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	39.00	39.00	40.00	40.00	39.00	40.00	1.00	2.56%
Personal Services	2,866,511	3,092,742	3,045,532	3,007,785	5,959,253	6,053,317	94,064	1.58%
Operating Expenses	573,095	596,398	652,331	639,229	1,169,493	1,291,560	122,067	10.44%
Debt Service	6,080	6,080	6,080	6,080	12,160	12,160	0	0.00%
Total Costs	**$3,445,686**	**$3,695,220**	**$3,703,943**	**$3,653,094**	**$7,140,906**	**$7,357,037**	**$216,131**	**3.03%**
State Special	3,420,213	3,669,577	3,597,432	3,547,660	7,089,790	7,145,092	55,302	0.78%
Federal Special	25,473	25,643	106,511	105,434	51,116	211,945	160,829	314.64%
Total Funds	**$3,445,686**	**$3,695,220**	**$3,703,943**	**$3,653,094**	**$7,140,906**	**$7,357,037**	**$216,131**	**3.03%**

Agency Description

Mission Statement: To fairly balance the long-term interests of Montana utility and transportation companies and the customers they serve.

The Department of Public Service Regulation (PSR) regulates the operations of public utility and transportation industries that operate in the state. Five commissioners, elected from districts throughout Montana, form the Montana Public Service Commission (PSC) that oversees the Public Service Regulation Program (PSR). Each commissioner serves a four-year term.

Agency Highlights

Public Service Regulation
Major Budget Highlights

- The agency budget increases less than 1% between the 2011 and 2013 biennia
- Present law adjustments are the only adjustments to the agency budget and increase the agency budget by $465,665 total funds
- Funding for the agency comes primarily from state special revenue derived from a tax on regulated entities

Legislative Action Issues

- The agency 5% reduction plan lacks sufficient detail to enable the legislature to evaluate potential impacts of the reductions
- A request for computer equipment does not reflect a change in state policy changing from a four year replacement cycle to a five year replacement cycle
- Interim committee recommendation
  - The Legislative Finance Committee recommends that the budget starting point be the adjusted base less 5%

Agency Discussion

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
Public Service Regulation					
Not Included in Executive Budget					
Operating expenses reductions		$0	0.0%	$117,405	68.8%
Personal services expense reductions		0	0.0%	53,208	31.2%
Subtotal Not Included in Executive Budget		$0	0.0%	$170,613	100.0%
Total Public Service Regulations		$0	0.0%	$170,613	100.0%
Total Reduction Plan					
Included in Executive Budget		$0	0.0%	$0	0.0%
Not Included in Executive Budget		0	0.0%	170,613	100.0%
Total Agency Reduction Plan	0.00	$0	0.0%	$170,613	100.0%

*Federal funds would also be impacted. See the decision package description for further information.

LFD ISSUE

Assessment of Impact

The agency 5% reduction plan proposes reductions totaling $170,613 in state special revenue support. The plan proposes reductions in operating and personal services costs but does not provide specific detail about which expenditures would be reduced or how savings in personal services costs would be achieved. As of this writing LFD staff had requested additional detail but was informed the commission had not specified how the reductions would be made and would probably not do so until after newly elected commissioners take office. Without further detail about the expenditures that would be reduced, it is not possible to determine the potential impact of these reductions upon consumers or regulated companies.

Options

- Request additional detail from the Public Service Commission (PSC) that will be in place beginning January 2011 and discuss the potential impacts of reductions upon consumers and regulated companies
- Require the PSC to report during the interim to the Legislative Finance Committee (LFC) about the impacts of implementation of the 5% reduction plan upon consumers and regulated companies

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
Public Service Regulation Prog

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	$ 3,420,213	99.3%	$ 3,597,432	97.1%	$ 3,547,660	97.1%
02281 Public Service Commission	3,420,213	99.3%	3,597,432	97.1%	3,547,660	97.1%
03000 Total Federal Special Funds	25,473	0.7%	106,511	2.9%	105,434	2.9%
03011 Natural Gas Safety Pgm	25,473	0.7%	81,511	2.2%	80,434	2.2%
03374 Ngpsp One Call	-	-	25,000	0.7%	25,000	0.7%
Grand Total	$ 3,445,686	100.0%	$ 3,703,943	100.0%	$ 3,653,094	100.0%

Public Service Regulation (PSR) is funded primarily by a fee that is levied on regulated companies, based on funding appropriated by the legislature for a specific fiscal year. Fees are deposited directly into a state special revenue account and are based upon a percentage of the gross operating revenue from all activities regulated by the commission for the calendar quarter of operation (69-1-402, MCA). The department also administers a small amount of federal pipeline safety grant funds.

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
Public Service Regulation

Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
Direct Bearing on Agency Operations					
Telecom Performance Assurance Plans	69-3-870	SSR	$75	$0	$0

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category

Budget Item	General Fund Budget Fiscal 2012	General Fund Budget Fiscal 2013	General Fund Biennium Fiscal 12-13	General Fund Percent of Budget	Total Funds Budget Fiscal 2012	Total Funds Budget Fiscal 2013	Total Funds Biennium Fiscal 12-13	Total Funds Percent of Budget
Base Budget	0	0	0	0.00%	3,445,686	3,445,686	6,891,372	93.67%
Statewide PL Adjustments	0	0	0	0.00%	83,044	59,497	142,541	1.94%
Other PL Adjustments	0	0	0	0.00%	175,213	147,911	323,124	4.39%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$0**	**$0**	**$0**		**$3,703,943**	**$3,653,094**	**$7,357,037**	

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					159,445					159,874
Vacancy Savings					(97,532)					(97,620)
Inflation/Deflation					(4,574)					(4,505)
Fixed Costs					25,705					1,748
Total Statewide Present Law Adjustments		**$0**	**$83,044**	**$0**	**$83,044**		**$0**	**$59,497**	**$0**	**$59,497**
DP 2 - Pay Retirement Benefits	0.00	0	38,534	0	38,534	0.00	0	0	0	0
DP 3 - Pipeline Safety Federal Award and Match	0.00	0	1,893	14,595	16,488	0.00	0	1,893	14,595	16,488
DP 5 - Computer Replacement	0.00	0	0	0	0	0.00	0	6,955	0	6,955
DP 6 - Building Rent	0.00	0	12,305	0	12,305	0.00	0	18,736	0	18,736
DP 7 - One Call	0.00	0	0	25,000	25,000	0.00	0	0	25,000	25,000
DP 8 - Pipeline Safety Engineer	1.00	0	41,443	41,443	82,886	1.00	0	40,366	40,366	80,732
Total Other Present Law Adjustments	**1.00**	**$0**	**$94,175**	**$81,038**	**$175,213**	**1.00**	**$0**	**$67,950**	**$79,961**	**$147,911**
Grand Total All Present Law Adjustments	**1.00**	**$0**	**$177,219**	**$81,038**	**$258,257**	**1.00**	**$0**	**$127,447**	**$79,961**	**$207,408**

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.

- **Vacancy -** Rate Analysts and Attorneys are difficult to hire/retain due to outside market competition. Normally, the PSC would make pay adjustments but is currently under the state pay freeze rules. Vacancies result in increased workload for other employees and slowed decision making process. In early 2010, the Public Service Commission (PSC) experienced large hiring pools of up to 35 applicants and of those, up to 50% were unqualified. The other 50% ranged from minimally qualified to very well qualified. Two more recent vacancies resulted in much lower applicant pools, ranging from 4 to 10 applicants. The PSC generally experiences low turnover but has several employees who have or are expected to retire in the current biennium. The PSC has traditionally had to recruit multiple times for attorney and rate analyst positions with the exception being early calendar year 2010. Employment offers are rarely rejected and a common reason is another position has been offered elsewhere. The PSC often hires recent graduates for attorney and rate analyst positions.
- **Legislatively Applied Vacancy Savings** - The legislature did not apply vacancy saving to the agency.
- **Pay/Position Changes** – Pay increases were given for three positions that were reclassified, a position change, two competitive promotions, and completion of a training assignment. New hire placement is within a range that is based on internal equity, new hire qualifications, and funding availability.
- **Retirements** – Twelve PSC employees are eligible for full retirement in the 2013 biennium. The compensated absence liability is estimated at $131,695. The PSC anticipates that two employees will retire in the 2013 biennium at a cost of $38,000. Staff retirements between now and the end of the 2013 biennium will cause a significant impact on the agency. The specialized nature of regulation and the broad types of companies (energy, telecommunications, water, etc.) regulated, coupled with the small staff does not allow for in depth cross training.

DP 2 - Pay Retirement Benefits - This decision package requests funding for staff retirement payouts. The PSC anticipates staff retirements in the next biennium resulting in leave payouts above normal personal services costs.

DP 3 - Pipeline Safety Federal Award and Match - This decision package requests funding for the pipeline safety federal grant that has been increasing. The federal grant supports inspection of natural gas pipeline construction, transmission integrity management, and operator qualifications as well as other related activities.

DP 5 - Computer Replacement - This decision package requests funding for replacement of computer equipment based upon a four year replacement cycle as recommended by the Information Technology Services Division, Department of Administration. If this funding is approved the PSC plans to replace five desktop computers ($7,500) and one server ($5,000) in FY 2012 and four desktop computers ($5,000) and one server ($5,000) in FY 2013. The funding requested in this decision package is the difference between the amount included in the base budget and the total estimated cost of replacement equipment.

LFD ISSUE

Change in State Policy

This decision package does not reflect a change that occurred in state policy regarding replacement of computer equipment. Recently, state policy moved from a four year replacement cycle to a five year replacement cycle. Agency staff indicate that given this policy change no equipment would be purchased in FY 2012 and the equipment proposed for purchase in FY 2012 would be purchased in FY 2013. In order to reflect the change in state policy the legislature may wish to:

- Not approve increased funding in FY 2012
- Reduce FY 2012 funding by $5,545 (the amount of equipment expenditures in the base year)
- Approve funding of $6,955 for FY 2013 which when combined with the base funding level would provide a total of $12,500 to purchase computer equipment

DP 6 - Building Rent - This decision package requests funding for increases in rent per the contract (3% per year) negotiated by the General Services Division, Department of Administration.

DP 7 - One Call - This decision package requests funding for the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration, State Pipeline Safety, One Call Grant program. The purpose of the One Call grant program is to support efforts of state pipleline safety offices to reduce the incidence of damage to underground facilities during excavation.

DP 8 - Pipeline Safety Engineer - This decision package requests 1.00 FTE pipeline safety engineer and associated operating expenses. The Public Service Commission believes an additional pipeline safety engineer is warranted so the Commission can continue to fulfill its responsibility to effectively audit and monitor pipeline operators and to ensure the pipeline safety regulations are followed.

Elected Official Proposals

At the time of this writing, the commission had not determined whether or not any proposals not in the executive budget would be forwarded to the legislature. This determination will probably not be made until after new commissioners take office in January 2011.