

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
Grants	453,944	550,000	550,000	550,000	1,003,944	1,100,000	96,056	9.57 %
Total Costs	\$453,944	\$550,000	\$550,000	\$550,000	\$1,003,944	\$1,100,000	\$96,056	9.57 %
Federal Spec. Rev. Funds	453,944	550,000	550,000	550,000	1,003,944	1,100,000	96,056	9.57 %
Total Funds	\$453,944	\$550,000	\$550,000	\$550,000	\$1,003,944	\$1,100,000	\$96,056	9.57 %

Program Description

The Director’s Office (office) provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction. The office acts in a public relations and informational capacity to ensure the public is informed of the services provided by the department. The office works with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state’s economic base. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor’s Office.

The Director’s Office also provides internal support to Department of Commerce staff, programs, bureaus, divisions and administratively attached boards in a positive customer service oriented manner. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

The Montana Council on Developmental Disabilities is a citizen based advocacy group. Its members are appointed by the Governor to work to provide increased independence, integration, and productivity for persons with developmental disabilities.

Program Highlights

Director's Office
<ul style="list-style-type: none"> • 78.5% of the Director's Office, including 19.00 FTE, is funded with proprietary funds that are not included in HB 2 • The HB 2 budget increases 9.6% when compared to the 2015 biennium due to increases supporting the Montana Council on Developmental Disabilities

Program Discussion -

The Program Budget Comparison table above only reflects the funding for the Developmental Disabilities Planning and Advisory Council (DDPAC), which is the only portion of this program included in the appropriation section of HB 2. The federal Developmental Disabilities Assistance and Bill of Rights Act of 2000 requires each state to designate a state agency to administer the federal funds as long as the designated state agency does not provide or pay for services for individuals with developmental disabilities.

Since FY 2005 the department has had a contract with the Montana Council on Developmental Disabilities, a nonprofit corporation that carries out the responsibilities of DDPAC. DDPAC still remains administratively attached to the

department, with the agency acting as a go-between for disbursing federal funds to the nonprofit under the terms and conditions of the contract.

The proposed budget remains unchanged from the FY 2015 legislative appropriation. Actual spending in FY 2014 was slightly less than the amount of the FY 2015 legislative appropriation due to grants to local agencies that were lower than anticipated in the budget.

Funding

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

Department of Commerce, 81-Director's Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
03441 DDPAC - Dev Disabled Council	1,100,000	0	0	1,100,000	100.00 %	
Federal Special Total	\$1,100,000	\$0	\$0	\$1,100,000	21.49 %	
06542 Commerce Centralized Services	0	4,019,001	0	4,019,001	100.00 %	
Proprietary Total	\$0	\$4,019,001	\$0	\$4,019,001	78.51 %	
Total All Funds	\$1,100,000	\$4,019,001	\$0	\$5,119,001		

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues that pay the contract for the nonprofit that carries out the responsibilities of DDPAC.

The Director's Office is funded by an internal service proprietary fund from indirect costs charged to all agency programs. For further discussion of the proprietary funded portion of this program refer to the "Proprietary Rates" section.

Budget Summary by Category

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

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	0	0	0	0.00 %	550,000	550,000	1,100,000	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$550,000	\$550,000	\$1,100,000	

Other Issues -

Proprietary Program Description

Commerce Centralized Services - 06542

Program Description:

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. Services are provided by the Office of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

Program Narrative

Overall costs for the program increase by 12.28% in FY 2016 when compared to FY 2014 actual spending and 11.83% in FY 2017. When compared to the FY 2015 appropriation the increase is higher.

Department of Commerce Director's Office					
	FY 2014	FY 2016	% Change	FY 2017	% Change
FTE	19.00	19.00	0.00%	19.00	0.00%
Personal Services	\$1,505,188	\$1,703,540	13.18%	\$1,703,298	13.16%
Operating Costs	<u>288,181</u>	<u>309,941</u>	<u>7.55%</u>	<u>302,153</u>	<u>4.85%</u>
Total Costs	<u>\$1,793,369</u>	<u>\$2,013,481</u>	<u>12.27%</u>	<u>\$2,005,451</u>	<u>11.83%</u>

The increase to operating expenses was funded by transferring \$70,000 in appropriation authority from personal services to operating expenses. Costs were higher than anticipated for communications, travel, rent, conferences, and public relation expenses. Personal services were below anticipated levels mainly due to a human resource manager position vacant for 82.1% of FY 2014. The department reclassified this position for the 2017 biennium as a human resource specialist.

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Changes in Budgeting Methodology Result in Personal Service Increases

As discussed in the agency summary, proprietary funded programs were assessed vacancy savings in previous biennia in line with the vacancy savings required of HB 2 programs. In the 2017 biennium the proprietary programs eliminated vacancy savings but did not provide for corresponding reductions in positions to offset the increased program costs. As a result the Director's Office proprietary program personal service costs increased by about \$63,600 each year of the biennium.

The Director's Office proposed budget includes a human resource specialist position that was vacant for the majority of FY 2014 and was still vacant November 17, 2014. The vacant position is funded at \$54,000 each year of the biennium. If the legislature wishes to mitigate a portion of the impact of higher personal services costs it could eliminate funding for the vacant human resource specialist position.

Legislative Option

Eliminate funding for the vacant human resource specialist position.

The increased costs are allocated to each of the other programs within the Department of Commerce. The figure below shows the increased costs as measured from FY 2014 actuals that are apportioned to each of the programs.

Department of Commerce Director's Office Changes in Administrative Costs		
Division	FY 2016	FY 2017
Business Resources Division	\$55,309	\$56,206
Montana Promotion Division	25,537	24,920
Community Development Division	39,234	39,314
Facility Finance Authority	11,785	11,708
Housing Division	60,899	61,304
Board of Investments	61,328	60,545
Board of Horse Racing	14,085	14,044
Montana Heritage Commission	<u>24,373</u>	<u>24,363</u>
Total Changes in Indirect Costs	<u>\$292,550</u>	<u>\$292,404</u>

These increases are a component of the proposals for changes related to administrative cost adjustments requested in each program budget.

Expenses

The majority of the costs in the Director's Office are related to personal services for 19.00 FTE. These costs increase by 13.2% when compared to FY 2014 actual expenditures. As discussed in the program narrative, a portion of this increase is due to fully funding personal service costs without a corresponding reduction in FTE. This, taken together with the costs related to HB 13 approved by the 2013 Legislature, are the majority of the increase. In addition, the agency reclassified two positions:

- Human resource specialist was reclassified to an operations manager
- Human resource manager was reclassified to a human resource specialist

Finally, the Director's Office provided a strategic pay increase for one position. As shown on the 2017 Biennium Report on Internal Service and Enterprise Funds, personal services is projected to be above the estimated level in FY 2015 by \$100,000. As a result, fund balance for the internal service fund supporting the Director's Office declines.

Operating expenses increase due to SITSD, rent, and travel.

Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated and legislatively approved indirect cost rates applied to actual personal services expenditures. It should be noted that the impacts of an approved pay plan for the 2017 biennium are not included in the projected revenues. Actual and anticipated revenues are shown in the 2017 Biennium Report on Internal Services and Enterprise funds shown on the next page. As shown, federal indirect cost recoveries are used to provide support for the program and offset operating losses for the program.

2017 Biennium Report on Internal Service and Enterprise Funds - WITHOUT OPEB						
Fund	Fund Name	Agency #	Program Name			
06542	Commerce Centralized Services	65010	Director's Office			
			Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues						
Fees and Charges						
	Administrative Fees		\$1,616,871	\$1,501,677	\$1,730,966	\$1,730,863
	Other Operating Revenues		259	0	0	0
Total Operating Revenues			1,617,130	1,501,677	1,730,966	1,730,863
Expenses						
	Personal Services		1,526,464	1,651,191	1,754,646	1,755,930
	Other Operating Expense		270,618	236,894	309,941	302,153
Total Operating Expense			1,797,082	1,888,085	2,064,587	2,058,083
Operating Income (Loss)			(179,952)	(386,408)	(333,621)	(327,220)
Nonoperating Revenues						
	Federal Indirect Cost Recoveries		334,973	302,365	302,365	302,365
Total Nonoperating Revenues (Expenses)			334,973	302,365	302,365	302,365
Income (Loss) Before Contributions and Transfers			155,021	(84,043)	(31,256)	(24,855)
Change in Net Position			155,021	(84,043)	(31,256)	(24,855)
Beginning Net Position - July 1			232,730	387,751	303,708	272,452
	Prior Period Adjustments					
	Change in Net Position		155,021	(84,043)	(31,256)	(24,855)
Ending Net Position - June 30			387,751	303,708	272,452	247,597
Net Position (Fund Balance) Analysis						
	Restricted Net Position (Enterprise Funds Only)		0	0	0	0
	Unrestricted Net Position		\$387,751	\$303,708	\$272,452	\$247,597

Rate(s) and Rate Explanation:

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
State Programs				
Indirect Cost Rate	14.65%	14.65%	14.10%	14.10%
Federal Programs				
Indirect Cost Rate	14.65%	14.65%	14.10%	14.10%
Allocation Methodology: Indirect costs for the Director's Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.				
Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2016 and FY 2017 federally approved rate is an estimated rate.				

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