargaining agreements could propose salary adjustments to meet career objectives. As a result of legislation in 2005 and 2009, the agency has created a protective services pay matrix which addresses pay for investigators and highway patrol officers.
- o **Obstacles** - The current financial situation impacts the agency's ability to attract and retain qualified workers in several ways. First, the agency is limited in its ability to totally implement the pay plan, which promotes pay for competencies and other components. Secondly, vacancy savings requirements limit the ability to fill much needed jobs that provide services and programs to the citizens of Montana. Also, with the inability to implement pay adjustments, many qualified employees move on to other higher paying jobs elsewhere. Lastly, with the large numbers of applicants for most jobs, selection processes are slowed down. Often, by the time applications are screened, many of the top applicants have accepted employment elsewhere. Training assignments are used to allow applicants to obtain the experience necessary to meet expected entry requirements. Besides lack of funding, employee burnout is an obstacle when it comes to attracting and retaining qualified workers. When expectations force employees to work more with less, it puts a burden on the work force. The unintended consequences include more frequent absences and increases in workers compensation claims.

### *Agency Overview*

The Department of Justice is comprised of 10 divisions, engaged in activities related to law enforcement including litigation on behalf of state and local agencies and consumers, prosecution of criminal cases, assistance in investigation

of crimes, patrol of state highways, and testing of evidence in criminal matters. The department is also responsible for motor vehicle titling and registration, driver licensing, and maintenance of the state's criminal justice information.

The department has 752.05 authorized FTE and the 2013 biennium budget proposes increasing this level by 0.80 FTE. The figure summarizes the FTE changes in the executive budget. Decreases in FTE related to a 4% decrease in general fund support for personal services are offset by requests for increased FTE for the highway patrol (9.00 FTE), executive protection (1.00 FTE), criminal justice information section (1.00 FTE), and Motor Vehicle Division (0.75 FTE). An LFD issue regarding the funding for highway patrol officers is discussed in the narrative for that program.

Department of Justice FTE Changes		
Item	FY 2012	FY 2013
DP 1206 MVD Base Adjustments	0.75	0.75
DP 1301 Troopers on the Road	9.00	9.00
DP 1302 Executive Protection	1.00	1.00
DP 1806 Criminal Records Section	1.00	1.00
Subtotal increases	11.75	11.75
DP 55400 Legal Services	(1.50)	(1.50)
DP 55400 Motor Vehicle	(3.86)	(3.86)
DP 55400 Highway Patrol	(0.25)	(0.25)
DP 55400 Criminal Investigation	(2.25)	(2.25)
DP 55400 Centralized Services	(0.30)	(0.30)
DP 55400 Information Technology	(1.50)	(1.50)
DP 55400 Forensic Science	(1.25)	(1.25)
Subtotal decreases	(10.91)	(10.91)
Total FTE Change	0.84	0.84

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Positions Not Specified

The positions included in the personal service reductions have not been specified. This lack of specificity makes it difficult to determine the potential impacts of these reductions. The legislature may wish to engage in a discussion with the agency about the impacts of these reductions upon agency operations and goals.

MERLIN – Motor Vehicle Division Automation
**The Project**

The Motor Vehicle Division has been in the process of re-engineering business processes and developing a new automated information technology system. This effort has been known by several names, including HB 577, HB 261, and TEAM 261. The project and new system have been named MERLIN, Montana Enhanced Registration and Licensing Information Network. The project involves implementation of a system that fully integrates motor vehicle functions including driver licensing, vehicle titling and registration, and revenue collection and reporting. This project involves the use of software developed by ARCHON technology that was to be customized and implemented in conjunction with BearingPoint. These two companies were to be the primary contractors. But, during the course of this project ARCHON technologies was purchased by 3M and BearingPoint is in the late stages of bankruptcy. Due to these changes, the department is currently contracting with 3M for some services and completing customization and upgrades in-house with agency staff.

**Funding**

MERLIN has been funded through \$28.5 million of debt authorized over three legislative sessions. To date \$23.2 million has been expended for the system. The 2013 biennium budget includes a request for an increase of about \$3.7 million of state special revenue for debt repayment. State special revenue is generated from three fees that are schedule to expire at a future date including:

- o \$4 of the \$8 lien filing fee (61-3-103(8)(b), MCA) – expires June 30, 2016
- o \$10 fee for issuance of a new title without the security interest or lien shown (following satisfaction or release of the security interest or lien) (61-3-103(9)(a), MCA) - expires June 30, 2018
- o \$5 from titling fees (61-3-203(1)(b), MCA) – expires June 30, 2018

Some maintenance costs have been funded with this state special revenue. However, a long term maintenance plan and funding for that plan have not been completed. Future maintenance costs and how they will be funded are currently unknown.

### Status

Issues surrounding the development of this system have previously been brought to the attention of the legislature. The project has taken several years longer than originally envisioned, and the driver licensing functions are not yet completed.

In addition, since 2009 when the titling and registration portion of the system went live, several difficulties were experienced, particularly by county treasurers. Efforts to stabilize this portion of the system have largely focused on the following five items:

1. Titling and registration backlogs
2. Computer processing response time
3. Help desk response and communication between the department and county treasurers
4. Point of sale printer failure
5. Distribution of revenue on the state accounting records and reconciliation of accounting records

The Title and Registration Bureau experienced delays and backlogs in processing transactions. At one point titling transactions were backlogged, creating difficulties for those selling or buying vehicles. The department indicates that title changes are currently being processed within one week of receipt at the Title and Registration Bureau office and that fluctuations in turnaround time are now attributable to staffing levels rather than the automated system.

The MERLIN system operates on the state mainframe with transactions being routed via electronic means from county treasurer offices to the mainframe in Helena. This contrast with the previous system that used computer hardware generally housed at the local level. Functioning of fiber optic cable, telecommunications networks, and volume of transactions as well as other factors can impact the speed at which data is processed. Additionally, the unique nature of each county's computer configuration and internet service provider mean that there is not a "one size fits all" solution. The department, working with the Department of Administration and other stakeholders, has worked to identify and resolve these performance issues. The department continues to monitor issues of response time that are unique to Flathead County and indicates that other response time issues have not been experienced for several months.

Much difficulty was experienced in the help desk or communications area between the department and county treasurers. The volume of calls and limited number of department staff created difficulty for county treasurers needing immediate assistance and working to resolve issues while customers waited for transactions to process. The department took several steps to improve access and is engaging in monthly teleconferences with a committee of county treasurers to discuss operations and emerging issues. The department reports improvement in this area as enhancements and fixes have been implemented, knowledge has increased, and system function has stabilized.

### LFD ISSUE

#### County Treasurer Request

At the April 2010 meeting of the Law and Justice Interim Committee, a representative of the County Treasurer's Association presented two requests to the interim committee. Those requests were:

- o Do not reduce department staff because the help desk needs to be manned every day
- o Do not implement the insurance verification system until the MERLIN system is completely up and running

The executive budget request for the Motor Vehicle Division includes decision packages related to both of these items. The executive proposes reducing general fund support for personal services by 4% but the specific positions included in this reduction have not been identified. Because the positions have not been identified, it is difficult to determine whether or not the MERLIN help desk function will be impacted.

**LFD  
ISSUE CONT.**

The executive budget also requests state special revenue funding to develop and implement the insurance verification system prior to the statutory deadline of July 1, 2011. Delaying implementation of the system would impact the availability of insurance coverage information for law enforcement and other users. However, if the system is implemented but not functioning correctly, vehicle registration could be delayed, creating difficulties with customers served by the counties. In order to delay implementation of this system, legislation would be needed.

Given the concerns expressed on behalf of the County Treasurer's Association the legislature may wish to discuss with the agency the current status of these items and impact of complying with the County Treasurer Association request.

The point of sale (laser) printers that were deployed as part of the system did not function as expected and location of replacement printers was problematic. Because these printers actually print the decal that is affixed to the vehicle their operation is critical. The contractor providing the printers replaced all printers with a more suitable thermal printer at no cost to the department. Additionally, steps have been taken to have replacement supplies available in Helena and Missoula and from the contractor via overnight shipping. A decision package in the executive budget includes funding for network connections to the state system for these printers.

Difficulties with the interface between MERLIN and the state accounting system led to the recording of some revenues into a holding account. Lack of distribution of these revenues on the accounting records meant that information about the amount of revenues collected by source were unavailable. It took several months of dedicated work for department staff to reconcile and allocate revenues on the accounting records. Additionally, the department worked to reconcile accounting records with county treasurers, who must balance each day. At this time, with the exception of some smaller amounts that must be reconciled with counties, these activities have been completed. Revenue is now being allocated on a timely basis and daily reconciliation of the system interfaces is being completed.

The Law and Justice Interim Committee (LJIC) monitored and heard public comment related to the implementation of the MERLIN system. The LJIC requested and received periodic updates on the titling and registration backlog and implementation of this portion of the system. The LJIC also requested that an audit of MERLIN be completed. The Legislative Audit Division is in the early stages of work on this audit.

#### Driver Licensing

The driver licensing portion of the system remains to be completed. The department recently authorized the contractor (3M) to perform a gap analysis and will be reviewing changes needed to update the proposal to current statutory and business requirements. Once this analysis has been completed the department will work to determine the extent of any redesign and assess whether to pursue implementation of the planned technology solution or some other alternative. The department has indicated that additional funding for completion of the system, including driver licensing, will not be requested.

#### REAL ID

The REAL ID Act of 2006 (Public Law 109-13) was signed into law in May 2005. This law contains several provisions, but this narrative will deal only with the provisions of the portion referred to as the REAL ID Act of 2005. This act provides for regulations for state issued driver's licenses and identification cards. Specifically, the act requires that in order for state driver licenses or identification cards to be used for an official federal purpose, the cards must meet minimum standards, including standards related to verification of documents establishing identity, birth date, social security number, name, address, the person's lawful status in the United States, security of department of motor vehicle facilities and databases, information that must appear on the driver's license or identification card, document and record retention, and several others. The act defines "official purposes" as including but not limited to:

- o Accessing federal facilities
- o Boarding federally regulated commercial aircraft
- o Entering nuclear power plants
- o Any other purposes that the Secretary of Homeland Security shall determine

During the 2007 session the legislature adopted and the Governor approved legislation directing the Department of Justice not to take action to implement requirements of the REAL ID Act of 2005. Specifically, 61-5-128 MCA states:

“(1) The legislature finds that the enactment into law by the U.S. Congress of the REAL ID Act of 2005, as part of Public Law 109-13, is inimical to the security and well-being of the people of Montana, will cause unneeded expense and inconvenience to those people, and was adopted by the U.S. Congress in violation of the principles of federalism contained in the 10th amendment to the U.S. constitution (2) The state of Montana will not participate in the implementation of the REAL ID Act of 2005. The department, including the motor vehicle division of the department, is directed not to implement the provisions of the REAL ID Act of 2005 and to report to the governor any attempt by agencies or agents of the U.S. department of homeland security to secure the implementation of the REAL ID Act of 2005 through the operations of that division and department.”

Thus, as Montana statutes currently exist, the Department of Justice is prohibited from implementing the provisions of the REAL ID Act of 2005.

Efforts to repeal the federal REAL ID Act have not come to fruition and the act continues to be current federal law. The Department of Homeland Security continues to allow the use of valid state issued driver license and identification cards for the federal purposes listed above beyond the scheduled date that states were to demonstrate material compliance with the act. The next milestone required by the REAL ID Act is full compliance by states by May 10, 2011. Montana has not taken the actions necessary to achieve full compliance by this date.

#### **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 this agency. If the component is included in the executive budget the specific decision package is listed.

Total 5% Reduction Plan Identified by Agencies, 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
<b>Legal Services Division</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	1.50	\$148,762	11.9%	0	0.0%
<i>Not Included in Executive Budget</i>					
Reduce Major Litigation		150,000	12.0%	0	0.0%
Total Legal Services Division		\$298,762	24.0%	\$0	0.0%
<b>Office of Consumer Protection</b>					
<i>Not Included in Executive Budget</i>					
Reduce Benefit Claim Payments		0	0.0%	77,050	12.0%
<b>Gambling Control Division</b>					
<i>Not Included in Executive Budget</i>					
Delay Gambling Investigations/Inspect.		0	0.0%	139,782	21.8%
<b>Motor Vehicle Division</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	3.86	\$156,764	12.6%	0	0.0%
<i>Not Included in Executive Budget</i>					
Delay MVVS Rolling Reissue		\$0	0.0%	\$64,671	10.1%
Reduce Driver Licensing Office & Svc		31,888	2.6%	40,760	6.4%
Subtotal Not Included in Executive Budget		\$31,888	2.6%	\$105,431	16.5%
Total Motor Vehicle Division		\$188,652	15.1%	\$105,431	16.5%
<b>Montana Highway Patrol</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	0.25	\$12,425	1.0%	0	0.0%
<i>Not Included in Executive Budget</i>					
Reduce Level of Executive Protection		\$108,179	8.7%	\$0	0.0%
Reduce Level of Uniformed Officers		0	0.0%	211,512	33.0%
Subtotal Not Included in Executive Budget		\$108,179	8.7%	\$211,512	33.0%
Total Montana Highway Patrol		\$120,604	9.7%	\$211,512	33.0%
<b>Division of Criminal Investigation</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	2.25	\$161,956	13.0%	0	0.0%
<i>Not Included in Executive Budget</i>					
MCSART Program Reduction		\$96,056			
CRISS Program Reduction		0	0.0%	\$37,000	5.8%
MLEA Program Reduction		0	0.0%	70,000	10.9%
Subtotal Not Included in Executive Budget		\$96,056	7.7%	\$107,000	16.7%
Total Division of Criminal Investigation		\$258,012	20.7%	\$107,000	16.7%
<b>Centralized Services Division</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	0.30	\$19,173	1.5%	0	0.0%
<b>Information Technology Division</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	1.50	\$103,738	8.3%	0	0.0%
<i>Not Included in Executive Budget</i>					
Extend Computer Replacement Cycle		62,724	5.0%	0	0.0%
Total Information Technology Division		\$166,462	13.3%	\$0	0.0%
<b>Forensic Science Division (Lab)</b>					
<i>Included in Executive Budget</i>					
55400 4% Personal Services Reduction	1.25	\$109,526	8.8%	0	0.0%
<i>Not Included in Executive Budget</i>					
Do Not Renew Equipment Lease		86,190	6.9%	0	0.0%
Total Information Technology Division		\$195,716	15.7%	\$0	0.0%
<b>Total Reduction Plan</b>					
Included in Executive Budget		\$712,344	57.1%	\$0	0.0%
Not Included in Executive Budget		\$35,037	42.9%	\$640,775	100.0%
Total Agency Reduction Plan	10.91	\$1,247,381	100.0%	\$640,775	100.0%

The 5% reduction plan for the agency provides for general fund reductions totaling \$1.2 million. Of this amount \$712,000 is a 4% reduction in general fund support for personal services included in the executive budget. The impacts of these reductions cannot be determined because the specific positions that would be eliminated have not been determined.

The largest remaining general fund reductions include reduction in funding for major litigation, executive protection, and the Montana Child Sexual Assault Response Team (MCSART). The agency indicates that a reduction in funding for major litigation would have no impact because if costs exceeded the funding level a supplemental appropriation would be requested.

### 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.	Proprietary	Grand Total	Total %
01 Legal Services Division	\$ 11,463,990	\$ 419,440	\$ 1,246,361	\$ -	\$ 13,129,791	8.03%
02 Office Of Consumer Protection	-	2,221,035	-	-	2,221,035	1.36%
07 Gambling Control Division	-	6,107,889	-	2,306,197	8,414,086	5.14%
12 Motor Vehicle Division	15,236,453	21,477,009	-	1,579,886	38,293,348	23.41%
13 Highway Patrol Division	1,228,735	61,624,467	-	-	62,853,202	38.43%
18 Div. Of Criminal Investigation	11,351,624	7,347,321	1,734,195	-	20,433,140	12.49%
28 Central Services Division	1,047,420	1,598,199	-	158,776	2,804,395	1.71%
29 Information Technology Service	7,107,101	267,350	5,007	29,635	7,409,093	4.53%
32 Forensic Science Division	7,347,730	653,755	-	-	8,001,485	4.89%
Grand Total	<u>\$ 54,783,053</u>	<u>\$ 101,716,465</u>	<u>\$ 2,985,563</u>	<u>\$ 4,074,494</u>	<u>\$ 163,559,575</u>	<u>100.00%</u>

Funding for the department varies by division and function. General fund supports the Forensic Science Division, executive protection function, several functions within the Division of Criminal Investigation, 60% of the cost of the motor vehicle titling and registration and driver licensing, and some legal services. State special revenue from consumer settlement proceeds supports the Office of Consumer Protection, highway state special and the recruitment and retention fund support the highway patrol, gambling license fees support Gambling Control, and motor vehicle fees support the debt payment for the development and implementation of a computer system. Federal funds combined with general fund support Medicaid fraud investigation and the child protection unit within the legal division. Proprietary funds support liquor licensing functions and legal services provided under contract to other agencies.

### 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 Justice					
Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
<i>Direct Bearing on Agency Operations</i>					
Certificate of Public Advantage	50-4-623	General Fund	\$463	\$0	\$0
Certificate of Public Advantage	50-4-623	State Spec Revenue	429	0	0
Enforcement of Drug Laws	44-12-206	State Spec Revenue	65,040	129,128	129,140
Crime Victims Compensation	53-9-113	State Spec Revenue	0	200,000	200,000
Enforcement of Drug Laws	44-12-206	Federal Spec Revenue	0	125,000	125,000
<i>Administrative Agency</i>					
Video Gambling Machine Permits	23-5-612	State Spec Revenue	1,985,472	1,985,472	1,985,472
Video Gambling Local Dist.	23-5-306	State Spec Revenue	11,500	11,500	11,500
Highway Patrol Retirement	16-6-404	General Fund	1,613,891	1,868,933	1,868,933
State Contribution County Attorneys	7-4-2502	General Fund	2,616,772	2,852,106	2,892,107

### Elected Official Proposals

As an elected official the Attorney General may present to the legislature for consideration items not included in the executive budget. At the time of this writing which, if any, proposals the Attorney General wishes to present to the legislature were undetermined. Thus, no elected official proposals are discussed in this narrative.

### 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	24,957,152	24,957,152	49,914,304	91.11%	69,773,548	69,773,548	139,547,096	83.03%
Statewide PL Adjustments	2,195,479	2,171,084	4,366,563	7.97%	4,559,185	4,546,430	9,105,615	5.42%
Other PL Adjustments	949,890	975,976	1,925,866	3.52%	10,712,353	10,118,191	20,830,544	12.39%
New Proposals	(710,581)	(713,099)	(1,423,680)	(2.60%)	(710,581)	(713,099)	(1,423,680)	(0.85%)
<b>Total Budget</b>	<b>\$27,391,940</b>	<b>\$27,391,113</b>	<b>\$54,783,053</b>		<b>\$84,334,505</b>	<b>\$83,725,070</b>	<b>\$168,059,575</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	53.50	53.50	52.00	52.00	53.50	52.00	(1.50)	(2.80%)
Personal Services	3,789,288	4,228,226	4,085,527	4,083,007	8,017,514	8,168,534	151,020	1.88%
Operating Expenses	1,209,458	1,126,215	1,547,431	1,544,518	2,335,673	3,091,949	756,276	32.38%
Benefits & Claims	934,654	928,328	934,654	934,654	1,862,982	1,869,308	6,326	0.34%
<b>Total Costs</b>	<b>\$5,933,400</b>	<b>\$6,282,769</b>	<b>\$6,567,612</b>	<b>\$6,562,179</b>	<b>\$12,216,169</b>	<b>\$13,129,791</b>	<b>\$913,622</b>	<b>7.48%</b>
General Fund	5,160,413	5,328,135	5,734,439	5,729,551	10,488,548	11,463,990	975,442	9.30%
State Special	190,815	381,026	209,853	209,587	571,841	419,440	(152,401)	(26.65%)
Federal Special	582,172	573,608	623,320	623,041	1,155,780	1,246,361	90,581	7.84%
<b>Total Funds</b>	<b>\$5,933,400</b>	<b>\$6,282,769</b>	<b>\$6,567,612</b>	<b>\$6,562,179</b>	<b>\$12,216,169</b>	<b>\$13,129,791</b>	<b>\$913,622</b>	<b>7.48%</b>

### Program Description

The Legal Services Division (LSD) provides:

- o Legal research and analysis for the Attorney General
- o Legal counsel for state government officials, bureaus, and boards
- o Legal assistance to local governments and Indian tribes
- o Legal assistance, training, and support for county prosecutors
- o Assistance to victims of crime, including compensation payments

The Prosecution Services Bureau assists local county attorneys by providing training and assisting in the prosecution of complex criminal cases, particularly homicide cases. The bureau prosecutes cases where the county attorney has a conflict of interest, and drug, workers' compensation, and Medicaid fraud cases. The bureau also investigates complaints against county attorneys.

The Appellate Services Bureau handles appeals of criminal matters, including death penalty cases, and represents the state in federal court when constitutional challenges are made to a criminal conviction.

The Civil Services Bureau defends the state in constitutional challenges and coordinates appeals of civil cases that involve the state. This bureau also provides legal assistance to state and local governments on matters involving Indian jurisdiction and federal reserved water rights.

The Child Protection Unit handles child abuse and neglect cases around Montana. The unit has offices in Bozeman, Billings, Great Falls, and Miles City and focuses on resolving the legal status of children who have been in foster care for more than 15 out of the most recent 22 months.

The Office of Victim Services (OVS) works to elevate the status of victims and their rights and responds to the needs of crime victims in Montana. It serves as a central reference point for victims of crime, administers the Crime Victim Compensation Program and the Forensic Rape Examination Payment Program, and offers information and referral services. OVS staffs the Domestic Violence Fatality Review Commission and provides training and information for those who work with victims, including law enforcement, victim advocates, probation and parole workers, and local community organizations.

## Program Highlights

<b>Legal Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Funding for the division increases 7.5% or \$914,000 between the two biennia</li> <li>◆ General fund support for the division increases 9.3% or \$975,000 due to: <ul style="list-style-type: none"> <li>• Statewide present law adjustments and a request to continue a one time only appropriation for major litigation that are partially offset by a new proposal reducing personal services by 4%</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Positions to be included in the personal services reduction are not specified</li> <li>◆ Given the difficulty of predicting major litigation costs, the legislature may wish to restrict this appropriation so that unexpended funds revert to the general fund</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 for this program proposes two items impacting the general fund. Expenditures would be reduced through a 4% decrease in personal service costs and a decrease in funding for major litigation. The personal services reduction, which equates to funding for 1.50 FTE, is included in the executive budget.

The agency submitted plan states that the reduction in funding for major litigation of \$150,000 would have no impact since a supplemental appropriation would have to be sought if major litigation costs exceeded available appropriations for that purpose. While the department may view the risk as minor, the legislature has control over whether a supplemental appropriation is provided. In addition, the risk still remains to the state that fund balance would have to be used to fund any supplemental request. While major litigation costs can be difficult to predict, the legislature may wish to discuss with the agency what management actions can be taken to limit or control the timing of expenditures. Information about major litigation and major cases that are currently active is included in the discussion of the decision package requesting funding for this purpose.

### **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	\$ 5,160,413	87.0%	\$ 5,734,439	87.3%	\$ 5,729,551	87.3%
	01100 General Fund	5,160,413	87.0%	5,734,439	87.3%	5,729,551	87.3%
02000	Total State Special Funds	190,815	3.2%	209,853	3.2%	209,587	3.2%
	02074 Gambling License Fee Account	(200)	0.0%	-	-	-	-
	02422 Highways Special Revenue	3,524	0.1%	3,658	0.1%	3,649	0.1%
	02937 Justice State Special Misc	187,491	3.2%	206,195	3.1%	205,938	3.1%
03000	Total Federal Special Funds	582,172	9.8%	623,320	9.5%	623,041	9.5%
	03169 Federal Crime Victims Benefits	347,838	5.9%	365,610	5.6%	365,653	5.6%
	03801 Dept Of Justice-Misc Grants	234,334	3.9%	257,710	3.9%	257,388	3.9%
Grand	Total	<u>\$ 5,933,400</u>	<u>100.0%</u>	<u>\$ 6,567,612</u>	<u>100.0%</u>	<u>\$ 6,562,179</u>	<u>100.0%</u>

The division receives the majority of its funding from the general fund (87%). Each of the various functions within the division has a unique funding source. Attorneys are supported primarily by general fund with state special revenue from highway special revenue, tobacco settlement funds, and other funds supporting specific activities. Additionally, work for the Reserved Water Rights Compact Commission is funded by the Department of Natural Resources and Conservation; prosecution of hunting violations is funded by the Department of Fish, Wildlife and Parks; and prosecution of worker's compensation violations is funded by the State Fund. The cost of major litigation is supported entirely by the general fund. Funding for assistance to crime victims comes from the general fund and federal grants.

### 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	5,160,413	5,160,413	10,320,826	90.03%	5,933,400	5,933,400	11,866,800	90.38%
Statewide PL Adjustments	422,788	417,750	840,538	7.33%	482,974	477,391	960,365	7.31%
Other PL Adjustments	300,000	300,000	600,000	5.23%	300,000	300,000	600,000	4.57%
New Proposals	(148,762)	(148,612)	(297,374)	(2.59%)	(148,762)	(148,612)	(297,374)	(2.26%)
<b>Total Budget</b>	<b>\$5,734,439</b>	<b>\$5,729,551</b>	<b>\$11,463,990</b>		<b>\$6,567,612</b>	<b>\$6,562,179</b>	<b>\$13,129,791</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.



**LFD ISSUE** Restrict Appropriation

Total expenditures for major litigation in FY 2010 were about \$768,000. Of this amount, almost \$468,000 remained in the base budget. Because the \$300,000 balance was from a one-time-only appropriation it was removed from the base budget for budget development purposes. A majority of the FY 2010 expenditures were for two cases, the Yellowstone River Compact (\$425,000) and the Columbia River (\$126,000). Between FY 2000 and 2010, expenditures for major litigation have varied from \$7,700 to over \$1.0 million and for the past five years (FY 2006 – 2010) have exceeded \$600,000 per year.

Given the variable nature of these costs and the potential for costs to decrease once a complex case is resolved, the legislature may wish to provide all funding for major litigation as a restricted appropriation. Use of a restricted appropriation would limit the agency’s ability to use these funds for purposes other than major litigation and will result in any unexpended funds reverting to the general fund.

**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 LSD										
01	(1.50)	(148,762)	0	0	(148,762)	(1.50)	(148,612)	0	0	(148,612)
<b>Total</b>	<b>(1.50)</b>	<b>(\$148,762)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$148,762)</b>	<b>(1.50)</b>	<b>(\$148,612)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$148,612)</b>

DP 55400 - 4% Personal Services Reduction LSD - The executive recommends a 4% reduction of personal services funded with general fund.

**LFD ISSUE** Program Impact Unknown

The agency has not identified the positions that will be included in the 4% personal services reduction. Without identification of the types of positions that would be eliminated it is not possible to assess the impact on the program of these reductions.

### 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	9.00	9.00	9.00	9.00	9.00	9.00	0.00	0.00%
Personal Services	553,540	543,868	551,426	550,853	1,097,408	1,102,279	4,871	0.44%
Operating Expenses	215,490	264,929	232,750	231,906	480,419	464,656	(15,763)	(3.28%)
Benefits & Claims	77,050	940,000	327,050	327,050	1,017,050	654,100	(362,950)	(35.69%)
<b>Total Costs</b>	<b>\$846,080</b>	<b>\$1,748,797</b>	<b>\$1,111,226</b>	<b>\$1,109,809</b>	<b>\$2,594,877</b>	<b>\$2,221,035</b>	<b>(\$373,842)</b>	<b>(14.41%)</b>
State Special	846,080	1,748,797	1,111,226	1,109,809	2,594,877	2,221,035	(373,842)	(14.41%)
<b>Total Funds</b>	<b>\$846,080</b>	<b>\$1,748,797</b>	<b>\$1,111,226</b>	<b>\$1,109,809</b>	<b>\$2,594,877</b>	<b>\$2,221,035</b>	<b>(\$373,842)</b>	<b>(14.41%)</b>

### Program Description

The Office of Consumer Protection (OCP) responds to consumer complaints and enforces Montana's consumer protection laws and regulations relating to unfair and deceptive business practices, including: "bait and switch," false claims, changing a contract after a sale, abusive arbitration, debt collection misconduct, door-to-door sales, telemarketing including administering Montana's do-not-call list, car and truck sales and repair including the New Vehicle Warranty Act (or Lemon Law) violations, and antitrust issues including price fixing, monopoly abuse, and restraint of trade.

OCP assists victims of identity theft and administers the state's Security Freeze Program. It provides extensive public education about consumer and telemarketing fraud and identity theft to Montana consumer groups, senior citizen organizations, law enforcement agencies, and businesses.

### Program Highlights

<b>Office of Consumer Protection Major Budget Highlights</b>	
◆	Funding decreases between the two biennia due to decreased funding for benefits and claims payments
<b>Major LFD Issues</b>	
◆	The FY 2010 ending fund balance in the consumer settlement proceeds account was \$2.7 million, and the legislature may wish to transfer a portion of the balance to the general fund

### 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 plan for this program proposes a state special revenue reduction of about \$77,000 in claims paid to beneficiaries each year.

The conditions of the settlement agreement at the time litigation is resolved may require that the agency make payments to those affected by the issues that were the subject of the litigation. The agency indicates that if a settlement agreement is received that requires payment the agency would request a budget amendment.

**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.

Program Funding Table						
Office Of Consumer Protection						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 846,080	100.0%	\$ 1,111,226	100.0%	\$ 1,109,809	100.0%
02140 Consumer Education Settlement	<u>846,080</u>	<u>100.0%</u>	<u>1,111,226</u>	<u>100.0%</u>	<u>1,109,809</u>	<u>100.0%</u>
Grand Total	<u>\$ 846,080</u>	<u>100.0%</u>	<u>\$ 1,111,226</u>	<u>100.0%</u>	<u>\$ 1,109,809</u>	<u>100.0%</u>

The program is funded entirely with state special revenue from the settlement of consumer protection litigation.

LFD  
ISSUE

Balance Transfer to General Fund

Consumer Settlement State Special Revenue Fund 02140				
Item	Actual FY 2010	Estimated FY 2011	Requested FY 2012	Requested FY 2014
Beginning Balance	\$2,586,633	\$2,721,026	\$2,174,277	\$2,262,385
Expenses:				
Office of Consumer Protection -				
Operations	772,354	758,797	784,176	782,759
Office of Consumer Protection:				
Benefits (settlement distribution)	77,049	990,000	327,050	327,050
Centralized Services Div.	<u>14,546</u>	<u>13,732</u>	<u>16,446</u>	<u>15,622</u>
Total Expenses	\$863,949	\$1,762,529	\$1,127,672	\$1,125,431
Revenue:				
Fines/Forfeits	966,296	1,188,000	1,188,000	1,188,000
All other	<u>27,781</u>	<u>27,780</u>	<u>27,780</u>	<u>27,780</u>
Total Revenue	\$994,077	\$1,215,780	\$1,215,780	\$1,215,780
Revenue Less Disbursements.	130,128	(546,749)	88,108	90,349
Fund Balance Adjustment	<u>4,265</u>			
Ending Balance	<u>\$2,721,026</u>	<u>\$2,174,277</u>	<u>\$2,262,385</u>	<u>\$2,352,734</u>

The figure illustrates projected expenditures, revenues, and fund balance for the consumer settlement proceeds account. Expenses to operate the program, not including the distribution of benefits, are projected to be about \$800,000 per year. Revenues are projected to be about \$1.2 million leaving an excess of revenue over expenses before distribution of proceeds of about \$400,000 per year. The FY 2010 ending fund balance for the account was \$2.7 million, while the projected ending fund balance for FY 2011 through FY 2013 varies between \$2.2 and \$2.4 million depending upon the year, or over twice the annual operating expenses.

While sections 30-14,143 and 30-14-226, MCA contain provisions related to this state special revenue account stating that “any excess civil fines, costs, or fees must be transferred to the general fund”, no funds have been transferred. Because the statute does not specify the timing of such a transfer or define what is considered excess, compliance with the statute is a matter of interpretation. Legislation (SB 189) to clarify these statutory provisions was introduced but did not pass during the 2009 session.

Given that the ending fund balance exceeds twice the annual operating costs of the program, the legislature may wish to request legislation to:

- o Clarify the statutory provisions related to the transfer of funds from this account to the general fund
- o Implement a one-time transfer to the general fund
- o Deposit consumer settlement proceeds in the general fund and fund the Office of Consumer Protection from the 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	0	0	0	0.00%	846,080	846,080	1,692,160	76.19%
Statewide PL Adjustments	0	0	0	0.00%	15,146	13,729	28,875	1.30%
Other PL Adjustments	0	0	0	0.00%	250,000	250,000	500,000	22.51%
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>\$1,111,226</b>	<b>\$1,109,809</b>	<b>\$2,221,035</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					20,861					20,265
Vacancy Savings					(22,975)					(22,952)
Inflation/Deflation					167					173
Fixed Costs					17,093					16,243
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$15,146</b>	<b>\$0</b>	<b>\$15,146</b>		<b>\$0</b>	<b>\$13,729</b>	<b>\$0</b>	<b>\$13,729</b>
DP 201 - Consumer Protection Settlement Funds	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$0</b>	<b>\$250,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$0</b>	<b>\$250,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$265,146</b>	<b>\$0</b>	<b>\$265,146</b>	<b>0.00</b>	<b>\$0</b>	<b>\$263,729</b>	<b>\$0</b>	<b>\$263,729</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** - None
- o **Program Specific Obstacles** - None
- o **Vacancy** – N/A
- o **Legislatively Applied Vacancy Savings** - A position was left open to meet the 7% vacancy savings requirement.
- o **Pay/Position Changes** – Two adjustments were provided with existing funds. A lawyer position was moved to market and an increase was provided to personal staff.
- o **Retirements** - None

DP 201 - Consumer Protection Settlement Funds - This decision package requests funds to distribute consumer settlements. Settlement funds are benefits distributed to consumers for negotiated agreements with offending companies. Benefits paid in FY 2010 were \$77,050.

## Proprietary Rates

### Proprietary Program Description

#### Agency Legal Services – Fund 06500

#### Proposed Budget

The 2013 biennium budget report on internal service and enterprise funds for fund 06500, Agency Legal Services, shows the financial information for the fund from FY 2010 through FY 2013. The report is provided as submitted by the executive but the LFD has edited and reconfigured the figure for clarity.

2013 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Program Name			
6500	Agency Legal Services	4110	Agency Legal Services			
			Actual FY 10	Budgeted FY 11	Budgeted FY 12	Budgeted FY 13
<b>Operating Revenues :</b>						
Fee revenue			1,346,998	1,600,000	1,625,000	1,625,000
			-	-	-	-
			-	-	-	-
			-	-	-	-
Net Fee Revenue			1,346,998	1,600,000	1,625,000	1,625,000
Investment Earnings			-	-	-	-
Securities Lending Income			-	-	-	-
Premiums			-	-	-	-
Other Operating Revenues			66	-	-	-
Total Operating Revenue			1,347,064	1,600,000	1,625,000	1,625,000
<b>Operating Expenses :</b>						
Personal Services			1,119,011	1,265,383	1,333,476	1,334,249
Other Operating Expenses			225,084	210,875	254,581	252,623
			-	-	-	-
Total Operating Expenses			1,344,018	1,476,258	1,588,057	1,586,872
Total Net Assets- July 1 - As Restated			(160,317)	(191,151)	(67,409)	(112,792)
Prior Period Adjustments			-	-	-	-
Cumulative effect of account change			-	-	-	-
Total Net Assets - July 1 - As Restated			(160,317)	(191,151)	(67,409)	(112,792)
Net Assets- June 30			(191,151)	(67,409)	(112,792)	(74,664)
60 days of expenses (Total Operating Expenses divided by 6)			224,003	246,043	264,676	264,479
<b>Requested Rates for Internal Service Funds</b>						
<b>Fee/Rate Information for Legislative Action</b>						
			Actual FY 10	Actual FY 11	Budgeted FY 12	Budgeted FY 13
Fee Group A						
Attorney rate per hour			\$ 93.00	\$ 93.00	\$ 93.00	\$ 93.00
Investigators rate per hour			\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00

#### Program Description

The Agency Legal Services Bureau (ALS) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALS attorneys and investigators bill clients for their services, case-related, and incidental costs. The division consists of 17.00 FTE funded from the revenues generated. The customers served are state agencies, boards, and commissions that have entered into contracts with ALS.

The Attorney General is the legal officer for the state per Article VI, Section 4(4), of the Montana Constitution. 2-4-611(2), MCA provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case. State agencies have the option to use in-house or private counsel and investigators instead of ALS.

Executive Order 5-93 provides that agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, Budget Director, and the Governor's Chief Legal Counsel) prior to contracting for outside legal services.

#### *Program Narrative*

##### Expenses

The primary costs for the division are personal services and operating costs. Factors that influence costs include the state pay plan, the ability to recruit and retain staff, and general inflationary pressures that increase costs for items such as utilities, rent, supplies, and equipment.

##### Revenues

Revenues are generated by fees charged to other state agencies for services provided. The source of funds used by agencies to pay ALS varies by agency and program.

##### Funding Sources

This program provides services to other state agencies that are funded by the general fund, state special revenue, and federal funds. Funding for the payment of services varies dependent upon agency.

#### *Present Law Adjustments*

The only present law adjustments for this fund are statewide present law adjustments.

#### *Proprietary Rate Explanation*

Although expenditures are almost equal to revenues for the next biennium, the agency requests continuation of the rates at the current level of \$93.00 per hour for attorneys and \$53.00 per hour for paralegals. Due to the current financial situation a rate increase to cover expenditure increases and working capital needs is not requested by the executive. The fund has historically operated with a negative fund balance and will continue to operate with a negative fund balance. Prior to FY 2010, general fund loans were used to assist the program in meeting its financial obligations.

#### **LFD ISSUE**

##### Revenue Projection

The report on the Agency Legal Services fund presented above anticipates a revenue increase of about \$250,000 between FY 2010 and FY 2011 and that the increased level of revenue will be maintained through the 2013 biennium. For the past five years, revenues have averaged about \$1.3 million per year or about \$300,000 less than is projected for FY 2011 through FY 2013. Since a rate increase is not requested, any increase in revenues would be related to completion and billing for an increased amount of work. If revenues are not realized at the projected level a reduction in expenses will be needed to avoid increasing the deficit situation in which the fund operates. Reductions in expenses would most likely be a reduction in personal services costs, which comprise more than 80% of the funds expenses.

If the legislature wishes to impact the deficit situation of this fund, it may wish to consider:

- Approving a rate increase as a means to generate increased revenues
- Suggesting that the department propose cost reductions for discussion with the legislature to reduce costs to a level that eliminates the deficit situation given that historic revenue levels have been about \$1.3 million per year

### 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	51.50	51.50	51.50	51.50	51.50	51.50	0.00	0.00%
Personal Services	3,023,961	3,066,427	3,277,874	3,280,338	6,090,388	6,558,212	467,824	7.68%
Operating Expenses	754,355	858,772	870,721	823,433	1,613,127	1,694,154	81,027	5.02%
Equipment & Intangible Assets	79,900	132,158	79,900	79,900	212,058	159,800	(52,258)	(24.64%)
Debt Service	960	3,723	960	960	4,683	1,920	(2,763)	(59.00%)
<b>Total Costs</b>	<b>\$3,859,176</b>	<b>\$4,061,080</b>	<b>\$4,229,455</b>	<b>\$4,184,631</b>	<b>\$7,920,256</b>	<b>\$8,414,086</b>	<b>\$493,830</b>	<b>6.24%</b>
State Special	2,795,632	2,987,224	3,077,109	3,030,780	5,782,856	6,107,889	325,033	5.62%
Other	1,063,544	1,073,856	1,152,346	1,153,851	2,137,400	2,306,197	168,797	7.90%
<b>Total Funds</b>	<b>\$3,859,176</b>	<b>\$4,061,080</b>	<b>\$4,229,455</b>	<b>\$4,184,631</b>	<b>\$7,920,256</b>	<b>\$8,414,086</b>	<b>\$493,830</b>	<b>6.24%</b>

### Program Description

The Gambling Control Division (GCD) was established by the 1989 Legislature to regulate the gambling industry in Montana. The division has criminal justice authority and conducts routine field inspections and investigations related to gambling activities. In addition to collecting and distributing licensing fees for gambling machines and activities, the division collects the gambling tax assessed on the net proceeds of gambling activities. It conducts investigations related to alcoholic beverage licensing and tobacco enforcement. An appointed Gaming Advisory Council of nine members advises the Attorney General to ensure uniform statewide regulation of gambling activities. The Gambling Control Program is mandated by state law (23-5-110, MCA).

### Program Highlights

<b>Gambling Control Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>Funding for this division increases 6.2% (\$494,000) between the 2011 and 2013 biennia due primarily to increases in statewide present law adjustments</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 program proposes saving \$139,782 state special revenue by delaying gambling and liquor license background investigations and inspections and criminal investigations. Reductions in travel costs and vehicles purchases are proposed. Delays in licensing would delay applicants' ability to operate gaming and liquor establishments until licensing is completed. Currently license investigations average 60 to 90 days. Operators in rural areas could be more impacted due to reductions in travel. This reduction is not included in the executive 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.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
02000 Total State Special Funds	\$ 2,795,632	72.4%	\$ 3,077,109	72.8%	\$ 3,030,780	72.4%
02074 Gambling License Fee Account	2,679,376	69.4%	2,951,206	69.8%	2,904,722	69.4%
02790 6901-Statewide Tobacco Sttlmnt	116,256	3.0%	125,903	3.0%	126,058	3.0%
06000 Total Proprietary Funds	1,063,544	27.6%	1,152,346	27.2%	1,153,851	27.6%
06005 Liquor Division	<u>1,063,544</u>	<u>27.6%</u>	<u>1,152,346</u>	<u>27.2%</u>	<u>1,153,851</u>	<u>27.6%</u>
Grand Total	<u>\$ 3,859,176</u>	<u>100.0%</u>	<u>\$ 4,229,455</u>	<u>100.0%</u>	<u>\$ 4,184,631</u>	<u>100.0%</u>

Gambling control activities are supported primarily by state special revenue generated from gambling licensing fees. Liquor licensing fees (a proprietary fund) support division functions related to liquor licensing. A small amount of funds from the tobacco settlement state special revenue account support activities related to enforcement of settlement provisions.

Item	Gambling License Fee Account State Special Revenue Fund 02074			
	Actual FY 2010	Estimated FY 2011	Requested FY 2012	Requested FY 2014
Beginning Balance	\$1,265,636	\$1,187,268	\$1,177,843	\$1,395,385
Disbursements:				
Legal Services Division	(200)			
Gambling Control Division	4,682,325	5,035,434	4,936,678	4,890,194
Centralized Services Division	56,446	53,818	63,733	60,539
Information Technology Division	<u>56,407</u>	<u>57,173</u>	<u>62,047</u>	<u>61,996</u>
Total Expenses	\$4,794,978	\$5,146,425	\$5,062,458	\$5,012,729
Total Revenues (per revenue estimates)	<u>4,799,367</u>	<u>5,137,000</u>	<u>5,280,000</u>	<u>5,432,000</u>
Revenue Less Disbursements.	\$4,389	(\$9,425)	\$217,542	\$419,271
Fund Balance Adjustment	(82,757)			
Ending Balance	<u>\$1,187,268</u>	<u>\$1,177,843</u>	<u>\$1,395,385</u>	<u>\$1,814,656</u>

Based upon the projected 2013 biennium budget, if revenues rebound as predicted, revenues will exceed expenses and begin contributing to an increase in the fund balance. The program will likely need to use a portion of existing fund balance reserves in FY 2011 prior to returning to a positive financial position in FY 2012. The agency indicates it is currently managing position vacancies and other expenses to maintain expenses within revenues. Additionally, the division indicated it would work with the Gaming Advisory Council regarding a possible fee increase if revenues do not recover. A statutory change would be needed to change licensing fees.

### 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%	3,859,176	3,859,176	7,718,352	91.73%
Statewide PL Adjustments	0	0	0	0.00%	298,184	300,169	598,353	7.11%
Other PL Adjustments	0	0	0	0.00%	72,095	25,286	97,381	1.16%
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>\$4,229,455</b>	<b>\$4,184,631</b>	<b>\$8,414,086</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					386,325					388,893
Vacancy Savings					(136,412)					(136,516)
Inflation/Deflation					5,738					7,482
Fixed Costs					42,533					40,310
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$216,010</b>	<b>\$0</b>	<b>\$298,184*</b>		<b>\$0</b>	<b>\$217,448</b>	<b>\$0</b>	<b>\$300,169*</b>
DP 701 - IT Web-Entry System Enhancements - OTO\Bien -	0.00	0	50,000	0	50,000	0.00	0	0	0	0
DP 702 - GCD Base Adjustments	0.00	0	15,467	0	22,095*	0.00	0	17,700	0	25,286*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$65,467</b>	<b>\$0</b>	<b>\$72,095*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$17,700</b>	<b>\$0</b>	<b>\$25,286*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$281,477</b>	<b>\$0</b>	<b>\$370,279*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$235,148</b>	<b>\$0</b>	<b>\$325,455*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### 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.

- **Pay Plan Exceptions** – None. The program has not experienced any difficulties in following the agency's pay plan rules.
- **Program Specific Obstacles** - The program has some jobs that are difficult to fill due to the specialized nature of the program and skills required. A few examples include lab testers, investigators, and auditors.
- **Vacancy** - The program does not have a high turnover rate. The few vacancies experienced resulted in increased overtime and workloads.
- **Legislatively Applied Vacancy Savings** - The department held a number of positions open extensively prior to recruitment and selection.
- **Pay/Position Changes** – A number of pay changes were provided utilizing existing funds, including: market adjustments for an administrative specialist, reclassification of compliance specialist and electronic inspectors, movement to another pay matrix for crime investigators and law enforcement managers, retention of an electronic engineer, and pay change for (Attorney General) personal staff. A total of 32 positions received pay increases.

- **Retirements** - The division anticipates three employees will be eligible for retirement in the 2013 biennium. The anticipated compensated absence liability to the division will be \$114,837. The division will lose seasoned managers and to minimize the impact is offering both cross training and professional development opportunities to existing staff.

The statewide present law adjustment for personal services increases due to fully funding vacant positions (\$193,000), pay adjustments (\$74,500), and health insurance costs (\$73,500).

DP 701 - IT Web-Entry System Enhancements - OTO\Bien - - This decision package requests a one-time-only, biennial appropriation to enhance the web entry system. The division would work with its customers to identify ways to improve the functionality and convenience of the system. The improvements may require changes to the database (GenTax) or web interface (MII). This system is being used for online reporting of 99% of video gambling machines.

DP 702 - GCD Base Adjustments - This decision package requests funding for increased office rent and overtime.

<b>LFD COMMENT</b>	This decision package requests \$4,000 per year of overtime costs. This is slightly less than the overtime costs incurred in FY 2010 the base budget year. The balance of the funding is for increases in office rent for eight locations. The annual increase in rental cost varies between 3% and 6% depending upon location.
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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	155.00	155.00	151.89	151.85	155.00	151.85	(3.15)	(2.03%)
Personal Services	6,144,044	4,944,263	6,464,007	6,464,926	11,088,307	12,928,933	1,840,626	16.60%
Operating Expenses	7,197,410	11,749,000	12,676,396	12,327,461	18,946,410	25,003,857	6,057,447	31.97%
Equipment & Intangible Assets	37,269	33,149	57,269	57,269	70,418	114,538	44,120	62.65%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	523,010	2,191,700	2,373,010	2,373,010	2,714,710	4,746,020	2,031,310	74.83%
<b>Total Costs</b>	<b>\$13,901,733</b>	<b>\$18,918,112</b>	<b>\$21,570,682</b>	<b>\$21,222,666</b>	<b>\$32,819,845</b>	<b>\$42,793,348</b>	<b>\$9,973,503</b>	<b>30.39%</b>
General Fund	7,066,503	7,515,382	7,617,623	7,618,830	14,581,885	15,236,453	654,568	4.49%
State Special	6,224,978	10,774,452	10,737,888	10,739,121	16,999,430	21,477,009	4,477,579	26.34%
Other	0	0	2,250,000	2,250,000	0	4,500,000	4,500,000	n/a
Other	610,252	628,278	965,171	614,715	1,238,530	1,579,886	341,356	27.56%
<b>Total Funds</b>	<b>\$13,901,733</b>	<b>\$18,918,112</b>	<b>\$21,570,682</b>	<b>\$21,222,666</b>	<b>\$32,819,845</b>	<b>\$42,793,348</b>	<b>\$9,973,503</b>	<b>30.39%</b>

### Program Description

The Motor Vehicle Division (MVD) under provision of Title 61 and Title 23, MCA and federal statutes (such as the Commercial Motor Vehicle Safety Act of 1986, child support regulations, Anti Car Theft Act of 1992, and Odometer Disclosure Act)) is responsible for:

- o Examination and licensure of all drivers
- o Verification of identification
- o Creation and maintenance of permanent driver and motor vehicle records
- o Titling and registration of all vehicles including boats, snowmobiles, and ATVs
- o Inspection and verification of vehicle identification numbers
- o Licensure and compliance control of motor vehicle dealers and manufacturers
- o Providing motor voter registration

### Program Highlights

<b>Motor Vehicle Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Total funding for the division increases almost \$10 million or 30.4% between the two biennia <ul style="list-style-type: none"> <li>• State special revenue funding of information technology projects is the primary driver, increasing funding by about \$9 million between the two biennia</li> <li>• General fund support for the division increases about \$655,000 or 4.5% between the two biennia due to statewide present law adjustments and a decision package requesting funding for base adjustments that are partially offset by a 4% reduction in personal services</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Multiple items representing different policy decision points are included in one decision package</li> <li>◆ Positions included in the personal services reduction have not been specified</li> </ul>

## Program Narrative

### *Goals and Objectives*

The Legislative Finance Committee selected the following goals to monitor during the current interim.

- o Goal 1 - Electronic disposition transfer, reporting convictions from courts to the Motor Vehicle Division
  - Successes:
    - o An increased number of transactions are being processed with fewer staff
    - o The time frame for reporting convictions has decreased from about 45 days to 16 days
  - Challenges:
    - o The initial match rate has not reached the 80% level and it appears that this standard may not be attainable
- o Goal 2 – Montana Enhanced Registration and Licensing Information Network (MERLIN) project
  - Successes:
    - o Stabilization of the second phase of the system will be complete when a long term support plan for the point of sale decal printers is complete
  - Challenges:
    - o Several implementation issues were experienced
    - o Completion of the final phase (driver licensing) of the system

For discussion of the MERLIN system please refer to the agency narrative section of this analysis.

### **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.

This program proposes three items as part of its 5% reduction plan:

- o A 4% reduction in personal services equating to savings of \$156,764 in general fund (included in the executive budget)
- o Reduction in driver's licensing offices and services equating to savings of \$31,888 in general fund and \$40,760 in state special revenue
- o Delayed implementation of the Vehicle Insurance Verification System (VIVS) equating to savings of \$64,671 state special revenue

Potential impacts of the second reduction may include reduction in services to those seeking driver's licensing, increasing response time to the public and delays in issuance of licenses. The division estimates that the combined impact of the first two items would equate to a reduction of 5.00 FTE or slightly more than 3% of the division's current 155.00 authorized FTE. This level of FTE reduction would result in the closure of one or two driver licensing offices and an increased backlog of work. The highways state special revenue account that is used in combination with general fund to support most division functions is not subject to the requirement for a 5% reduction plan, but the agency has included those funds in its plan. Because these funds are matched with general fund to support the program, loss of general fund would result in the loss of state special revenue unless the entire cost is shifted from the general fund to state special revenue.

The VIVS is required by 61-6-157, MCA and per 61-6-157(i) must be operational by July 1, 2011. The system is funded by state special revenue generated by an insurance verification fee and license plate fees. This state special revenue account also supports the purchase of license plates manufactured by Montana Correctional Enterprises. Potential impacts of the delay in implementation include delays in availability of information to law enforcement agencies. Additionally, a statutory change would be needed to delay the implementation.

## 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.

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	\$ 7,066,503	50.8%	\$ 7,617,623	35.3%	\$ 7,618,830	35.9%
	01100 General Fund	7,066,503	50.8%	7,617,623	35.3%	7,618,830	35.9%
02000	Total State Special Funds	6,224,978	44.8%	10,737,888	49.8%	10,739,121	50.6%
	02200 Salvage Vehicles	-	-	-	-	-	-
	02225 Mvd Inform Tech System Hb577	64,517	0.5%	141,292	0.7%	141,292	0.7%
	02422 Highways Special Revenue	4,716,537	33.9%	5,213,192	24.2%	5,215,174	24.6%
	02456 Insurance Verification Sb508	985,431	7.1%	3,151,686	14.6%	3,150,937	14.8%
	02798 Mvd It System - Hb261	458,493	3.3%	2,231,718	10.3%	2,231,718	10.5%
06000	Total Proprietary Funds	610,252	4.4%	965,171	4.5%	614,715	2.9%
	06080 Mvd/State Information Portal	7,373	0.1%	57,432	0.3%	7,426	0.0%
	06083 Mvd Electronic Commerce	602,879	4.3%	907,739	4.2%	607,289	2.9%
05000	Total	-	-	2,250,000	10.4%	2,250,000	10.6%
	05113 Motor Vehicle Division Hb 90	-	-	2,250,000	10.4%	2,250,000	10.6%
Grand	Total	\$ 13,901,733	100.0%	\$ 21,570,682	100.0%	\$ 21,222,666	100.0%

Driver's licensing and vehicle titling and registration functions are supported by the general fund (60%) and highways state special revenue fund (40%). State special revenues collected for fees support payment of debt that was incurred for the development and implementation of the computer system known as the Montana Enhanced Registration and Licensing Information Network (MERLIN). Proprietary funds collected from fees charged for e-government services support online web based services that may be used by the public.

## 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	7,066,503	7,066,503	14,133,006	92.76%	13,901,733	13,901,733	27,803,466	64.97%
Statewide PL Adjustments	458,756	447,175	905,931	5.95%	803,364	782,819	1,586,183	3.71%
Other PL Adjustments	247,365	261,979	509,344	3.34%	7,020,586	6,694,941	13,715,527	32.05%
New Proposals	(155,001)	(156,827)	(311,828)	(2.05%)	(155,001)	(156,827)	(311,828)	(0.73%)
<b>Total Budget</b>	<b>\$7,617,623</b>	<b>\$7,618,830</b>	<b>\$15,236,453</b>		<b>\$21,570,682</b>	<b>\$21,222,666</b>	<b>\$42,793,348</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					667,406					670,309
Vacancy Savings					(272,461)					(272,573)
Inflation/Deflation					18,787					20,533
Fixed Costs					389,632					364,550
<b>Total Statewide Present Law Adjustments</b>		<b>\$458,756</b>	<b>\$339,689</b>	<b>\$0</b>	<b>\$803,364*</b>		<b>\$447,175</b>	<b>\$331,181</b>	<b>\$0</b>	<b>\$782,819*</b>
DP 1201 - IT MERLIN	0.00	0	0	0	2,250,000*	0.00	0	0	0	2,250,000*
DP 1202 - IT Electronic Commerce	0.00	0	0	0	350,000*	0.00	0	0	0	0
DP 1203 - IT VIVS Online Motor Vehicle Liability Insur	0.00	0	486,170	0	486,170	0.00	0	486,170	0	486,170
DP 1204 - IT Just in Time License Plate Production Contract	0.00	0	1,672,140	0	1,672,140	0.00	0	1,672,140	0	1,672,140
DP 1205 - MVD Debt Payments Due to BOI - BIEN	0.00	0	1,850,000	0	1,850,000	0.00	0	1,850,000	0	1,850,000
DP 1206 - MVD Base Adjustments	0.75	247,365	164,911	0	412,276	0.75	261,979	174,652	0	436,631
<b>Total Other Present Law Adjustments</b>	<b>0.75</b>	<b>\$247,365</b>	<b>\$4,173,221</b>	<b>\$0</b>	<b>\$7,020,586*</b>	<b>0.75</b>	<b>\$261,979</b>	<b>\$4,182,962</b>	<b>\$0</b>	<b>\$6,694,941*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.75</b>	<b>\$706,121</b>	<b>\$4,512,910</b>	<b>\$0</b>	<b>\$7,823,950*</b>	<b>0.75</b>	<b>\$709,154</b>	<b>\$4,514,143</b>	<b>\$0</b>	<b>\$7,477,760*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### 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** - None
- o **Program Specific Obstacles** - There is significant turnover in the entry and lower level licensing and permit technicians within the Motor Vehicle Division (MVD). Although some of the turnover can be attributed to upward mobility and career path options within the program, much of the turnover at these levels is for higher paying jobs. While we have been experiencing larger applicant pools, many are either not qualified or cannot pass required background checks. Often qualified workers stay with MVD for the benefit package offered by the State of Montana. MVD employees are based across Montana making recruitment and retention extremely difficult in some areas. The agency pay plan does offer situational and geographical discretion tools for managers.
- o **Vacancy** –The division has significant turnover in the entry and lower level licensing and permit technicians. Turnover is often caused by internal promotions or job satisfaction issues. Driver license and permit technicians deal extensively with the public, increasing their exposure to conflict and stress. These vacancies result in increased workload for other employees.
- o **Legislatively Applied Vacancy Savings** - We held a number of positions open extensively prior to recruitment and selection.
- o **Pay/Position Changes** - The division made the following pay adjustments within existing funding: movement toward market for administrative clerks, license permit clerks, license permit technicians, mail clerk, and license examiners; pay increase for Attorney General personal staff; and for retention purposes for a technical writer. Twelve positions received pay increases.

- o **Retirements** - The division anticipates six employees will be eligible for retirement in the 2013 biennium. The anticipated compensated absence liability to the division is \$122,869. The division will lose seasoned managers and to minimize the impact is offering both cross training and professional development opportunities to existing staff.

The statewide adjustment for personal services increases primarily due to fully funding vacant positions (\$491,000) and increases in health insurance costs (\$209,000).

DP 1201 - IT MERLIN - This decision package requests \$4.5 million over the 2013 biennium in state special revenue to fund the completion of the Montana Enhanced Registration and Licensing Information System (MERLIN). The Archon Driver Solution (ADS) phase, which automates the driver licensing stations across the state, is estimated to be complete in FY 2013.

**LFD  
COMMENT**

For a discussion of Merlin and related issues, please see the agency summary section of this analysis.

DP 1202 - IT Electronic Commerce - This decision package requests a biennial appropriation for the development, operation, and enhancement of electronic commerce (e-government) applications related to motor vehicle titling, registration and records, and driver licensing and records.

**LFD  
COMMENT**

The department indicates that it is currently working on or considering the following applications:

- o Web based license plate ordering
- o Credit and debit card payment for driver licensing and vehicle titling and registration
- o Enhanced Title and Registration Bureau customer services through use of a virtual call center or chat functionality

DP 1203 - IT VIVS Online Motor Vehicle Liability Insurance - This decision package requests funding to annualize expenditures associated with the implementation of the online Motor Vehicle Liability Insurance Verification System (VIVS). 61-6-157(3) (i), MCA, requires that VIVS be installed and operational no later than July 1, 2011. The actual cost for the maintenance of VIVS is currently unknown but is estimated to be \$0.50 per year for each light vehicle, heavy truck, bus, and motor home registered in Montana.

**LFD  
COMMENT**

The department has included a reduction of \$64,671 or 13% from this decision package as part of its 5% reduction plan. The department states a reduction in funding will delay the project but has not provided specific information about the duration of the delay.

DP 1204 - IT Just in Time License Plate Production Contract - This decision package includes an increase of state special revenue authority in the amount of \$3,344,280 for the 2013 biennium to annualize operating expenditures associated with the implementation of the contract for license plate production.

DP 1205 - MVD Debt Payments Due to BOI - BIEN - This decision package requests a biennial appropriation to fund debt payments associated with the Motor Vehicle System, Phase One, Titling System project (MVS1) and the Motor Vehicle System, Phase Two, Vehicle Registration and Driver Licensing/Driver Control System project (MVS2).

**LFD  
COMMENT**

The motor vehicle system is more commonly referred to as MERLIN. For additional information, please refer to the agency summary section of this analysis.

DP 1206 - MVD Base Adjustments - This decision package requests funding for multiple items such as increases in rent, information technology charges, vehicles, and postage. The items requested in this decision package are summarized in the figure below.

<b>LFD COMMENT</b>	<p style="text-align: center;"><u>Split Among Policy Decision Points</u></p> <p>The multiple items included in this decision package present as one decision items that the legislature may wish to act on as multiple decision points. The table groups the items included in this decision package into three categories of increase for legislative consideration. The three groups presented are:</p> <ol style="list-style-type: none"> <li>1. Items related to maintenance of ongoing operations - rent (both an inflationary increase and increased space), vehicle replacement, and staffing cost</li> <li>2. Items related to federal mandates associated in this case with commercial driver licensing - contracted services, postage, and online verification of social security numbers</li> <li>3. An item related to the implementation of the new motor vehicle computer system (MERLIN) - charges for network connections for the point of sale printers</li> </ol> <p>The funding included in the decision package is split among these items on a ratio of about 25% each for ongoing operations and federal mandates, and about 50% for MERLIN related costs.</p> <p>To provide increased clarity to the decision making process, the legislature may wish to act on this decision package as if it were three separate decision packages and direct staff to split the decision package when entering the results of legislative action into the budgeting system.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;">Summary of Motor Vehicle Division Decision Package</th> </tr> <tr> <th rowspan="2" style="text-align: left;">Item/Category</th> <th colspan="2" style="text-align: center;">FY 2012</th> <th colspan="2" style="text-align: center;">FY 2013</th> </tr> <tr> <th style="text-align: right;">Amount</th> <th style="text-align: right;">%</th> <th style="text-align: right;">Amount</th> <th style="text-align: right;">%</th> </tr> </thead> <tbody> <tr> <td colspan="5"><u>Maintain Ongoing Operations</u></td> </tr> <tr> <td>Rent - 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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.

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 MVD	12	(3.86)	(155,001)	0	0	(155,001)	(3.90)	(156,827)	0	0	(156,827)
<b>Total</b>	<b>(3.86)</b>	<b>(\$155,001)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$155,001)</b>	<b>(3.90)</b>	<b>(\$156,827)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$156,827)</b>	

DP 55400 - 4% Personal Services Reduction MVD - This decision packages reduces general fund support for personal services by 4%.

**LFD  
ISSUE**Program Impact Unknown

The agency has not identified the positions that will be included in the 4% personal services reduction. Without identification of the types of positions that would be eliminated it is not possible to assess the impact on the program of these reductions.

Reduction of staff in this division may be of particular concern given the implementation difficulties experienced with MERLIN and the agency plan to implement the driver licensing portion of the system in the 2012 biennium. For more information about MERLIN please refer to the agency narrative.

### 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	289.00	289.00	298.75	298.75	289.00	298.75	9.75	3.37%
Personal Services	20,329,636	20,489,755	22,937,307	22,973,161	40,819,391	45,910,468	5,091,077	12.47%
Operating Expenses	5,923,460	6,213,638	6,964,816	6,760,858	12,137,098	13,725,674	1,588,576	13.09%
Equipment & Intangible Assets	1,608,530	1,499,424	1,608,530	1,608,530	3,107,954	3,217,060	109,106	3.51%
<b>Total Costs</b>	<b>\$27,861,626</b>	<b>\$28,202,817</b>	<b>\$31,510,653</b>	<b>\$31,342,549</b>	<b>\$56,064,443</b>	<b>\$62,853,202</b>	<b>\$6,788,759</b>	<b>12.11%</b>
General Fund	194,236	197,402	613,482	615,253	391,638	1,228,735	837,097	213.74%
State Special	27,667,390	28,005,415	30,897,171	30,727,296	55,672,805	61,624,467	5,951,662	10.69%
<b>Total Funds</b>	<b>\$27,861,626</b>	<b>\$28,202,817</b>	<b>\$31,510,653</b>	<b>\$31,342,549</b>	<b>\$56,064,443</b>	<b>\$62,853,202</b>	<b>\$6,788,759</b>	<b>12.11%</b>

### Program Description

The Montana Highway Patrol (MHP) is responsible for patrolling the highways of Montana, enforcing traffic laws, and investigating traffic crashes. The patrol gives assistance and information to motorists and first aid to those injured in traffic crashes, transports blood and medical supplies in emergency situations, and assists other law enforcement agencies when requested. The patrol provides 24-hour-a-day, seven-day-a-week communication and radio dispatch for the Highway Patrol and other state agencies.

### Program Highlights

<b>Montana Highway Patrol Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Total funding for the division increases 12.1% (\$6.8 million) between the two biennia, primarily due to statewide present law adjustments, present law base adjustments, the addition of 9.00 FTE troopers, and funding for information technology</li> <li>◆ General fund, supporting the executive protection function, more than triples between the two biennia (\$837,000 increase) <ul style="list-style-type: none"> <li>• The majority of this increase (\$550,575) is included in statewide present law adjustments</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ The agency did not use the recruitment and retention fund to support the entire cost of additional officers</li> <li>◆ The recruitment and retention fund FY 2010 ending fund balance was \$7.5 million</li> <li>◆ General fund support for the program rises from less than \$400,000 in the 2011 biennium to more than \$1.2 million in the 2013 biennium</li> <li>◆ Positions included in the personal services reduction have not been specified</li> </ul>

## Program Narrative

### Goals and Objectives

The Legislative Finance Committee selected the following goals to monitor during the current interim.

- o Goal 1 – Improve MHP availability – installation of equipment and concept of “patrol car is their office” (Smart Cop)
  - Successes - based upon comparison of the first eight months of 2010 to 2009
    - o Crashes have dropped almost 19%
    - o Fatal crashes have dropped almost 23%
  - Challenges:
    - o Patrol availability has remained nearly constant

### 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 for this division proposes a reduction in general fund expenditures through a 4% reduction in personal services (included in the executive budget) for executive protection. Executive protection is the only function in the program that is funded with the general fund. The division plan also proposes savings in state special revenue (highways) through a reduction of an unspecified number of uniformed officers. However, the account that supports these costs is exempt from the 5% plan requirement.

Potential impacts in the reduction of uniformed officers include:

- o Fewer officers on the road
- o Increased accidents
- o Increased fatalities

## 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.

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	\$ 194,236	0.7%	\$ 613,482	1.9%	\$ 615,253	2.0%
01100 General Fund	194,236	0.7%	613,482	1.9%	615,253	2.0%
02000 Total State Special Funds	27,667,390	99.3%	30,897,171	98.1%	30,727,296	98.0%
02014 Highway Patrol Retire Clearing	4,230,233	15.2%	4,557,908	14.5%	4,565,766	14.6%
02422 Highways Special Revenue	23,437,157	84.1%	26,339,263	83.6%	26,161,530	83.5%
Grand Total	<u>\$ 27,861,626</u>	<u>100.0%</u>	<u>\$ 31,510,653</u>	<u>100.0%</u>	<u>\$ 31,342,549</u>	<u>100.0%</u>

General fund in this division supports the executive protection function. All other functions are supported by state special revenue with the bulk of the costs supported by highways state special revenue. The highway patrol recruitment and retention fund supported by a \$5 vehicle registration fees may be used to support the cost of additional uniformed officers, equipment, and pay increases. Please refer to the narrative for the Department of Transportation in Volume 5 of this budget analysis for a discussion of the highway state special revenue fund.

**LFD  
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General Fund Increase

Traditionally, the only function in this program supported by the general fund has been the executive protection function. However, between the 2011 and 2013 biennia general fund support for the division would increase from less than \$400,000 to more than \$1.2 million in the executive budget. The general fund increase is due to:

- o Statewide present law adjustments, \$551,000
- o A request for an additional officer for executive protection, \$207,000
- o A request for overtime for executive protection (included in the decision package for base budget adjustments), \$107,000

These increases are offset by a \$25,000 reduction due to a 4% reduction in personal services.

While the decision packages requesting an additional officer and overtime for executive protection clearly specifies what would be supported by the general fund, it is unclear what items are supported by the general fund increase in statewide present law adjustments. If the general fund increase is solely related to the executive protection function, the cost for this function triples, rising from less than \$200,000 per year to more than \$600,000 per year.

At the time of this writing, clarification of the specific items supported by the general fund had not been received. There is indication that the adjustment to general fund support for this program may be included in revisions to the executive budget that will be issued December 15, 2010. Prior to taking action on this item the legislature may wish to receive updated information that clearly specifies what items would be supported by the general fund if the executive budget is adopted. Additionally, the legislature may wish to direct staff to shift funding from the general fund to the highway state special revenue account that has previously supported costs other than the executive protection function.

Options:

- o Shift funding for statewide present law adjustments from the general fund to state special revenue
- o Remove general fund support from statewide present law adjustments
- o Approve the executive request as presented

**LFD  
ISSUE**

Use of Fund and Fund Balance

The figure illustrates the beginning fund balance and anticipated activity for the highway patrol recruitment and retention fund. This fund was created in HB 35 by the 2005 Legislature to provide funding for additional troopers and their equipment, and biennial pay increases for troopers as determined by a salary survey of eight county sheriff offices. Revenue for the fund comes from a \$5 vehicle registration fee. Revenues appear to have stabilized at just over \$5 million per year. Expenses have not yet reached the level of revenues. Because the revenue has exceeded expenditures since inception of the fund, a fund balance has been created. The FY 2010 ending fund balance was \$7.5 million and based upon the executive budget request would grow to \$9.3 million by the end of the 2013 biennium.

Executive Budget Highway Patrol Recruitment and Retention State Special Revenue Fund 02014				
Item	Actual FY 2010	Estimated FY 2011	Requested FY 2012	Requested FY 2014
Beginning Balance	\$6,594,985	\$7,559,517	\$8,178,453	\$8,720,645
Disbursements:				
Uniformed Personnel	4,230,233	4,481,164	4,224,686	4,227,479
DP 1301 Add 9.00 FTE Troopers			152,817	152,479
DP 1304 MHP Base Adjustments	0	0	180,405	185,817
Total Expenses	\$4,230,233	\$4,481,164	\$4,557,908	\$4,565,766
Total Revenues	<u>5,090,535</u>	<u>5,100,100</u>	<u>5,100,100</u>	<u>5,100,100</u>
Revenue Less Disbursements.	\$860,302	\$618,936	\$542,192	\$534,334
Fund Balance Adjustment	<u>104,230</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$7,559,517</u>	<u>\$8,178,453</u>	<u>\$8,720,645</u>	<u>\$9,254,979</u>

**LFD  
ISSUE CONT.**

There are two primary issues with this fund:

- o The executive budget does not fund the entire cost of items that may be funded with this account from the account
- o Use of this fund to fully support permissible expenditures will eventually result in expenditures from the fund exceeding revenues to the fund

There are several ways that the legislature could impact this fund balance, one of them being to impact the level of expenditure from the fund. The executive budget proposes the addition of 9.00 FTE highway patrol troopers but funds only a portion (22.3%) of these costs from this fund (with highway state special revenue supporting the balance). The entire costs of these new troopers and related equipment could be funded by this account. The figure below illustrates the actual and estimated fund balance for the account if the request for increased troopers is funded entirely by this account. Under this scenario, expenses charged to the fund would be about equal to the anticipated revenue.

Funding Entire Cost of New Officers Highway Patrol Recruitment and Retention State Special Revenue Fund 02014				
Item	Actual FY 2010	Estimated FY 2011	Requested FY 2012	Requested FY 2014
Beginning Balance	\$6,594,985	\$7,559,517	\$8,178,453	\$8,217,595
Disbursements:				
Uniformed Personnel	4,230,233	4,481,164	4,224,686	4,227,470
DP 1301 Add 9.00 FTE Troopers			655,867	654,415
DP 1304 MHP Base Adjustments	0	0	180,405	185,817
Total Expenses	\$4,230,233	\$4,481,164	\$5,060,958	\$5,067,702
Total Revenues	5,090,535	5,100,100	5,100,100	5,100,100
Revenue Less disbursements.	\$860,302	\$618,936	\$39,142	\$32,398
Fund Balance Adjustment	104,230	0	0	0
Ending Balance	\$7,559,517	\$8,178,453	\$8,217,595	\$8,249,993

An item not included in the executive budget, but to be included in the pay plan bill, is biennial pay increases for troopers, which was one of the purposes for this fund. 2-18-303, MCA provides that a biennial salary survey of eight county sheriff offices be conducted and used by the department to establish trooper salaries. The department estimates this salary increase for the 2013 biennium at 4.9% equating to about \$950,000 per year in increased cost.

The legislature could also choose to maintain annual expenditures at or below annual revenues to the fund and either leave the fund balance in the account at its current level or transfer the fund balance to the general fund. As troopers are added and biennial salary increases provided as

required by statute, expenditures from the fund will exceed revenues. Leaving a fund balance in this account would allow the account to continue to support some costs for several years.

Increasing expenditures from the fund and transferring the balance in the account to the general fund would both expedite reaching the point where expenditures exceed revenues and funds would no longer be available to support increased costs unless a fee increase occurred.

Options

- o Fund the entire request for 9.00 FTE additional troopers from this fund
- o Direct staff to monitor the funding of statutorily required biennial pay increases for troopers included in the pay plan bill so that an amendment to use this fund to support the increase may be considered if necessary
- o Limit any funding approved for the two items above to an amount that may be supported within the amount of annual revenues received by the fund
- o Transfer the fund balance in this account to the 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	194,236	194,236	388,472	31.62%	27,861,626	27,861,626	55,723,252	88.66%
Statewide PL Adjustments	275,033	275,542	550,575	44.81%	1,525,183	1,585,466	3,110,649	4.95%
Other PL Adjustments	156,638	157,909	314,547	25.60%	2,136,269	1,907,891	4,044,160	6.43%
New Proposals	(12,425)	(12,434)	(24,859)	(2.02%)	(12,425)	(12,434)	(24,859)	(0.04%)
<b>Total Budget</b>	<b>\$613,482</b>	<b>\$615,253</b>	<b>\$1,228,735</b>		<b>\$31,510,653</b>	<b>\$31,342,549</b>	<b>\$62,853,202</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					1,089,466					1,103,718
Inflation/Deflation					141,176					186,035
Fixed Costs					294,541					295,713
<b>Total Statewide Present Law Adjustments</b>		<b>\$275,033</b>	<b>\$1,250,150</b>	<b>\$0</b>	<b>\$1,525,183</b>		<b>\$275,542</b>	<b>\$1,309,924</b>	<b>\$0</b>	<b>\$1,585,466</b>
DP 1301 - Troopers on the Road	9.00	0	685,867	0	685,867	9.00	0	684,415	0	684,415
DP 1302 - Executive Protection	1.00	103,830	0	0	103,830	1.00	103,632	0	0	103,632
DP 1303 - IT Smart COP	0.00	0	567,000	0	567,000	0.00	0	317,000	0	317,000
DP 1304 - MHP Base Adjustments	0.00	52,808	726,764	0	779,572	0.00	54,277	748,567	0	802,844
<b>Total Other Present Law Adjustments</b>	<b>10.00</b>	<b>\$156,638</b>	<b>\$1,979,631</b>	<b>\$0</b>	<b>\$2,136,269</b>	<b>10.00</b>	<b>\$157,909</b>	<b>\$1,749,982</b>	<b>\$0</b>	<b>\$1,907,891</b>
<b>Grand Total All Present Law Adjustments</b>	<b>10.00</b>	<b>\$431,671</b>	<b>\$3,229,781</b>	<b>\$0</b>	<b>\$3,661,452</b>	<b>10.00</b>	<b>\$433,451</b>	<b>\$3,059,906</b>	<b>\$0</b>	<b>\$3,493,357</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 face any difficulties with the agency pay plan rules.
- o **Program Specific Obstacles** - Retaining dispatchers continues to be a difficulty due to the high stress nature of the job.
- o **Vacancy** - Dispatchers continue to be a high turnover occupation by virtue of the demands of the occupation. Burnout rate is high in the first five years. Further, the relevant labor market is Helena Police/Lewis & Clark County, which currently has a higher pay scale. In terms of attracting qualified people, the program updated its recruitment and selection process and went to an "open until filled" posting. The updated process requires critical skill proficiency testing as the first step in the hiring process, helping to identify competent applicants. Once hired dispatchers receive hands-on training for up to one year. Vacancies result in increased workload for other employees and increased overtime.
- o **Legislatively Applied Vacancy Savings** - Positions were held open extensively prior to recruitment and selection.

- o **Pay/Position Changes** - The division funded the following pay adjustments within the existing budget: reclassification of an administrative assistant; progression and statutorily required increases for highway patrol law enforcement managers, captains, specialist, sergeants, and officers; progression increases for police fire dispatchers; and, pay increases for the Attorney General's personal staff.
- o **Retirements** - The division anticipates 21 employees will be eligible for full retirement in the 2013 biennium. The anticipated compensated absence liability to the division will be \$744,146. The division monitors vacancies on a regular basis holding officer recruitment schools and command testing at certain times of the year in order to be prepared for new hires and promotions.

The statewide present law adjustment for personal services increases due to fully funding vacant positions and increases in health insurance costs.

DP 1301 - Troopers on the Road - This decision package requests 9.00 FTE and related operating costs to add troopers.

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

**Justification:** Additional troopers are necessary to improve public safety in rural Montana by improving MHP availability in areas that have traditionally had a low number of resident troopers. Improved availability reduces instances of the public waiting for troopers to respond to calls for service and allows for more proactive prevention of crime. It also improves officer safety for MHP troopers, county sheriff's deputies, and local city police.

**Goals:** The goal of the proposal is to respond to HB 35 of the 2005 legislative session and to achieve a continued decline in highway fatality rates, as well as declines in general crime due to increased visibility of officers enforcing Montana traffic laws.

**Performance Criteria:** Progress will be measured in two ways: 1) the number of fatalities by vehicle miles travelled per 100,000 of population; and 2) the number of crimes using the NHTSA Data Driven Approaches to Crime and Traffic Safety (DDACTS).

<b>LFD COMMENT</b>	Per the National Highway Traffic Safety Administration website, "DDACTS integrates location-based crime and traffic crash data to determine the most effective methods for deploying law enforcement and other resources. Drawing on the deterrent value of highly visible traffic enforcement and the knowledge that crimes often involve motor vehicles, the goal of DDACTS is to reduce crime, crashes, and traffic violations across the country."
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**Milestones:** Troopers will be placed into communities by March, 2012 after completing mandatory training.

**FTE:** Nine uniformed troopers.

**Funding Source:** Highway and MHP recruitment and retention state special revenue funds

**Future Funding:** Future costs will be determined based on the statutorily required survey of sheriff offices in eight counties.

**Obstacles:** Success in recruitment and selection of qualified applicants to fill all the positions.

<b>LFD ISSUE</b>	<u>Source of Funding</u> Please refer to the LFD issue under the funding section of this narrative for a discussion of the highway patrol recruitment and retention fund and use of that fund to support this request.
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DP 1302 - Executive Protection - This decision package requests 1.00 FTE, overtime, and increased operating costs for executive protection. Executive protection is funded by the general fund.

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

Justification: An additional officer is needed to provide minimum staffing levels for dignitary protection functions within the division.

Goals: To provide minimum staffing levels in order to ensure the safety of protected persons and employees who are providing protection. Detail members are subjected to extended work shifts, varying schedules, and extensive travel. Minimum staffing levels are needed to provide as safe a work environment as possible for employees, and to ensure the safety of those subjects of protective missions.

Performance Criteria: Performance will be measured by employee turnover, amount of overtime per detail member, and establishment of a safer work environment.

Milestones: Modified FTE becomes permanent July 1, 2011.

FTE: Three uniformed officers

Funding Source: General fund

Future Funding: Future costs will be determined based on the statutorily required survey of eight county sheriff offices

Obstacles: Recruiting and retaining qualified personnel is a challenge due to the demanding nature of the position. Detail members are exposed to varying schedules, long hours, and extensive travel. Employee burn out is common due to these factors. Personal security and safety is at risk under these extreme circumstances. Long term stability and consistency of the program dictates that employees have a safe and predictable work environment.

DP 1303 - IT Smart COP - This decision package requests funding for information technology enhancements and equipment replacement for the Smart COP Computer Aided Dispatch/Records Management System. Smart COP provides an integrated information system for the MHP dispatch and patrol. The system includes software, hardware, and services to support dispatch operations and an in-car mobile solution including a laptop, printer, card reader, wireless connection, and various other equipment. Smart Cop will be in an operations and maintenance mode, which includes the need to refresh equipment to ensure high quality system operation.

**LFD  
COMMENT**

Implementation of the Smart Cop technology was funded primarily by grants. The department is requesting funding for equipment replacements and system maintenance costs. Funding is requested from the Highways State Special Revenue Fund.

DP 1304 - MHP Base Adjustments - This decision package requests funding for various operating costs increases including overtime, rent and travel.

**LFD  
ISSUE**

Executive Protection Overtime

The general fund included in this decision package supports overtime for the executive protection function. The requested overtime funding of more than \$50,000 per year equates to funding for about 0.50 FTE. This level of overtime equates to about 15% of the 3.00 FTE staffing level for executive protection (2.00 authorized FTE and 1.00 modified FTE).

**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 MHP	13	(0.25)	(12,425)	0	0	(12,425)	(0.25)	(12,434)	0	0	(12,434)
<b>Total</b>	<b>(0.25)</b>	<b>(\$12,425)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,425)</b>	<b>(0.25)</b>	<b>(\$12,434)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,434)</b>	

DP 55400 - 4% personal services reduction MHP - The executive recommends a 4% reduction of personal services funded with general fund.

<b>LFD ISSUE</b>	<p><u>Positions Not Specified</u></p> <p>The positions included in the personal services reduction have not been specified making it difficult to determine the impact of the reduction. However, in this division, executive protection is the only function supported by the general fund. Given the present law adjustment decision package requesting an additional 1.00 FTE for executive protection, the change when the two decision packages are combined would be an increase of 0.75 FTE.</p>
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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	100.00	100.00	98.75	98.75	100.00	98.75	(1.25)	(1.25%)
Personal Services	5,516,849	5,799,544	6,030,213	6,035,836	11,316,393	12,066,049	749,656	6.62%
Operating Expenses	3,246,841	3,508,461	3,908,785	3,917,982	6,755,302	7,826,767	1,071,465	15.86%
Equipment & Intangible Assets	170,162	351,101	270,162	270,162	521,263	540,324	19,061	3.66%
Debt Service	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$8,933,852</b>	<b>\$9,659,106</b>	<b>\$10,209,160</b>	<b>\$10,223,980</b>	<b>\$18,592,958</b>	<b>\$20,433,140</b>	<b>\$1,840,182</b>	<b>9.90%</b>
General Fund	5,339,655	5,426,411	5,668,865	5,682,759	10,766,066	11,351,624	585,558	5.44%
State Special	2,773,107	3,048,258	3,674,052	3,673,269	5,821,365	7,347,321	1,525,956	26.21%
Federal Special	821,090	1,184,437	866,243	867,952	2,005,527	1,734,195	(271,332)	(13.53%)
<b>Total Funds</b>	<b>\$8,933,852</b>	<b>\$9,659,106</b>	<b>\$10,209,160</b>	<b>\$10,223,980</b>	<b>\$18,592,958</b>	<b>\$20,433,140</b>	<b>\$1,840,182</b>	<b>9.90%</b>

### Program Description

The Division of Criminal Investigation (DCI) includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, the Investigative Support Bureau, and the Law Enforcement Academy Bureau.

The Investigations Bureau consists of four sections:

- o The Fire Prevention and Investigation Section is responsible for safeguarding life and property from fire, explosion, and arson through investigation, inspection, and fire code interpretation and enforcement functions
- o The Special Investigations Unit investigates crimes involving the use of computers, maintains the Sexual and Violent Offender Registry, and provides advanced training opportunities for law enforcement officials statewide
- o The Major Case Section provides criminal investigative assistance to city, county, state, and federal law enforcement agencies
- o The Medicaid Fraud Control Section is responsible for investigating any crime that occurs in a health care facility, including theft, drug diversion, sexual assault, and homicide. The section also investigates elder exploitation, elder abuse, and fraud by providers within the Medicaid system.

The Narcotics Bureau investigates dangerous drug violations and provides investigative assistance to city, county, state, and federal law enforcement agencies as requested. The bureau also investigates organized criminal activity.

The Investigative Support Bureau is responsible for establishing a statewide intelligence center, performing criminal records checks, operating the Criminal Justice Information Network, and addressing homeland security issues.

The Law Enforcement Academy Bureau provides criminal justice officers and other qualified individuals with basic and specialized training in the field of law enforcement.

## Program Highlights

<b>Division of Criminal Investigation Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Total funding for the division increases 9.9% (\$1.8 million) between the two biennia               <ul style="list-style-type: none"> <li>• General fund increases 5.4% (\$586,000) primarily due to statewide present law adjustment increases that are partially offset by a 4% reduction in personal services</li> <li>• State special revenue increases 26.2% (\$1.5 million) primarily due to requests for increased funding for criminal justice information systems</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Positions included in the FTE reduction have not been specified</li> <li>◆ The state special revenue account supporting the Montana Law Enforcement Academy continues to lack sufficient revenues to support expenditure levels</li> </ul>

## Program Narrative

### *Goals and Objectives*

#### 2011 Biennium Goals

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

Goal 1 – The goal of the Public Safety Officers Standards and Training Council (POST) is to institute a business process to create a system of standardized employment, training, and certification requirements to ensure that the Public Safety Officers as defined in 44-4-401, MCA are capable of providing for the safety of the public in a manner acceptable by the State of Montana.

- o Successes
  - Work to ensure the accuracy of the records data base is ongoing
  - 134 of an estimated 144 agencies under the jurisdiction of the POST Council have been audited for compliance
- o Challenges
  - The council has determined that amendments to current statute and increased funding for this function will not be requested during the 2011 legislative session but may be considered for presentation in 2013

Goal 2 – Methamphetamine Watch media campaign

- o Successes
  - The request for proposals is expected to be available for responders by November 1, 2010
- o Challenges
  - Funding for the biennium was reduced from \$500,000 to \$300,000 in accordance with the provisions of 17-7-140, MCA

#### **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 for this division proposes:

- o General fund reductions including a 4% reduction in personal services (included in the executive budget) and reductions in the Montana Child Sexual Abuse Response Team (MCSART) Program (\$96,056)
- o State special revenue reductions in the Criminal Records Information Services Section (CRISS) (\$37,000) and Montana Law Enforcement Academy (MLEA) (\$70,000)

Potential impacts of these reductions include a reduction in services to other state and local agencies. Less state resources would be available to assist local law enforcement agencies with child sexual abuse investigations, major criminal investigations, and training of new law enforcement officers.

### 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.

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	\$ 5,339,655	59.8%	\$ 5,668,865	55.5%	\$ 5,682,759	55.6%
01100 General Fund	5,339,655	59.8%	5,668,865	55.5%	5,682,759	55.6%
02000 Total State Special Funds	2,773,107	31.0%	3,674,052	36.0%	3,673,269	35.9%
02016 Criminal Justice Info Network	385,656	4.3%	596,674	5.8%	596,850	5.8%
02546 Mtlaw Enforc. Acad. Surcharge	1,411,433	15.8%	1,496,383	14.7%	1,498,394	14.7%
02797 Cjis - Background Checks	733,393	8.2%	1,323,524	13.0%	1,320,330	12.9%
02937 Justice State Special Misc	242,625	2.7%	257,471	2.5%	257,695	2.5%
03000 Total Federal Special Funds	821,090	9.2%	866,243	8.5%	867,952	8.5%
03051 Homeland Security	117,447	1.3%	133,264	1.3%	133,358	1.3%
03187 Bcc Grants To Dept. Of Justice	221,342	2.5%	234,421	2.3%	234,656	2.3%
03800 Medicaid Fraud	<u>482,301</u>	<u>5.4%</u>	<u>498,558</u>	<u>4.9%</u>	<u>499,938</u>	<u>4.9%</u>
Grand Total	<u>\$ 8,933,852</u>	<u>100.0%</u>	<u>\$ 10,209,160</u>	<u>100.0%</u>	<u>\$ 10,223,980</u>	<u>100.0%</u>

The division is supported by a combination of general fund, state special revenue, and federal funds. General fund supports criminal investigations, fire prevention and investigation, match for federal funds supporting Medicaid fraud investigations, drug task forces, the computer crime unit, sexual and violent offender registry, amber alert, child sexual abuse response team, and Public Safety Officer Standards and Training (POST).

The three largest sources of state special revenue supporting the division are Montana Law Enforcement Academy surcharges that support operation of the academy, criminal justice information network (CJIN) revenue that supports itself, and revenue from criminal justice background checks that are paid in exchange for completion of a background check.

The largest source of federal funds is Medicaid funding that supports investigation of Medicaid fraud. Other federal grants support drug enforcement task forces and homeland security functions. Federal funds for homeland security and grants received through the Montana Board of Crime Control (MBCC) did not reach the budgeted level in the 2011 biennium and are included in the 2013 biennium request at the level received in the base budget year.

**LFD  
ISSUE**Solvency of MLEA fund

The figure summarizes FY 2010 actual and FY 2011 through 2013 anticipated revenues and expenditures for the MLEA state special revenue account. In FY 2010 revenues exceeded expenses by only \$351 and in FY 2011 through FY 2013 expenses (including full funding for all authorized positions) are expected to exceed revenues, driving the fund into a \$75,000 negative ending fund balance by the end of the 2013 biennium. One way used by the division to maintain expenses within the available revenue in FY 2010 was leaving positions vacant. The vacancy rate for MLEA was more than 12%, the equivalent of about 1.80 FTE in FY 2010. Given that an instructor is necessary in order for classes to be held, vacancies may create a downward spiral because a decrease in class offerings also decreases the fees collected from agencies sending staff to training.

Montana Law Enforcement Academy - State Special Revenue 02546				
Item	Actual FY 2010	Estimated FY 2011	Requested FY 2012	Requested FY 2014
Beginning Balance	(\$10,872)	\$51,766	(\$52,341)	(\$63,356)
Expenses:				
MT Law Enforcement Academ:	1,417,186	1,595,024	1,505,503	1,507,514
Decision Package PL 1805			(9,120)	(9,120)
Centralized Service Division	<u>15,243</u>	<u>14,583</u>	<u>17,132</u>	<u>16,273</u>
Total Expenses	\$1,432,429	\$1,609,607	\$1,513,515	\$1,514,667
Revenue:				
Criminal Surcharges	999,566	1,076,000	1,076,000	1,076,000
MLEA Generated/Course Fees	419,892	420,000	417,000	417,000
Other	<u>13,322</u>	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>
Total Revenue	\$1,432,780	\$1,505,500	\$1,502,500	\$1,502,500
Revenue Less Expenses	351	(104,107)	(11,015)	(12,167)
Fund Balance Adjustment	<u>62,287</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$51,766</u>	<u>(\$52,341)</u>	<u>(\$63,356)</u>	<u>(\$75,523)</u>

The solvency of this account has been an ongoing concern since HB 124 from the 2003 session switched funding for the MLEA from the general fund to a state special revenue account funded by a surcharge on certain criminal convictions and fees charged to students. Since that time, revenue estimates have not been realized at the level projected at the time the surcharge was implemented, creating ongoing funding difficulties. This issue has been discussed in the Legislative Budget Analysis for the past three biennia.

Surcharge revenues appear to have stabilized at the base budget level. Based upon the amount collected in FY 2010 it is estimated that a \$5 increase in this surcharge (from \$10 to \$15) would generate about \$500,000 per year in additional revenue or increase the revenue from this source by about 50%. Agency staff indicated that the agency plans to operate within the current revenue structure for the 2013 biennium but that a change in revenue structure (such as an increase in the criminal surcharge) may be sought in the future.

Given the ongoing difficulty with solvency in this account the legislature may wish to:

- Increase criminal conviction surcharges
- Recommend that the department increase fees charged to law enforcement agencies for services provided by the academy
- Provide a minimum level of general fund to assist in maintenance of ongoing operations
- Redirect fees to the general fund and provide a general fund appropriation for this purpose
- Decrease the requested level of expenditures by removal of funding for vacant FTE or other items

**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	5,339,655	5,339,655	10,679,310	94.08%	8,933,852	8,933,852	17,867,704	87.44%
Statewide PL Adjustments	439,469	444,105	883,574	7.78%	698,051	707,144	1,405,195	6.88%
Other PL Adjustments	51,697	61,898	113,595	1.00%	739,213	745,883	1,485,096	7.27%
New Proposals	(161,956)	(162,899)	(324,855)	(2.86%)	(161,956)	(162,899)	(324,855)	(1.59%)
<b>Total Budget</b>	<b>\$5,668,865</b>	<b>\$5,682,759</b>	<b>\$11,351,624</b>		<b>\$10,209,160</b>	<b>\$10,223,980</b>	<b>\$20,433,140</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					846,123					853,094
Vacancy Savings					(254,519)					(254,793)
Inflation/Deflation					(22,402)					(16,292)
Fixed Costs					128,849					125,135
<b>Total Statewide Present Law Adjustments</b>		<b>\$439,469</b>	<b>\$213,429</b>	<b>\$45,153</b>	<b>\$698,051</b>		<b>\$444,105</b>	<b>\$216,177</b>	<b>\$46,862</b>	<b>\$707,144</b>
DP 1803 - DCI Base Adjustments	0.00	51,697	0	0	51,697	0.00	61,898	0	0	61,898
DP 1804 - IT Criminal Justice Info Network (CJIN) BIEN/OTO	0.00	0	575,000	0	575,000	0.00	0	575,000	0	575,000
DP 1805 - MLEA Motor Pool Leased Vehicle Return	0.00	0	(9,120)	0	(9,120)	0.00	0	(9,120)	0	(9,120)
DP 1806 - Criminal Records Identification Section - FTE	1.00	0	121,636	0	121,636	1.00	0	118,105	0	118,105
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$51,697</b>	<b>\$687,516</b>	<b>\$0</b>	<b>\$739,213</b>	<b>1.00</b>	<b>\$61,898</b>	<b>\$683,985</b>	<b>\$0</b>	<b>\$745,883</b>
<b>Grand Total All Present Law Adjustments</b>	<b>1.00</b>	<b>\$491,166</b>	<b>\$900,945</b>	<b>\$45,153</b>	<b>\$1,437,264</b>	<b>1.00</b>	<b>\$506,003</b>	<b>\$900,162</b>	<b>\$46,862</b>	<b>\$1,453,027</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** - None
- o **Program Specific Obstacles** - The division receives a number of grants that require workers with specialized skills. Recruiting for these specialized workers is often difficult due to short timelines and extensive experience requirements.
- o **Vacancy** - Turnover is typically a result of retirements and completion of grant funded activities within the division. Vacancies resulted in increased workload, stress, and overtime for other employees.
- o **Legislatively Applied Vacancy Savings** - Positions were held open extensively prior to recruitment and selection.
- o **Pay/Position Changes** - Pay increases funded within the existing budget included: reclassification of criminal investigators, movement of law enforcement managers to the protective pay matrix, and increases for the

Attorney General’s personal staff. Funding for market adjustments for lawyers was provided by the 2009 Legislature

- o **Retirements** - The bureau anticipates eight employees will be eligible for retirement in the 2013 biennium. The anticipated compensated absence liability to the bureau will be \$243,294. The division will lose seasoned managers and to minimize the impact is offering both cross training and professional development opportunities to existing staff.

DP 1803 - DCI Base Adjustments - This decision package requests funding for overtime expense for criminal investigators and rent increases for division offices located throughout the state. \$30,000 per year is requested for overtime and \$13,873 and \$21,123 is requested for rent increase in FY 2012 and 2013, respectively. Annual rent cost increases range between 3% and 4% per year.

DP 1804 - IT Criminal Justice Info Network (CJIN) BIEN/OTO - This decision package requests a biennial, one-time only appropriation for the costs of the Criminal Justice Information Network (CJIN) upgrade that is completed once every four years.

DP 1805 - MLEA Motor Pool Leased Vehicle Return - This decision package decreases funding for the Montana Law Enforcement Academy due to the discontinuation of the lease of one motor pool vehicle. The reduction in cost due to the return of a leased vehicle is offset by a \$4,880 per year increase in gasoline and vehicle costs. The division will use a surplus highway patrol vehicle instead of a leased vehicle.

DP 1806 - Criminal Records Identification Section - FTE - This decision package requests 1.00 FTE for staffing and operational cost increases based on criminal history record information requests completed and to support transfer of monies owed to the Federal Bureau of Investigations (FBI) when fingerprint background checks are conducted by the FBI.

**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 DCI	18	(2.25)	(161,956)	0	0	(161,956)	(2.25)	(162,899)	0	0	(162,899)
<b>Total</b>	<b>(2.25)</b>	<b>(\$161,956)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$161,956)</b>	<b>(2.25)</b>	<b>(\$162,899)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$162,899)</b>	

DP 55400 - 4% Personal Services Reduction DCI - The executive recommends a 4% reduction of personal services funded with general fund.

<b>LFD ISSUE</b>	<p><u>Program Impact Unknown</u></p> <p>The agency has not identified the positions that will be included in the 4% personal services reduction. Without identification of the types of positions that would be eliminated it is not possible to assess the impact on the program of these reductions. In FY 2010, the division experienced vacancy savings of 7.1% or the equivalent of 7.2 positions vacant for the entire year</p>
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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	19.00	19.00	18.70	18.70	19.00	18.70	(0.30)	(1.58%)
Personal Services	1,034,470	1,109,775	1,147,001	1,146,358	2,144,245	2,293,359	149,114	6.95%
Operating Expenses	255,049	224,550	291,711	219,325	479,599	511,036	31,437	6.55%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,289,519</b>	<b>\$1,334,325</b>	<b>\$1,438,712</b>	<b>\$1,365,683</b>	<b>\$2,623,844</b>	<b>\$2,804,395</b>	<b>\$180,551</b>	<b>6.88%</b>
General Fund	492,526	534,677	537,653	509,767	1,027,203	1,047,420	20,217	1.97%
State Special	724,976	727,308	819,631	778,568	1,452,284	1,598,199	145,915	10.05%
Other	72,017	72,340	81,428	77,348	144,357	158,776	14,419	9.99%
<b>Total Funds</b>	<b>\$1,289,519</b>	<b>\$1,334,325</b>	<b>\$1,438,712</b>	<b>\$1,365,683</b>	<b>\$2,623,844</b>	<b>\$2,804,395</b>	<b>\$180,551</b>	<b>6.88%</b>

### Program Description

The Central Services Division (CSD) provides accounting; asset management; budgeting; fiscal management; human resources; internal controls; payroll and benefits; purchasing; training; and assistance with the implementation of policies, rules, and regulations for the Department of Justice. The program also administers payments to counties for a portion of the cost of the county attorney.

### Program Highlights

<b>Central Service Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Total funding for this division increases about \$181,000 or 6.9% between the two biennia due to statewide present law adjustments</li> <li>◆ General fund support for the division increases about \$20,000 or 2% between the two biennia <ul style="list-style-type: none"> <li>• General fund increases in statewide present law adjustments are partially offset by the executive proposal to reduce personal services by 4%</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Positions included in the FTE reduction have not been specified</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 for this division proposes a 4% reduction in personal services funded by the general fund. A decision package to implement this reduction, by removal of a 0.30 FTE and about \$19,000 per year, is included in the executive 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	\$ 492,526	38.2%	\$ 537,653	37.4%	\$ 509,767	37.3%
	01100 General Fund	492,526	38.2%	537,653	37.4%	509,767	37.3%
02000	Total State Special Funds	724,976	56.2%	819,631	57.0%	778,568	57.0%
	02016 Criminal Justice Info Network	270	0.0%	305	0.0%	289	0.0%
	02074 Gambling License Fee Account	56,368	4.4%	63,733	4.4%	60,539	4.4%
	02140 Consumer Education Settlement	14,546	1.1%	16,446	1.1%	15,622	1.1%
	02422 Highways Special Revenue	615,172	47.7%	695,481	48.3%	660,640	48.4%
	02546 Mtlaw Enforc. Acad. Surcharge	15,152	1.2%	17,132	1.2%	16,273	1.2%
	02797 Cjis - Background Checks	23,468	1.8%	26,534	1.8%	25,205	1.8%
06000	Total Proprietary Funds	72,017	5.6%	81,428	5.7%	77,348	5.7%
	06005 Liquor Division	58,000	4.5%	65,578	4.6%	62,293	4.6%
	06500 Agency Legal Services	14,017	1.1%	15,850	1.1%	15,055	1.1%
	Grand Total	\$ 1,289,519	100.0%	\$ 1,438,712	100.0%	\$ 1,365,683	100.0%

The Central Services Division is funded by allocation of costs among the various funding sources supporting the department. General fund provides about 37% of the division's funding. State special revenue, the largest source being highway state special revenue, provides about 57% of the division funding. Proprietary funds including liquor licensing fees and fees for agency legal services provide about 6% of the division's funding.

## 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	492,526	492,526	985,052	94.05%	1,289,519	1,289,519	2,579,038	91.96%
Statewide PL Adjustments	64,300	36,406	100,706	9.61%	168,366	95,329	263,695	9.40%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(19,173)	(19,165)	(38,338)	(3.66%)	(19,173)	(19,165)	(38,338)	(1.37%)
<b>Total Budget</b>	<b>\$537,653</b>	<b>\$509,767</b>	<b>\$1,047,420</b>		<b>\$1,438,712</b>	<b>\$1,365,683</b>	<b>\$2,804,395</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					180,293					179,617
Vacancy Savings					(48,589)					(48,564)
Inflation/Deflation					(5)					9
Fixed Costs					36,667					(35,733)
<b>Total Statewide Present Law Adjustments</b>		<b>\$64,300</b>	<b>\$94,655</b>	<b>\$0</b>	<b>\$168,366*</b>		<b>\$36,406</b>	<b>\$53,592</b>	<b>\$0</b>	<b>\$95,329*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$64,300</b>	<b>\$94,655</b>	<b>\$0</b>	<b>\$168,366*</b>	<b>0.00</b>	<b>\$36,406</b>	<b>\$53,592</b>	<b>\$0</b>	<b>\$95,329*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### 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** – None
- o **Program Specific Obstacles** - Attracting and hiring qualified accountants is difficult. Internal equity, which is directly related to funding, reduces the ability to hire applicants at salaries above entry.
- o **Vacancy** - Accounting technicians and accountants have a high turnover rate. Other state agencies have offered higher salaries for the same type of work, reduced overtime, and offer a less stressful environment according to terminating accountants and accounting technicians. The division offers increased access to flexible work schedules and cross training to reduce overtime and on the job stress. Vacancies result in doubling up on duties, reprioritized work, and requests for assistance from other divisions.
- o **Legislatively Applied Vacancy Savings** – Positions were held open extensively prior to recruitment and selection.
- o **Pay/Position Changes** – The division funded the following pay changes within existing funds: competency adjustments for an accountant, movement toward market for a financial manager and human resource specialists, and an increase for the Attorney General's personal staff.
- o **Retirements** - The division anticipates two employees will be eligible for full retirement in the 2013 biennium. The anticipated compensated absence liability to the division will be \$63,672. The division will lose seasoned managers. To minimize the impact, cross training and professional development opportunities will be offered to existing staff.

The statewide present law adjustments increase due to fully funding vacant positions and increases in health insurance costs.

**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 CSD	28	(0.30)	(19,173)	0	0	(19,173)	(0.30)	(19,165)	0	0	(19,165)
<b>Total</b>	<b>(0.30)</b>	<b>(\$19,173)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$19,173)</b>	<b>(0.30)</b>	<b>(\$19,165)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$19,165)</b>	

DP 55400 - 4% Personal Services Reduction CSD - The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of 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	41.00	41.00	39.50	39.50	41.00	39.50	(1.50)	(3.66%)
Personal Services	2,292,833	2,523,378	2,521,791	2,521,402	4,816,211	5,043,193	226,982	4.71%
Operating Expenses	1,033,084	977,628	1,094,155	1,091,475	2,010,712	2,185,630	174,918	8.70%
Equipment & Intangible Assets	90,135	87,831	90,135	90,135	177,966	180,270	2,304	1.29%
<b>Total Costs</b>	<b>\$3,416,052</b>	<b>\$3,588,837</b>	<b>\$3,706,081</b>	<b>\$3,703,012</b>	<b>\$7,004,889</b>	<b>\$7,409,093</b>	<b>\$404,204</b>	<b>5.77%</b>
General Fund	3,279,451	3,451,147	3,555,022	3,552,079	6,730,598	7,107,101	376,503	5.59%
State Special	120,929	122,014	133,730	133,620	242,943	267,350	24,407	10.05%
Federal Special	2,268	2,268	2,505	2,502	4,536	5,007	471	10.38%
Other	13,404	13,408	14,824	14,811	26,812	29,635	2,823	10.53%
<b>Total Funds</b>	<b>\$3,416,052</b>	<b>\$3,588,837</b>	<b>\$3,706,081</b>	<b>\$3,703,012</b>	<b>\$7,004,889</b>	<b>\$7,409,093</b>	<b>\$404,204</b>	<b>5.77%</b>

### Program Description

The Justice Information Technology Services Division (JITSD) provides a full range of information technology and criminal justice services for the department, including:

- o System development and maintenance for all systems and platforms within the department (MERLIN, Criminal History Record Information System and the Montana Uniform Crime Reporting System)
- o Support for the department's internal computers and systems
- o Support for the Criminal Justice Information Network (CJIN), Montana Highway Patrol Integrated Public Safety System, End of Life Registry, Hope Card, Concealed Weapons, and Amber Alert and Integrated Justice Information System (IJIS) broker

### Program Highlights

<b>Information Technology Services Division Major Budget Highlights</b>
◆ Funding for the division increases 5.8% (\$404,000) between the two biennia, primarily due to an increase in general fund support for statewide present law adjustments, partially offset by a 4% reduction in personal services
<b>Major LFD Issues</b>
◆ Positions included in the personal services reduction have not been specified

### 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 for this division proposes a 4% reduction in personal services funded by the general fund. A decision package to implement this reduction is included in the executive 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	\$ 3,279,451	96.0%	\$ 3,555,022	95.9%	\$ 3,552,079	95.9%
	01100 General Fund	3,279,451	96.0%	3,555,022	95.9%	3,552,079	95.9%
02000	Total State Special Funds	120,929	3.5%	133,730	3.6%	133,620	3.6%
	02016 Criminal Justice Info Network	3,407	0.1%	3,766	0.1%	3,763	0.1%
	02074 Gambling License Fee Account	56,107	1.6%	62,047	1.7%	61,996	1.7%
	02422 Highways Special Revenue	58,345	1.7%	64,521	1.7%	64,468	1.7%
	02937 Justice State Special Misc	3,070	0.1%	3,396	0.1%	3,393	0.1%
03000	Total Federal Special Funds	2,268	0.1%	2,505	0.1%	2,502	0.1%
	03800 Medicaid Fraud	2,268	0.1%	2,505	0.1%	2,502	0.1%
06000	Total Proprietary Funds	13,404	0.4%	14,824	0.4%	14,811	0.4%
	06005 Liquor Division	6,843	0.2%	7,567	0.2%	7,560	0.2%
	06500 Agency Legal Services	6,561	0.2%	7,257	0.2%	7,251	0.2%
<b>Grand Total</b>		<b>\$ 3,416,052</b>	<b>100.0%</b>	<b>\$ 3,706,081</b>	<b>100.0%</b>	<b>\$ 3,703,012</b>	<b>100.0%</b>

The division is funded primarily with general fund (95.9%) and state special revenue (3.6%) from gambling licensing fees and highway state special revenue. The balance of the division's funding comes from a very small amount of federal funds (Medicaid) and proprietary funds, including liquor licensing fees and agency legal service fees.

## 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	3,279,451	3,279,451	6,558,902	92.29%	3,416,052	3,416,052	6,832,104	92.21%
Statewide PL Adjustments	347,309	344,299	691,608	9.73%	361,767	358,631	720,398	9.72%
Other PL Adjustments	32,000	32,000	64,000	0.90%	32,000	32,000	64,000	0.86%
New Proposals	(103,738)	(103,671)	(207,409)	(2.92%)	(103,738)	(103,671)	(207,409)	(2.80%)
<b>Total Budget</b>	<b>\$3,555,022</b>	<b>\$3,552,079</b>	<b>\$7,107,101</b>		<b>\$3,706,081</b>	<b>\$3,703,012</b>	<b>\$7,409,093</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					408,764					408,285
Vacancy Savings					(108,068)					(108,045)
Inflation/Deflation					541					706
Fixed Costs					60,530					57,685
<b>Total Statewide Present Law Adjustments</b>		<b>\$347,309</b>	<b>\$12,801</b>	<b>\$237</b>	<b>\$361,767*</b>		<b>\$344,299</b>	<b>\$12,691</b>	<b>\$234</b>	<b>\$358,631*</b>
DP 2906 - ITSD Base Adjustments										
	0.00	32,000	0	0	32,000	0.00	32,000	0	0	32,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$32,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,000</b>	<b>0.00</b>	<b>\$32,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$379,309</b>	<b>\$12,801</b>	<b>\$237</b>	<b>\$393,767*</b>	<b>0.00</b>	<b>\$376,299</b>	<b>\$12,691</b>	<b>\$234</b>	<b>\$390,631*</b>

\* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

### 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** - None
- o **Program Specific Obstacles** – Higher level information technology (IT) positions are specialized and difficult to attract within the existing agency pay plan rules. New IT applicants are offered extensive training and proficiency agreements which provide them with marketable experience and expertise. Retaining experienced employees is difficult due to promotion opportunities across state agencies. The division is working with human resources to carve out an expanded competitive zone for IT positions. The difficulty lays in internal equity and funding restrictions.
- o **Vacancy** - All IT related jobs have high turnover rates. For higher level jobs, workers have sought higher paying jobs. Lower level jobs turnover due to job satisfaction/stress and workload issues. The division has offered strategic pay or retention exceptions, flexible work schedules, teleworking, and professional development opportunities. Keeping critical criminal justice systems up and running has resulted in increased workloads, which required additional overtime, and reprioritization of critical projects.
- o **Legislatively Applied Vacancy Savings** - A number of positions were held open extensively prior to recruitment and selection.
- o **Pay/Position Changes** - The division made the following pay changes within existing funding levels: competency adjustments for computer support technician and a network administrator.
- o **Retirements** – None

The statewide present law adjustment for personal services increases due to fully funding vacant positions and increases in health insurance costs. The division experienced a vacancy rate of almost 11% during the base budget year.

DP 2906 - ITSD Base Adjustments - This decision package request funding for overtime, on-call, and call-out costs.

**LFD  
COMMENT**

The division expended \$19,237 for overtime, differential pay, and holidays worked, which are zero based for budgeting purposes. The division requests an increase of about \$12,000 per year in these costs due to a change in the policy regarding on call and call out that was implemented in May 2010.

**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 ITSD	29	(1.50)	(103,738)	0	0	(103,738)	(1.50)	(103,671)	0	0	(103,671)
<b>Total</b>	<b>(1.50)</b>	<b>(\$103,738)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$103,738)</b>	<b>(1.50)</b>	<b>(\$103,671)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$103,671)</b>	

DP 55400 - 4% Personal Services Reduction ITSD - The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE.

**LFD  
ISSUE**Program Impact Unknown

The agency has not identified the positions that will be included in the 4% personal services reduction. Without identification of the types of positions that would be eliminated it is not possible to assess the impact on the program of these reductions.

FTE reductions in this program could impact the provision of computer network support services and completion of maintenance and development of the systems operated by the department (such as MERLIN, the IJIS broker, and the criminal information system (CJIS)). Given that the division experienced vacancy savings of about 11% during FY 2010, a backlog of projects and tasks to complete may have developed and be increased by this staffing reduction. Equipment and software failures and functioning may impact the efficiency and effectiveness of programs operated by the agency.

**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	34.05	34.05	32.80	32.80	34.05	32.80	(1.25)	(3.67%)
Personal Services	2,539,850	2,650,757	2,628,635	2,627,747	5,190,607	5,256,382	65,775	1.27%
Operating Expenses	1,032,130	981,489	1,052,159	1,072,684	2,013,619	2,124,843	111,224	5.52%
Equipment & Intangible Assets	9,551	7,827	159,551	159,551	17,378	319,102	301,724	1,736.24%
Debt Service	150,579	153,280	150,579	150,579	303,859	301,158	(2,701)	(0.89%)
<b>Total Costs</b>	<b>\$3,732,110</b>	<b>\$3,793,353</b>	<b>\$3,990,924</b>	<b>\$4,010,561</b>	<b>\$7,525,463</b>	<b>\$8,001,485</b>	<b>\$476,022</b>	<b>6.33%</b>
General Fund	3,424,368	3,485,704	3,664,856	3,682,874	6,910,072	7,347,730	437,658	6.33%
State Special	307,742	307,649	326,068	327,687	615,391	653,755	38,364	6.23%
<b>Total Funds</b>	<b>\$3,732,110</b>	<b>\$3,793,353</b>	<b>\$3,990,924</b>	<b>\$4,010,561</b>	<b>\$7,525,463</b>	<b>\$8,001,485</b>	<b>\$476,022</b>	<b>6.33%</b>

### Program Description

The Forensic Science Division (FSD) includes the State Crime Lab in Missoula and the State Medical Examiner. The division provides a statewide system of death investigation, forensic science training, and scientific criminal investigation. The division conducts analysis on specimens submitted by law enforcement officials, coroners, and other state agencies. The division tests firearms, tool marks, hair, fiber, drugs, blood, body fluids, and tissues. The laboratory also analyzes blood and urine samples in connection with driving under the influence (DUI) cases and it provides the certification, maintenance, and training of all law enforcement personnel on breath testing instruments.

### Program Highlights

<b>Forensic Science Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Funding for the division increases 6.3% (\$476,000) between the two biennia due an increase in general fund support               <ul style="list-style-type: none"> <li>• General fund increases due to statewide present law adjustments and a request for equipment replacement that are partially offset by a 4% reduction in personal services</li> </ul> </li> </ul>	
<b>Major LFD Issues</b>	
<ul style="list-style-type: none"> <li>◆ Positions to be included in the personal services reduction are not specified</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% plan for this division proposes a 4% reduction in personal services (1.25 FTE), which is included in the executive budget, and non renewal of an equipment maintenance lease (\$86,190). Rather than entering in to a maintenance contract the department would maintain the equipment as needed. Lack of a maintenance agreement may increase agency costs if significant equipment break downs or failures are experienced.

### 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						
Forensic Science Division						
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	\$ 3,424,368	91.8%	\$ 3,664,856	91.8%	\$ 3,682,874	91.8%
01100 General Fund	3,424,368	91.8%	3,664,856	91.8%	3,682,874	91.8%
02000 Total State Special Funds	307,742	8.2%	326,068	8.2%	327,687	8.2%
02034 Earmarked Alcohol Funds	307,742	8.2%	326,068	8.2%	327,687	8.2%
Grand Total	<u>\$ 3,732,110</u>	<u>100.0%</u>	<u>\$ 3,990,924</u>	<u>100.0%</u>	<u>\$ 4,010,561</u>	<u>100.0%</u>

The division is funded primarily with general fund (91.8%). State special revenue from earmarked alcohol funds provides the balance of the division's funding (8.2%) and supports certification, equipment maintenance, and training of law enforcement in the use of breath testing equipment.

### 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	3,424,368	3,424,368	6,848,736	93.21%	3,732,110	3,732,110	7,464,220	93.29%
Statewide PL Adjustments	187,824	205,807	393,631	5.36%	206,150	225,752	431,902	5.40%
Other PL Adjustments	162,190	162,190	324,380	4.41%	162,190	162,190	324,380	4.05%
New Proposals	(109,526)	(109,491)	(219,017)	(2.98%)	(109,526)	(109,491)	(219,017)	(2.74%)
<b>Total Budget</b>	<b>\$3,664,856</b>	<b>\$3,682,874</b>	<b>\$7,347,730</b>		<b>\$3,990,924</b>	<b>\$4,010,561</b>	<b>\$8,001,485</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					312,402					311,439
Vacancy Savings					(114,091)					(114,051)
Inflation/Deflation					(29,825)					(7,077)
Fixed Costs					37,664					35,441
<b>Total Statewide Present Law Adjustments</b>		<b>\$187,824</b>	<b>\$18,326</b>	<b>\$0</b>	<b>\$206,150</b>		<b>\$205,807</b>	<b>\$19,945</b>	<b>\$0</b>	<b>\$225,752</b>
DP 3201 - FSD Equipment (OTO/BIEN)	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 3202 - FSD Base Adjustment	0.00	12,190	0	0	12,190	0.00	12,190	0	0	12,190
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$162,190</b>	<b>\$0</b>	<b>\$0</b>	<b>\$162,190</b>	<b>0.00</b>	<b>\$162,190</b>	<b>\$0</b>	<b>\$0</b>	<b>\$162,190</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$350,014</b>	<b>\$18,326</b>	<b>\$0</b>	<b>\$368,340</b>	<b>0.00</b>	<b>\$367,997</b>	<b>\$19,945</b>	<b>\$0</b>	<b>\$387,942</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** - No
- o **Program Specific Obstacles** - Jobs within this program are highly skilled and scientific. Pools are often small, the labor market is usually national and/or regional, and professional expertise often comes with a high price tag. Offering training assignments and proficiency agreements impacts staff workloads and turnaround time to local law enforcement agencies.
- o **Vacancy** - Turnover has resulted due to the retirement of a long term employee. A temporary promotion was offered to an employee. Workload within the section was prioritized and workloads increased resulting in additional overtime to staff.
- o **Legislatively Applied Vacancy Savings** - A number of positions were held open extensively prior to recruitment and selection.
- o **Pay/Position Changes** - The following pay increases were funded within the existing budget: forensic scientist reorganization and promotion, and an increase for elected official personal staff.

- **Retirements** - The division anticipates one employee will be eligible for retirement in the 2013 biennium. The anticipated compensated absence liability to the bureau will be \$61,969.

The statewide adjustment for personal services increases due to fully funding vacant positions and increases in health insurance costs.

DP 3201 - FSD Equipment (OTO/BIEN) - This decision package request a biennial, one-time-only, appropriation for purchasing new and/or replacement scientific equipment.

<b>LFD COMMENT</b>	<p>The division proposes purchase of the following replacement equipment:</p> <ul style="list-style-type: none"> <li>○ Liquid chromatograph with a mass spectrometer (LC/MS), Time of Flight (TOF) - \$185,000. The LC/MS is used to analyze chemical compounds. The equipment proposed for purchase is capable of analyzing a wider range of components</li> <li>○ Agilent 6400 series triple quad LC/MS/MS bundle - \$321,226 new or \$150,000 for used/demo. This equipment represents a new chromatographic technique that is more sensitive than existing techniques and per the division will result in lower overall costs because fewer samples will need to be sent to private labs for testing.</li> </ul> <p>The average useful life of this type of equipment is five to seven years.</p> <p>The funding requested in this decision package is not sufficient to buy both pieces of equipment as new items. The department will try to purchase used equipment.</p>
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DP 3202 - FSD Base Adjustment - This decision package requests funding for increased property management, travel, and training costs.

<b>LFD COMMENT</b>	<p>The division indicates that the union has negotiated a contract provision that all laboratory staff be allocated \$500 each for annual proficiency training not including the costs of travel, meals, and lodging that are also payable by the division.</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	-----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 FSD	32	(1.25)	(109,526)	0	0	(109,526)	(1.25)	(109,491)	0	0	(109,491)
<b>Total</b>	<b>(1.25)</b>	<b>(\$109,526)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$109,526)</b>	<b>(1.25)</b>	<b>(\$109,491)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$109,491)</b>	

DP 55400 - 4% Personal Services Reduction FSD - The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE.

**LFD  
ISSUE**Program Impact Unknown

The agency has not identified the positions that will be included in the 4% personal services reduction, making it difficult to determine potential impacts. Staffing reductions in this program can impact its ability to meet desired turnaround time for testing and reporting results to law enforcement agencies. Additionally, there is nationwide competition for individuals with expertise in this field. In the past the legislature has provided funding to raise entry level pay rates to be competitive nationally and exempted this program from vacancy savings to avoid and address backlogs of work to be completed. The agency reports that during the 2011 biennium recruitment and retention were challenging and that it continues to be difficult to be competitive nationally for staff. Turn-around time in some sections of the lab increased during periods of staff vacancy and recruitment.