

### Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	11.25	11.25	12.25	12.25	11.25	12.25	1.00	8.89 %
Personal Services	697,985	725,163	888,174	888,181	1,423,148	1,776,355	353,207	24.82 %
Operating Expenses	157,316	1,364,116	2,344,853	2,348,636	1,521,432	4,693,489	3,172,057	208.49 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
<b>Total Costs</b>	<b>\$855,301</b>	<b>\$2,089,279</b>	<b>\$3,233,027</b>	<b>\$3,236,817</b>	<b>\$2,944,580</b>	<b>\$6,469,844</b>	<b>\$3,525,264</b>	<b>119.72 %</b>
General Fund	795,969	2,023,411	3,060,997	3,065,495	2,819,380	6,126,492	3,307,112	117.30 %
State/Other Special Rev. Funds	59,332	65,868	172,030	171,322	125,200	343,352	218,152	174.24 %
<b>Total Funds</b>	<b>\$855,301</b>	<b>\$2,089,279</b>	<b>\$3,233,027</b>	<b>\$3,236,817</b>	<b>\$2,944,580</b>	<b>\$6,469,844</b>	<b>\$3,525,264</b>	<b>119.72 %</b>

### Program Description

The General Services Division is composed of three bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's energy procurement, vehicle fueling and procurement card programs, and the central stores program.

The Print and Mail Services Bureau provides print and mail services to state agencies. Services include internal and external (contracted) printing, photocopy pool services, mail preparation, central mail operations, and inter-agency (deadhead) mail. The bureau also operates the United States Post Office in the Capitol and provides one quick copy location on the Capitol Complex.

In addition to the three bureaus, the division manages the state and federal property surplus program.

### Program Highlights

General Services Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>• Non-budgeted proprietary funds provide over 86.9% of the support for the program</li> <li>• The executive proposes to move the Central Stores Program from a proprietary rate to a state special revenue account due to changes in the program's operations</li> <li>• The executive proposes to provide \$2.1 million of general fund each year of the biennium for rent of the common spaces within the capitol complex</li> </ul>	
Major LFD Issues	
<ul style="list-style-type: none"> <li>• Uses of general fund not identified</li> <li>• Change in budgeting for personal services increases proprietary rates to state agencies</li> <li>• Fund balance in the Central Stores Program is available for transfer to the general fund</li> <li>• Rates for print and mail services will generate more funding than required by the program</li> </ul>	

**Program Discussion -***Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base*

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

Department of Administration General Services Division FY 2015 Appropriation Transactions					
Category	Legislative Appropriation	Legislative OTO Approp	Direct Transfers	Reorganization	Total Executive Implementation
Personal Services	\$725,163	\$0	\$0	\$0	\$725,163
Operating Expenses	<u>163,920</u>	<u>1,173,196</u>	<u>27,000</u>	<u>0</u>	<u>1,364,116</u>
Total Costs	<u>\$889,083</u>	<u>\$1,173,196</u>	<u>\$27,000</u>	<u>\$0</u>	<u>\$2,089,279</u>

Due to concerns regarding the uses of general fund provided as rent for the common areas the 2013 Legislature provided the funds on a one-time-only basis. GSD proposes reinstating rent for the common areas at \$2.1 million a year or an 81.9% increase over the FY 2015 legislative appropriation. The division also received an appropriation transfer of \$27,000 general fund from the Montana Historical Society for repairs on the Old Governor's Mansion.

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

Actual FY 2014 expenditures are \$33,782 lower than the FY 2015 ongoing legislative appropriation. The primary reason for the difference is due to vacancy savings of 6.0% within the program resulting in lower personal services costs in FY 2014.

*Executive Request*

The executive's proposal for HB 2 expenditures in the General Services Division by function are shown in the following table.

Department of Administration General Services Division Proposed HB 2					
Program	FY 2014	FY 2016	% Change	FY 2017	% Change
Procurement Bureau					
FTE	10.48	10.48	0.00%	10.48	0.00%
Personal Services	\$654,705	\$756,512	15.55%	\$755,864	15.45%
Operating Expenses	<u>141,264</u>	<u>170,650</u>	<u>20.80%</u>	<u>170,117</u>	<u>20.42%</u>
Total Expenditures	795,969	927,162	16.48%	925,981	16.33%
Fueling & Procard Division					
FTE	0.77	0.77	0.00%	0.77	0.00%
Personal Services	43,280	61,462	42.01%	61,361	41.78%
Operating Expenses	<u>16,052</u>	<u>18,119</u>	<u>12.88%</u>	<u>18,003</u>	<u>12.15%</u>
Total Expenditures	59,332	79,581	34.13%	79,364	33.76%
Central Stores Program					
FTE	1.00	1.00	0.00%	1.00	0.00%
Personal Services	0	70,153	100.00%	69,977	100.00%
Operating Expenses	<u>0</u>	<u>22,293</u>	<u>100.00%</u>	<u>21,978</u>	<u>100.00%</u>
Total Expenditures	0	92,446	100.00%	91,955	100.00%
Facilities Management					
FTE	0	0	0.00%	0	0.00%
Personal Services	0	0	0.00%	0	0.00%
Operating Expenses	0	2,133,791	100.00%	2,138,537	100.00%
Total Expenditures	0	2,133,791	100.00%	2,138,537	100.00%
Total HB2 Proposed Expenditures	<u>\$855,301</u>	<u>\$3,232,980</u>	<u>277.99%</u>	<u>\$3,235,837</u>	<u>278.33%</u>

In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13, other changes include:

- Market and strategic pay adjustments throughout FY 2014 that are annualized for the 2017 biennium
- Employee attainment of longevity milestones in the 2017 biennium
- Changes in employer retirement
- Reductions in costs related to the implementation of the boilerplate language in HB 2 enacted by the 2013 Legislature
- Inclusion of FTE to administer the central stores function

As shown in the figure above, the executive proposes to move the Central Stores Program from proprietary rates to a state special revenue fund appropriated in HB 2. The 2013 Legislature eliminated the warehouse function of the Central Stores Program that was supported by a proprietary rate through agencies paying for goods and services. Instead General Services Division operates the Montana eMarketCenter. This is an online purchasing portal allowing state agencies to purchase goods directly from Montana vendors. The vendors pay a 2% fee each quarter.

Operating expense increases for the various divisions include the following:

- Procurement Bureau increases are mainly due to additional costs for State Information Technology Services Division computer services, indirect cost charges to support the Director's Office, and higher building rent
- Fueling and Procard Division changes relate to increased costs for rent and grounds maintenance charged by the proprietarily funded Facilities Maintenance Bureau
- Facilities Management includes reinstatement of a one-time-only general fund appropriation for the rent of the common areas within the State Capitol Building, the Montana Historical Society, and the Governor's Mansion

**LFD  
ISSUE**
Uses of General Fund Not Identified

Beginning in the 2009 biennium, the Facilities Management Bureau began charging common areas of three state buildings rent and maintenance fees. The common areas include:

- Hallways and bathrooms in the Capitol Building
- Office space for the Senate and House of Representatives in the Capitol Building
- Governor's Mansion
- Public display areas in the Montana Historical Society
- Office space in the Montana Historical Society

The amount of general fund has varied since the practice of charging the common areas began in FY 2008. In FY 2011 General Services Division created a separate state special revenue account and deposits the general fund into the account for maintenance projects. The figure on the following page shows, by fiscal year, revenues, expenditures, and related fund balance for the state special revenue account.

Department of Administration Capitol Complex Major Maintenance						
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Proposed FY 2015	Proposed FY 2016	Proposed FY 2017
Beginning Fund Balance	\$1,446,327	\$2,274,161	\$3,322,626	\$365,903	\$1,539,099	\$3,672,890
Revenues						
General Fund Transfer	1,196,250	1,196,250	1,220,023	1,173,196	2,133,791	2,133,791
Expenditures						
Consulting and Professional Services	0	16,384	2,134	0	0	0
Buildings and Grounds Maintenance	0	0	231,482	0	0	0
Capital Outlay	38,685	845	347,755	0	0	0
Transfers to A & E	329,731	130,556	0	0	0	0
Upgrade Scott Hart HVAC	0	0	2,815,676	0	0	0
FWP Headquarters	0	0	325	0	0	0
Retrofit Elevators	0	0	34,061	0	0	0
Upgrade Capitol HVAC	0	0	745,313	0	0	0
Total Expenditures	368,416	147,785	4,176,746	0	0	0
Ending Fund Balance	<u>\$2,274,161</u>	<u>\$3,322,626</u>	<u>\$365,903</u>	<u>\$1,539,099</u>	<u>\$3,672,890</u>	<u>\$5,806,681</u>

As shown, until FY 2014 the funding transferred into the account was only partially utilized and thus fund balance accumulated. Correlating with the legislature's designation of the funding as one-time-only, in FY 2014 \$3.5 million was transferred into the capital projects fund. In FY 2014 funds were used by the Architecture and Engineering Division, mainly for heating, ventilation, and air conditioning (HVAC) systems in the Scott Hart and Capitol Buildings. As included in the budgeting system, the agency does not propose any uses for the general fund transfers into the state special revenue fund in the 2017 biennium.

According to division staff, the planned projects for the general fund transfers include:

- Infrastructure repairs to the capitol complex - \$2.0 million
- Elevator modifications capitol complex - \$0.7 million
- Flooring replacement capitol complex - \$0.5 million
- Fire protection measures capitol complex - \$0.3 million
- Remodel 1100 North Last Chance Gulch (old State Fund Building) - \$0.5 million

With the exception of the remodel it is unclear from the project descriptions which buildings have work planned or what types of infrastructure repairs are contemplated.

The public policy consideration for the legislature should the general fund rental of common areas be increased by 81.9% to expand repairs for the capitol complex.

#### Legislative Option

The legislature may wish to discuss the specifics of the planned uses of the \$5.8 million from the state special revenue fund. The legislature may also wish to consider continuing to designate the funding as one-time-only so that the proposed uses of the funds are discussed in the 2019 biennium.

#### Funding

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

Department of Administration, 06-General Services Program Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	6,126,492	0	127,200	6,253,692	12.39 %
02211 Procurement Special Revenue	343,352	0	0	343,352	100.00 %
02299 Capitol Complex Major Maint	0	0	0	0	0.00 %
<b>State Special Total</b>	<b>\$343,352</b>	<b>\$0</b>	<b>\$0</b>	<b>\$343,352</b>	<b>0.68 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
06066 Surplus Property	0	1,123,463	0	1,123,463	2.56 %
06528 Rent And Maintenance	0	20,613,593	0	20,613,593	46.97 %
06530 Print & Mail Services	0	22,148,536	0	22,148,536	50.47 %
06531 Central Stores	0	1	0	1	0.00 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$43,885,593</b>	<b>\$0</b>	<b>\$43,885,593</b>	<b>86.93 %</b>
<b>Total All Funds</b>	<b>\$6,469,844</b>	<b>\$43,885,593</b>	<b>\$127,200</b>	<b>\$50,482,637</b>	

### HB 2 Funding

General fund provides support for the State Procurement Bureau and for transfers to the capitol complex major maintenance account in the state special revenue fund. See LFD Issue under Program Discussion for further discussion of these payments.

State special revenues from procurement rebates fund a portion of the procurement functions that provide for the fueling and procurement card operations. The executive also proposes moving central stores from the proprietary fund to a state special revenue account.

#### LFD ISSUE

#### Fund Balance in the Central Stores Proprietary Fund Available for the General Fund

The 2013 Legislature transferred \$0.5 million of the fund balance in the central stores proprietary fund to the general fund as the central stores warehouse functions was eliminated and the funding was no longer needed. If the legislature adopts the executive's recommendation to switch funding support for the remaining central stores program to the state special revenue fund the remaining fund balance of up to \$370,000 would be available for transfer into the general fund. The state special revenue would be generated from a 2% fee paid by businesses participating in the eMarketCenter.

#### Legislative Option

Transfer up to \$370,000 from the central store proprietary fund to the general fund if the Central Stores Program is supported through the state special revenue fund.

### Proprietary Funds

The majority of the office is supported through proprietary funds. These funds are considered and approved as rates charged to other divisions in the agency and are discussed in the "Proprietary Rates" section of the narrative.

### Statutory Appropriations

General Services Division issues federal fund rebates for procard and fuel card rebates under 17-3-106, MCA. Rebates that are for costs provided by federal funds are returned to the federal government.

### Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	823,215	823,215	1,646,430	26.87 %	889,083	889,083	1,778,166	27.48 %
PL Adjustments	2,237,782	2,242,280	4,480,062	73.13 %	2,258,257	2,262,222	4,520,479	69.87 %
New Proposals	0	0	0	0.00 %	85,687	85,512	171,199	2.65 %
<b>Total Budget</b>	<b>\$3,060,997</b>	<b>\$3,065,495</b>	<b>\$6,126,492</b>		<b>\$3,233,027</b>	<b>\$3,236,817</b>	<b>\$6,469,844</b>	

### Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	81,606	11,262	0	92,868	0.00	81,909	11,141	0	93,050
DP 99 - LEG. Present Law	0.00	2,156,176	9,213	0	2,165,389	0.00	2,160,371	8,801	0	2,169,172
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,237,782</b>	<b>\$20,475</b>	<b>\$0</b>	<b>\$2,258,257</b>	<b>0.00</b>	<b>\$2,242,280</b>	<b>\$19,942</b>	<b>\$0</b>	<b>\$2,262,222</b>

### DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table on the following page includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	11.25	\$5,093	\$374	\$0	\$5,468
Executive Implementation of 2015 Pay Increase	0.00	12,740	1,066	-	13,806
Fully Fund 2015 Legislatively Authorized FTE	0.00	12,945	-	-	12,945
Other	0.00	50,827	9,822	-	60,649
Personal Services Present Law Adjustments	11.25	\$81,606	\$11,262	\$0	\$92,868
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	11.25	\$5,093	\$374	\$0	\$5,468
Executive Implementation of 2015 Pay Increase	0.00	12,740	1,066	-	13,806
Fully Fund 2015 Legislatively Authorized FTE	0.00	12,945	-	-	12,945
Other	0.00	51,130	9,701	-	60,831
Personal Services Present Law Adjustments	11.25	\$81,909	\$11,141	\$0	\$93,050

Other increases include market and strategic pay adjustments and adjustments for employee attainment of longevity milestones.

#### DP 99 - LEG. Present Law -

As shown in the present law adjustment table on the previous page, overall the executive is proposing an increase in general fund of \$2.1 million. This adjustment is for rent of the common areas that is discussed in the LFD Issue in the Program Discussion.

#### **New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals										
-----Fiscal 2016-----						-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 600601 - Funding Switch for Central Stores Program	1.00	0	85,687	0	85,687	1.00	0	85,512	0	85,512
<b>Total</b>	<b>1.00</b>	<b>\$0</b>	<b>\$85,687</b>	<b>\$0</b>	<b>\$85,687</b>	<b>1.00</b>	<b>\$0</b>	<b>\$85,512</b>	<b>\$0</b>	<b>\$85,512</b>

#### DP 600601 - Funding Switch for Central Stores Program -

General Services Division proposes to switch funding for the Central Stores Program from proprietary funds to an account within the state special revenue fund. The state special revenues would be generated through a 2% fee assessed businesses participating in the eMarketCenter.

#### **Other Issues -**

#### **Proprietary Rates**

The General Services Division provides the following functions supported by proprietary rates charged to state agencies:

- Facilities management (Rent and Grounds Maintenance)
- Print services
- Mail services
- Surplus property
- Central stores

The figure below shows the proposed FTE and expenditures for each of the programs in the 2017 biennium and provides comparison to FY 2014.

Department of Administration General Services Division Proposed Proprietary Funds					
Program	FY 2014	FY 2016	% Change	FY 2017	% Change
Print and Mail Services Section					
FTE	33.68	30.68	-8.91%	30.68	-8.91%
Personal Services	\$1,528,253	\$1,585,738	3.76%	\$1,585,394	3.74%
Operating Expenses	8,776,844	9,151,984	4.27%	9,144,340	4.19%
Equipment & Intangible Assets	260,621	260,621	0.00%	260,621	0.00%
Debt Service	<u>79,854</u>	<u>79,854</u>	0.00%	<u>79,854</u>	0.00%
Total Expenditures	10,645,572	11,078,197	4.06%	11,070,209	3.99%
Surplus Property Bureau					
FTE	6.33	6.33	0.00%	6.33	0.00%
Personal Services	239,201	385,204	61.04%	384,321	60.67%
Operating Expenses	163,805	166,244	1.49%	165,303	0.91%
Equipment & Intangible Assets	<u>11,150</u>	<u>11,150</u>	<u>0.00%</u>	<u>11,150</u>	<u>0.00%</u>
Total Expenditures	414,156	562,598	35.84%	560,774	35.40%
Facilities Management Bureau					
FTE	35.83	34.33	-4.19%	34.33	-4.19%
Personal Services	1,889,577	2,222,112	17.60%	2,222,285	17.61%
Operating Expenses	6,800,852	7,796,339	14.64%	7,925,821	16.54%
Equipment & Intangible Assets	141,394	141,394	0.00%	141,394	0.00%
Transfers	243,800	240,000	-1.56%	160,000	-34.37%
Debt Service	<u>105,087</u>	<u>154,641</u>	47.16%	<u>154,641</u>	47.16%
Total Expenditures	9,180,710	10,554,486	14.96%	10,604,141	15.50%
Total Proprietary Proposed Expenditures	<u>\$20,240,438</u>	<u>\$22,195,281</u>	<u>9.66%</u>	<u>\$22,235,124</u>	<u>9.85%</u>

These programs are described in the following pages along with a discussion of each program's revenues, expenditures, and rates being requested to finance each program.

**LFD  
ISSUE****Positions Vacant for a Number of Years Included within 2017 Biennium Costs**

Two of the positions included in the proprietary program, a mail clerk in Facilities Management Bureau and an accounting technician in the Surplus Property Program, were unfilled in the previous and current biennia according to the budget information. The accounting technician position was not filled at all during FY 2014 and the mail clerk position shows it was vacant 65% of FY 2014, indicating uneven need for the services. The personal services present law adjustments include changes to reinstate the funding for the vacant positions. Including the positions in the costs of the program that are allocated to rates overstates the costs of the services and increases the rate above what is needed to operate the program.

It should be noted that the legislature does not appropriate the enterprise fund nor approve related rates for services provided by the Surplus Property Bureau. It can however indicate to the program its intent for the program is to reduce current resources for the 2017 biennium rather than continue to provide statutory authority for a vacant position.

**Legislative Option**

The legislature may wish to consider reducing the operational costs for the 1.00 FTE mail clerk that was used sporadically and correspondingly reducing the rates for the function to reflect the reduction in operational costs. In addition, the legislature may wish to indicate its intent that the Surplus Property Bureau eliminate the 1.00 FTE and related statutory appropriation for the accounting technician that was not filled in FY 2014.

**Facilities Management Bureau - 06528***Program Description*

Rent and maintenance are managed by the Facilities Management Bureau (FMB), which is the custodian of all state property and grounds in the state capitol area. The state capitol area is the geographic area within a 10-mile radius of the State Capitol. Services include providing facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area; and providing statewide leasing assistance to agencies to negotiate colocation of agencies when procuring leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program serves all agencies and units within state government.

*Revenue and Expenses:*

Revenues, expenditures and changes in net position for the fund associated with this function are shown on the following page.

Expenses

As shown in the figure on the page above, costs for the FMB increase by about 15% each year of the biennium when compared to those provided in the FY 2014 base. Personal services increases include reclassification of six positions or 17% of the total positions within FMB. In addition, the majority of the positions with FMB are in the blue collar pay plan. In part due to the pay freeze over the previous two biennia, employees in this pay plan received about a 5% pay increase in each year of the 2015 biennium. The increases are partially offset by the transfer of 1.50 FTE, a budget analyst and a part-time accounting technician, to the Director's Office. It should be noted that prior to the transfer the accounting technician was reclassified from a deliver services driver. These factors as well as those discussed for the HB 2 positions drive the changes to personal services.

**LFD  
ISSUE****Change in Budgeting Methodology Increases Proprietary Rates to Support Personal Service Costs**

As discussed in the agency summary, about 78.3% of the vacancy savings for the agency were assessed against positions supported through proprietary rates. In the 2017 biennium the assessment of an equivalent reduction

in FTE of 4% is not included as part of the calculation of the positions funded through proprietary rates, increasing the cost of personal services between biennia and increasing costs supported by proprietary rates charged by General Services Division. This increase is then passed on in higher fixed costs assessments on state agencies including those funded with general fund.

A 4% vacancy savings assessment in personal services is about \$89,000 a year for the Facility Management Bureau. A review of the positions within FMB shows that a operations manager positions was vacant all year and a project facilitation specialist was filled less than 21% of FY 2014. The 2016 budget for these positions is \$137,700 a year.

#### Legislative Option

If the legislature wishes to reduce the personal service costs supported by proprietary rates by approximately 4% it can consider reducing the rates for the positions that were vacant a significant portion of FY 2014.

Operating expense increases include:

- Janitorial contracts - 10%
- Other service contracts - 3.5%
- Electricity - 2.3% in FY 2016 and 3.7% in FY 2017
- Water - 3.5%
- Administrative costs for accounting services previous done within the bureau – 62.4%

#### Revenues

All agencies occupying office space in a state owned building on the capitol complex pay rent to the program. Separate rental rates are established for office space and storage space and for the grounds. In addition to rent payments, agencies pay a percentage of the costs for non-routine maintenance projects. These fees are charged at different rates depending on whether bureau or contracted employees are used to complete the project. The revenues from fees are budgeted in the following percentages:

- 93% - square footage rental rate for office and warehouse space billed to agencies occupying space in state owned buildings controlled by the Department of Administration
- 6% - grounds maintenance
- 1% - Construction and handyman services. These serves are outside the scope of rent and include remodeling, relocating offices, repair and maintenance, and construction services

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: General Services Program			
	<b>Fund</b> 06528	<b>Fund Name</b> Rent And Maintenance					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>							
Fee and Charges							
Fee Revenue A		6,757,577	8,111,230	7,900,987	7,862,673	9,095,135	9,115,372
Fee Revenue B		335,820	406,661	388,608	385,775	538,691	540,085
Fee Revenue C		16,793	12,923	9,674	21,200	-	-
Fee Revenue D		67,659	94,349	116,149	80,000	40,000	40,000
Fee Revenue E		114,298	129,834	55,701	210,000	50,000	50,000
Fee Revenue F		397,546	475,066	459,758	500,000	570,655	570,655
Other Operating Revenue		20,159	1,532	6,633	1,000	1,500	1,500
<b>Total Operating Revenues</b>		<b>7,709,852</b>	<b>9,231,595</b>	<b>8,937,510</b>	<b>9,060,648</b>	<b>10,295,981</b>	<b>10,317,612</b>
<b>Expenses:</b>							
Personal Services		1,894,403	1,899,836	1,830,052	2,081,179	2,222,336	2,222,489
Other Operating Expenses		9,088,826	7,481,511	7,046,658	6,780,748	7,833,624	7,935,102
<b>Total Operating Expenses</b>		<b>10,983,229</b>	<b>9,381,347</b>	<b>8,876,710</b>	<b>8,861,927</b>	<b>10,055,960</b>	<b>10,157,591</b>
<b>Operating Income (Loss)</b>		<b>(3,273,377)</b>	<b>(149,752)</b>	<b>60,800</b>	<b>198,721</b>	<b>240,021</b>	<b>160,021</b>
<b>Nonoperating Revenues:</b>							
Other Revenue A		269	8,823	7,799	-	-	-
<b>Nonoperating Expenses:</b>							
<b>Total Nonoperating Revenues (Expenses)</b>		<b>269</b>	<b>8,823</b>	<b>7,799</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>		<b>(3,273,108)</b>	<b>(140,929)</b>	<b>68,599</b>	<b>198,721</b>	<b>240,021</b>	<b>160,021</b>
<b>Transfers In</b>							
Transfers In		(115,266)	(251,712)	-	-	-	-
<b>Transfers Out</b>							
Transfers Out		(289,000)	(246,000)	(328,068)	(240,000)	(240,000)	(160,000)
<b>Change in Net Position</b>		<b>(3,677,374)</b>	<b>(638,641)</b>	<b>(259,469)</b>	<b>(41,279)</b>	<b>21</b>	<b>21</b>
<b>Beginning Net Position - July 1</b>		<b>4,365,019</b>	<b>687,645</b>	<b>45,708</b>	<b>(213,761)</b>	<b>733,609</b>	<b>733,630</b>
Prior Period Adjustments		-	(3,296)	-	988,649	-	-
<b>Change in Net Position</b>		<b>(3,677,374)</b>	<b>(638,641)</b>	<b>(259,469)</b>	<b>(41,279)</b>	<b>21</b>	<b>21</b>
<b>Ending Net Position - June 30</b>		<b>687,645</b>	<b>45,708</b>	<b>(213,761)</b>	<b>733,609</b>	<b>733,630</b>	<b>733,651</b>
<b>Net Position (Fund Balance) Analysis</b>							

#### Rate and Rate Explanation

Rent is based on square feet occupied and is assessed each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services and operating expenses including maintenance and equipment. Grounds maintenance charges are also based on square feet of office space occupied in buildings controlled by the Department of Administration. Again, the rates are established to cover the cost of personal services and operating expenses including maintenance and equipment replacement.

The executive proposed the following rates:

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
Office Rent (per sq. ft.)	8.412	8.460	8.434	8.217	9.888	9.910
Warehouse Rent (per sq. ft.)	4.844	4.876	4.625	4.637	4.625	4.637
Grounds Maintenance (per sq. ft.)	0.494	0.494	0.491	0.493	0.615	0.615
Project Mgmt. (In-house)	15%	15%	15%	15%	15%	15%
Project Mgmt. (Contracted)	5%	5%	5%	5%	5%	5%

**Print and Mail Services Bureau - 06530***Program Description*

The Print and Mail Services Bureau (PMSB) provides printing and mail services to all agencies within State Government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) postal station in the Capitol. All printing or purchasing of printing is requested through Print and Mail Services, which determines the most cost effective method of project completion. Approximately 64.4% of printing expenditures were procured through commercial vendors in FY 2014.

*Revenue and Expenses*

Revenues, expenses, and changes in net position are presented in the figure on the following page.

## 2017 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06530	Print & Mail Services	6101	General Services

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Internal Printing	\$1,637,751	\$1,989,043	\$1,859,257	\$1,859,257
External Printing	2,965,562	2,739,014	2,981,350	2,981,350
Photocopy Pool	540,474	541,003	540,474	540,474
Mail Preparation	798,888	732,958	798,888	798,888
Mail Operations	4,377,743	4,727,801	4,518,743	4,518,743
Inter-Agency (Deadhead)	314,750	314,750	355,570	355,570
Postal Contract Station	38,976	38,976	38,976	38,976
Other Operating Revenues	0	0	0	0
Jury Duty	25	0	0	0
<b>Total Operating Revenues</b>	10,674,169	11,083,545	11,093,258	11,093,258
<b>Expenses</b>				
Personal Services	1,540,498	1,579,157	1,400,972	1,401,015
Other Operating Expense	9,132,154	9,538,458	9,492,459	9,484,815
<b>Total Operating Expense</b>	10,672,652	11,117,615	10,893,431	10,885,830
<b>Operating Income (Loss)</b>	\$1,517	(\$34,070)	\$199,827	\$207,428
Nonoperating Revenues				
Gain (loss) Sale of Fixed Assets				
<b>Total Nonoperating Revenues (Expenses)</b>	0	0	0	0
<b>Income (Loss) Before Contributions and Transfers</b>	\$1,517	(\$34,070)	\$199,827	\$207,428
Capital Contributions				
<b>Change in Net Position</b>	\$1,517	(\$34,070)	\$199,827	\$207,428
<b>Beginning Net Position - July 1</b>	1,874,610	1,966,390	1,932,320	2,132,147
Prior Period Adjustments	90,263			
Change in Net Position	1,517	(34,070)	199,827	207,428
<b>Ending Net Position - June 30</b>	\$1,966,390	\$1,932,320	\$2,132,147	\$2,339,575

Expenses

The executive proposes moving 3.00 FTE, two accounting technicians and a budget analyst, from the General Services Division to the Director's Office to consolidate budget and accounting functions. PMSB also reclassified two positions.

Changes in operating expenses include:

- Administrative costs for the Director's Office accounting services - \$100,000
- Postage and mailing - \$143,000
- Building rental - \$33,000

### Revenues

All state agencies in Helena use the services of this program depending upon their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency specified service frequency.

Revenue was received in the following percentages in FY 2014:

- Internal printing - 15.3%
- External printing – 27.8%
- Photocopy pool – 5.1%
- Mail Preparation – 7.5%
- Central Mail Operations – 41.0%
- Inter-agency (Deadhead Mail) – 2.9%
- Postal Contract Station – 0.4%

Historically the legislature examines the costs of operating a program for 60 days as a reasonable amount to maintain in fund balance. The figure below shows the working capital for the print and mail services program using current assets and current liabilities to determine the operating balance available to the program.

2017 Internal Service Fund						
Fund	Fund Name	Agency #	Program Name			
06530	Mail Services	6101	General Services			
			Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Cash Available for Fund Operations (Working Capital)</b>						
Current Assets			2,296,010			
Less Current Liabilities			(778,651)			
Working Capital (WC)			1,517,359	1,483,289	1,683,116	1,890,544
<b>Cash Required for Fund Operations</b>						
60 Days Operations Expense			1,778,775	1,852,936	1,815,572	1,814,305
Difference			261,416	369,647	132,456	(76,239)
Budgeted WC = Actual WC FY2014 + or - Budgeted FY2015, FY2016, and FY2017 Net Income or Net Loss						

**LFD  
ISSUE**Rates for the 2017 Biennium Will Generate More Funding Than Required By the Program

As shown in the figure above, the program will have \$76,200 more than required to fund expenses for the program and maintain a working capital of 60 working days for print and mail services. Historically the legislature has adopted actual spending for agency printing costs within an agency budget with the exception of the messenger services (inter-agency mail). As the messenger services costs are driving the increases in funding above projected costs, the legislature may wish to consider reducing the cost increases for messenger services to within the 60 working day capital amount. These costs are included as part of the fixed costs in the legislative present law adjustments and are projected to increase by \$156,404 over the biennium. To align program revenues with projected costs the legislature could reduce messenger services increases by 51.3%.

**Legislative Option**

The legislature may wish to reduce fixed costs for messenger services charged to state agencies to reduce the projected ending fund balance in the print and mail services.

*Rates and Rate Explanations*

For the 2017 biennium the following rates are proposed by the executive as shown on the following page. The rates charged in the previous two biennia are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information						
	Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:						
<b>Internal Printing</b>						
Impression Cost						
1-20	0.0762	0.0762	0.0800	0.0800	0.0930	0.0930
21-100	0.0336	0.0336	0.0360	0.0360	0.0420	0.0420
101-1000	0.0193	0.0193	0.0200	0.0200	0.0230	0.0230
1001-5000	0.0078	0.0078	0.0080	0.0080	0.0090	0.0090
5000 +	0.0039	0.0039	0.0040	0.0040	0.0050	0.0050
Color Copy						
8 1/2 x 11	0.25	0.20	0.22	0.25	0.25	0.25
11 x 17	0.50	0.40	0.44	0.50	0.50	0.50
Ink						
Black per Sheet	0.0002	0.0002	0.0002	0.0002	0.00024	0.00024
Color	15.00	15.00	15.00	15.00	15.00	15.00
Special Mix	25.00	25.00	25.00	25.00	25.00	25.00
Collating Machine	0.0072	0.0072	0.0080	0.0080	0.0085	0.0085
Collating Hand	0.60	0.60	0.60	0.60	0.64	0.64
Stapling Hand	0.018	0.018	0.018	0.018	0.018	0.018
Stapling In-line	0.012	0.012	0.012	0.012	0.012	0.012
Saddle Stitch	0.036	0.036	0.036	0.036	0.036	0.036
Folding	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding Rt Angle	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding In-line	0.036	0.036	0.036	0.036	0.036	0.036
Punching St 3 hole	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012
Punching Non St	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012
Cutting	0.66	0.66	0.66	0.66	0.66	0.66
Padding	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024

Scoring, perf, num	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate	6.00 + Dup Rate
Perfect Binding	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66	18.00 + 0.66
Spirial Binding	0.69	0.69	0.69	0.69	0.79	0.79
Laminating						
8 1/2 x 11	0.57	0.57	0.57	0.57	0.57	0.57
11 x 17	0.85	0.85	0.85	0.85	0.85	0.85
Tape Binding	0.60	0.60	0.60	0.60	0.60	0.60
Shrink Wrapping	0.30	0.30	0.30	0.30	0.30	0.30
Hand Work						
Production	0.60	0.60	0.60	0.60	0.64	0.64
Overtime	22.15	22.15	24.00	24.00	24.00	24.00
Desktop	46.36	46.36	50.00	50.00	65.00	65.00
Scan	9.52	9.52	9.52	9.52	9.52	9.52
Large Format Color per ft.	12.70	12.70	12.70	12.70	12.70	12.70
Proof	0.25	0.25	0.25	0.25	0.25	0.25
Programming	45.46	45.46	50.00	50.00	65.00	65.00
File Transfer	22.00	22.73	25.00	25.00	25.00	25.00
Variable Data	0.009	0.009	0.015	0.02	0.02	0.02
CD Duplicating	1.75	1.75	1.75	1.75	1.75	1.75
DVD Duplicating	3.50	3.50	3.50	3.50	3.50	3.50
Mainframe Print	0.069	0.069	0.069	0.069	0.069	0.069
Silver Plates						
8.5x11	9.20	9.20	9.20	9.20	9.20	9.20
11x17	10.35	10.35	10.35	10.35	10.35	10.35
CTP Plates						
8.5x11	9.20	9.20	9.20	9.20	9.20	9.20
11x17	10.35	10.35	10.35	10.35	10.35	10.35
Inventory Mark Up	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

Fee Group						
<b>External Printing</b>						
Percent of Invoice	6.73%	6.73%	6.73%	6.73%	7.30%	7.30%
Mark-up						
Fee Group						
<b>Photocopy Pool</b>						
Percent of Invoice	15.0%	15.0%	15.9%	15.9%	15.9%	15.9%
Mark-up						
Fee Group						
<b>Mail Preparation</b>						
Tabbing	0.021	0.021	0.021	0.021	0.021	0.021
Labeling	0.021	0.021	0.021	0.021	0.021	0.021
Ink Jet	0.034	0.034	0.034	0.034	0.034	0.034
Inserting	0.030	0.030	0.030	0.030	0.030	0.030
Waymark	0.062	0.062	0.069	0.069	0.069	0.069
Permit mailings	0.062	0.062	0.069	0.069	0.069	0.069
Fee Group						
<b>Mail Operations</b>						
Service Type (each)						
Machinable	0.043	0.043	0.043	0.043	0.043	0.043
Non-Machinable	0.080	0.080	0.100	0.100	0.100	0.100
Seal Only	0.020	0.020	0.020	0.020	0.020	0.020
Post cards	0.049	0.049	0.060	0.060	0.060	0.060
Certified Mail	0.614	0.614	0.614	0.614	0.614	0.614
Registered Mail	0.614	0.614	0.614	0.614	0.614	0.614
Internatl Mail	0.400	0.400	0.500	0.500	0.500	0.500
Flats	0.110	0.110	0.140	0.140	0.140	0.140
Priority	0.614	0.614	0.614	0.614	0.614	0.614
Express Mail	0.614	0.614	0.614	0.614	0.614	0.614
USPS Parcels	0.400	0.400	0.500	0.500	0.500	0.500
Insured mail	0.614	0.614	0.614	0.614	0.614	0.614
Media Mail	0.307	0.307	0.307	0.307	0.307	0.307
Standard Mail	0.200	0.200	0.200	0.200	0.200	0.200
Postage Due	0.061	0.061	0.061	0.061	0.061	0.061
Fee Due	0.061	0.061	0.061	0.061	0.061	0.061
Tapes	0.245	0.245	0.245	0.245	0.245	0.245
Express Services	0.500	0.500	0.500	0.500	0.500	0.500
Mail tracking					0.250	0.250
Cass letters/postcards					0.043	0.043
Cass flats					0.100	0.100
Flat sorter					0.250	0.250
Fee Group						
<b>Inter-agency Mail</b>						
Dollars-yearly	297,657	297,657	314,750	314,750	355,570	355,570

Fee Group						
<b>Postal Contract (Capitol)</b>						
Dollars-yearly	38,976	38,976	38,976	38,976	38,976	38,976

**06066 Surplus Property Program***Program Description*

The Property and Supply Bureau operates the surplus property program to administer the sale of surplus property no longer needed by agencies. This property is distributed to state agencies or other eligible organizations. The program sells property through on-line auction, fixed price warehouse sales, public auction, and garage sales. The surplus property program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies.

The figure on the following page provides the anticipated revenues, expenditures, and net positions for the 2015 and 2017 biennia.

## 2017 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06066	Surplus Property	6101	General Services Division

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
State Surplus Property Handling Fee	\$346,842	\$376,083	\$350,000	\$350,000
Federal Surplus Property Handling Fee	<u>11,663</u>	<u>13,893</u>	<u>14,101</u>	<u>14,313</u>
<b>Total Operating Revenues</b>	358,504	389,976	364,101	364,313
<b>Expenses</b>				
Personal				
Services	240,684	324,606	385,249	384,367
Other Operating Expense	756,615	142,250	177,394	176,453
<b>Total Operating Expense</b>	997,299	466,856	562,643	560,820
<b>Operating Income (Loss)</b>	<u>(\$638,795)</u>	<u>(\$76,880)</u>	<u>(\$198,542)</u>	<u>(\$196,507)</u>
Nonoperating Revenues	0	0	0	0
Gain (Loss) Sale of Fixed Assets	7,030	0	0	0
Nonoperating Expenses	0	0	0	0
<b>Total Nonoperating Revenues (Expenses)</b>	7,030	0	0	0
<b>Income (Loss) Before Contributions and Transfers</b>	<u>(\$631,765)</u>	<u>(\$76,880)</u>	<u>(\$198,542)</u>	<u>(\$196,507)</u>
Capital Contributions	607,182	500,000	600,000	600,000
<b>Change in Net Position</b>	<u>(\$24,583)</u>	<u>\$423,120</u>	<u>\$401,458</u>	<u>\$403,493</u>
<b>Beginning Net Position - July 1</b>	503,368	477,031	900,151	1,301,609
Prior Period Adjustments	(1,755)	0	0	0
Change in Net Position	<u>(24,583)</u>	<u>423,120</u>	<u>401,458</u>	<u>403,493</u>
<b>Ending Net Position - June 30</b>	<u>\$477,031</u>	<u>\$900,151</u>	<u>\$1,301,609</u>	<u>\$1,705,102</u>

*Rate and Rate Explanation:*

This program is funded with an enterprise fund type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. See LFD Issue in the narrative for a discussion of vacant positions within this program and related legislative options.

*Proprietary Rates*

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial positions of the fund.

**Requested Rates for Internal Service Funds  
Fee/Rate Information**

<b>Actual FY12</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Budgeted FY15</b>	<b>Budgeted FY16</b>	<b>Budgeted FY17</b>
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**Fee Description:**

The State Surplus handling fees are: If property is sold for less than \$500, the program retains the proceeds. The program retains \$500 plus 5% and unusual expenses for property sold for more than \$500. The Federal Surplus Property program fees are an allocation of freight expense and 14% of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.