

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	149.13	149.13	144.06	144.06	149.13	144.06	(5.07)
Personal Services	10,060,576	11,012,224	13,196,714	13,194,239	21,072,800	26,390,953	5,318,153
Operating Expenses	5,791,314	7,828,103	13,410,862	11,248,223	13,619,417	24,659,085	11,039,668
Equipment & Intangible Assets	14,333	19,500	144,500	19,500	33,833	164,000	130,167
Capital Outlay	0	0	0	0	0	0	0
Local Assistance	9,890	32,228	30,060	30,060	42,118	60,120	18,002
Transfers	61,642	0	0	0	61,642	0	(61,642)
Debt Service	81,678	89,977	89,977	89,977	171,655	179,954	8,299
Total Costs	\$16,019,433	\$18,982,032	\$26,872,113	\$24,581,999	\$35,001,465	\$51,454,112	\$16,452,647
General Fund	5,131,158	6,540,899	7,493,129	7,385,548	11,672,057	14,878,677	3,206,620
State/Other Special Rev. Funds	5,843,269	6,326,034	6,867,448	6,807,105	12,169,303	13,674,553	1,505,250
Federal Spec. Rev. Funds	19,075	947,499	1,555,248	99,011	966,574	1,654,259	687,685
Proprietary Funds	5,025,931	5,167,600	10,956,288	10,290,335	10,193,531	21,246,623	11,053,092
Total Funds	\$16,019,433	\$18,982,032	\$26,872,113	\$24,581,999	\$35,001,465	\$51,454,112	\$16,452,647

Agency Description

The Department of Administration provides support services for state agencies in the following areas:

- Accounting, financial reporting, and warrant writing;
- Technical support of SABHRS system;
- Administration of the Social Security Section 218 Agreement;
- Technical assistance and compliance oversight of local government financial reporting and audits;
- State treasury services;
- State-bonded indebtedness administration;
- Capitol complex grounds and building maintenance and security;
- Duplicating, mail, and messenger services;
- Procurement and surplus property administration;
- Information systems development, telecommunications, 9-1-1 program management, data processing, and public safety radio communications;
- Human resource management and workforce development;
- Labor relations;
- Insurance coverage and risk management programs;
- Tort Claims Act administration;
- Long-Range Building Program;
- State employee group benefits;
- Workers compensation management; and
- Continuity of government, emergency management and homeland security programs.

In addition, the Department of Administration also provides state financial institution oversight and regulation for the private sector.

The following boards and commissions are attached to the department for administrative purposes only:

- Board of Examiners
- Burial Preservation Board
- Information Technology Board
- Lottery Commission
- Public Defender Commission
- Public Employees' Retirement Board
- State Banking Board
- State Board of County Printing
- State Compensation Insurance Fund Board
- State Interoperability Governing Board
- State Tax Appeal Board
- Teachers' Retirement System Board

In addition, there are eight advisory councils attached to the department.

Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> • The 2015 biennium legislative appropriation to the 2017 biennium legislative appropriation increased by 36.6%. About 5.1% of the agency's budget is appropriated in HB 2 including the administrative costs of the State Employee Group Benefit Plan (SEGBP). The remaining \$948.0 million is provided through statutory appropriations or non-budgeted proprietary funds • The Governor line item vetoed \$9.1 million in proprietary funds for the administrative costs of the SEGBP due to the passage and approval of SB 418 • State special revenues increased due to increased personal services within the Banking and Financial Institutions Division • Federal special revenue increased for the FirstNet planning grant provided to the State Information Technology Services Division • The legislature increased insurance rates for general liability insurance to provide funding for reserves as recommended by the plan's actuary • The legislature provided an increase of \$2.3 million for State Information Technology Services Division proprietary rates • The legislature provided additional operating expenditure for a new lottery contractor and 1.14 FTE and related personal services

Summary of Legislative Action

When comparing the level of appropriations provided in HB 2 in the 2015 biennium to the level appropriated in the 2017 biennium the budget for the agency increased by 36.6%. This measurement includes the Governor's line item veto of the administrative costs of the State Employee Group Benefit Plan. In his veto message Governor Bullock referred to SB 418 which removed the requirement that the administrative costs be appropriated in HB 2.

Legislative changes between biennia include:

- Increased general fund support for rent of the common areas - \$0.9 million over the biennium
- Approval of higher proprietary rates to allocate the costs of the Offices of Legal Services, Finance and Budget, and Human Resources within the Director's Office - \$0.9 million total funds over the biennium
- Personal services increases due to annualization of the state contribution to employee insurance and pay increases implemented in the 2015 biennium - \$0.6 million total funds over the biennium

- Funding the Central Stores Program from state special revenues within HB 2 rather than proprietary rates - \$0.2 million over the biennium
- Providing \$1.59 million in federal special revenues to support the FirstNet Grant Program, this was funded at \$1.9 million in the 2015 biennium
- Supporting an examiner situational pay adjustment, re-classification of an examiner position to an information technology examiner, and other pay adjustments within the Banking and Financial Institutions Division - \$0.5 million state special revenue over the biennium
- Inclusion of funding for the lottery conversion to a new gaming system - \$0.6 million in proprietary funds over the biennium
- New tickets and coronis terminals for the Montana State Lottery - \$1.0 million over the biennium in proprietary funds
- Increased ongoing funding for the 2015 statewide reappraisal cycle for the Montana Tax Appeal Board - \$0.1 million in general fund over the biennium

The legislature approved a number of proprietary rates within HB 2 that are included within DOA. The rates for messenger services, grounds maintenance, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered the proprietary rates for warrant writer, payroll services, SABHRS, state information technology services, workers' compensation management, and rent. The reductions ensure that personal services costs within the proprietary rates were lowered for anticipated vacancy savings. The legislature increased insurance premiums to provide for increased costs of claims and to establish reserves for the various insurance risks.

In addition, the legislature approved the agency reorganization that occurred in FY 2014. The Office of Labor Relations was transferred from the State Human Resources Division (SHRD) into the Director's Office. The transfer included 3.00 FTE, \$327,265 in personal services and \$50,500 in operating funds each year of the 2017 biennium. An additional 0.45 FTE was moved from the SHRD to the Director's Office. Finally, the legislature approved transfer of 4.50 FTE from the General Services Division and 1.48 FTE from the State Human Resources Division to the Office of Finance and Budget within the Director's Office to consolidate accounting and budgeting functions within one program.

HB 2 also provided a general fund appropriation of \$6.0 million in FY 2015 to the Risk Management and Tort Defense Division to provide for reserves for the state self-insurance program.

Agency Discussion

The Department of Administration (DOA) sets statewide policies for and provides services to state agencies for accounting and treasury functions, human resources, group health insurance benefits, procurement, state tort defense and self-insurance, and information technology services. For most agencies in Helena, DOA serves as the landlord for state-owned buildings and provides grounds maintenance. Generally, statewide policy functions are supported by general fund while the service functions are supported by proprietary funds derived by charging fees for services. The department also administers the following functions:

- Montana State Lottery
- Banking and financial institution oversight and regulation
- State Tax Appeal Board
- Architecture and engineering dealing with the administration of the state Long-range Building Program and the major maintenance and repair of state-owned buildings

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Administration Funding by Source of Authority 2017 Biennium Budget - Department of Administration					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	14,878,677	0	192,678,804	207,557,481	20.77 %
State Special Total	13,674,553	0	47,640,000	61,314,553	6.13 %
Federal Special Total	1,654,259	0	4,320,000	5,974,259	0.60 %
Proprietary Total	21,246,623	627,573,308	75,000,000	723,819,931	72.42 %
Other Total	0	0	777,800	777,800	0.08 %
Total All Funds	\$51,454,112	\$627,573,308	\$320,416,604	\$999,444,024	
Percent - Total All Sources	5.15 %	62.79 %	32.06 %		

The majority of the overall funding proposed for Department of Administration is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as a statutory appropriation.

Within HB 2 general fund supports the Governor-Elect Program, State Human Resources Division, and the State Tax Appeal Board. In addition, general fund supports the following programs and functions within various agency divisions including:

- Office of Labor Relations, the Board of County Printing, and the Burial Preservation Board within the Director's Office
- Accounting Bureau, the Social Security Administrator, the Treasury Unit, and the Local Government Services Bureau within the State Financial Services Division
- Procurement Bureau and facilities management functions within the General Services Division
- Public safety services within the State Information Technology Division

State special revenues include:

- Assessments, application fees, and examination fees paid by regulated financial institutions
- Fees imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services that support 911 services throughout Montana
- Funds transferred from the long-range building capital projects fund for administrative expenses in support of the state Long-Range Building Program

Proprietary funds in HB 2 are appropriated to the Montana State Lottery Division (lottery) and the Health Care and Benefits Division (for the administrative costs of the State Employee Group Benefit Plan). Profits from the lottery are deposited into the general fund. The legislature appropriates the funds for the lottery so that it can more closely examine the costs of its operations. The increased legislative oversight helps ensure the lottery continues to maximize general fund transfers.

The remaining proprietary funds, over half a billion, are non-budgeted. The legislature examined proposed rates for internal service funds in this agency as part of its consideration of HB 2. The internal service funds make up 85.6% of the proprietary funds in this agency. Proprietary funds are discussed in detail in the narrative sections of each program.

Statutory appropriations approved for the agency include Cash Management Improvement Act returns, debt service costs, local government employee pensions, school district employee pensions, teacher retirement, supplemental contributions to teachers retirement, mineral impact fees, Taylor Grazing Act fund, and forest reserve funds.

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	5,340,703	5,340,703	10,681,406	71.79 %	17,781,836	17,781,836	35,563,672	69.12 %
PL Adjustments	2,136,178	2,103,488	4,239,666	28.49 %	7,417,618	6,657,683	14,075,301	27.36 %
New Proposals	16,248	(58,643)	(42,395)	(0.28)%	1,672,659	142,480	1,815,139	3.53 %
Total Budget	\$7,493,129	\$7,385,548	\$14,878,677		\$26,872,113	\$24,581,999	\$51,454,112	

Present law adjustments provide for the majority of the increases for the Department of Administration. \$4.5 million was included in HB 2 each year of the biennium to provide for administrative costs for the state employee group benefit plan from temporary appropriations as intended by statute. The legislature passed SB 418 to remove the requirement. The bill is effective upon passage and approval. Governor Bullock line-item vetoed the appropriation stating that he had signed SB 418 and the appropriation was no longer needed. Other present law adjustments include:

- Personal services increases to support the annualization of the state contribution to employee insurance and fully funding legislatively authorized FTE
- Burial board funding
- Allocation of Director's Office costs to agency programs
- Appropriation for the Governor elect in FY 2017
- Computer replacement, out-of-state banking payments, and bank examiner personal service changes
- Lottery conversion to a new gaming system
- Statewide reappraisal funding for the State Tax Appeal Board

New proposals adopted by the legislature include:

- Switching funding for the Central Store Program from a proprietary rate to state special revenue
- Providing \$1.59 million over the biennium in federal special revenue to support the FirstNet Grant Program for a specific frequency for emergency first responders
- Additional 1.14 FTE for the Montana State Lottery
- Reduction of 1.50 FTE from an aggregate secretarial positions used to fund personal services costs for the county tax appeals boards

Other Legislation

HB 10 - The legislature appropriated long-range information technology funding to DOA including \$6.5 million for network security upgrades, data protection initiative, statewide public safety communication system, security system replacement/assessments, and court technology improvement program projects.

HB 123 - The legislature revised public records laws. The fiscal note attached to the bill includes an estimate of costs for DOA of \$93,592 in FY 2016 and \$92,630 in FY 2017 for anticipated costs related to hiring a qualified records manager and related operating costs.

HB 126 - The legislature revised Burial Preservation Board member compensation laws allowing board members per diem and travel, meals, and lodging reimbursements. The funding for the change was included in HB 2 contingent on passage and approval of HB 126.

HB 211 - The legislature required that the POW/MIA flag be displayed with the flag of the United States at the State Capitol and a number of other court and administrative buildings. The fiscal note includes an estimate that General Services Division will be responsible for flying the flags at eight locations and estimates that it will cost \$800 each year of the biennium to replace the flags due to weather deterioration.

HB 318 - The legislature required coverage of certain therapies for children with down syndrome including speech-language, physical therapy, and occupational therapy. The bill applies to the state employee group insurance program which estimates costs for the change to be \$66,596 in FY 2016 and \$143,846 in FY 2017.

HB 403 - The legislature appropriated \$4,000,000 in state special revenue funds to the Department of Administration for fire protection measures, elevator modifications, flooring replacement, and infrastructure repairs within the capitol complex. Deferred maintenance and repairs for the Old Governor's Mansion, statewide life safety and deferred maintenance, and energy improvements, and statewide roof repairs and replacement of \$6.95 million were appropriated from the Long Range Building Program funds.

HB 617 - The legislature established the Montana Stem Scholarship Program. The state special revenue fund used to fund the new program will receive lottery net revenues. The bill does not have an impact on the Montana State Lottery but will eliminate increased general fund revenues as it requires that the lottery revenues transferred to the general fund remain at the FY 2015 level with amounts above the level transferred to the Montana Stem Scholarship Program.

SB 144 - The legislature consolidated procurement accounts used by the General Services Division into one account. The account is used to provide for the Central Stores Program and is appropriated in HB 2.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	149.13	143.42	144.06	0.64	143.42	144.06	0.64	0.64
Personal Services	20,121,152	23,934,062	26,393,428	2,459,366	23,898,346	26,388,478	2,490,132	4,949,498
Operating Expenses	11,582,628	22,384,448	26,821,724	4,437,276	18,110,058	22,496,446	4,386,388	8,823,664
Equipment & Intangible Assets	14,333	334,333	144,500	(189,833)	134,333	19,500	(114,833)	(304,666)
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	9,890	26,640	30,060	3,420	26,640	30,060	3,420	6,840
Transfers	61,642	25,900	0	(25,900)	27,250	0	(27,250)	(53,150)
Debt Service	81,678	81,678	89,977	8,299	81,678	89,977	8,299	16,598
Total Costs	\$31,871,323	\$46,787,061	\$53,479,689	\$6,692,628	\$42,278,305	\$49,024,461	\$6,746,156	\$13,438,784
General Fund	5,131,158	8,319,123	7,493,129	(825,994)	8,173,245	7,385,548	(787,697)	(1,613,691)
State/other Special Rev. Funds	5,843,269	6,953,406	6,867,448	(85,958)	6,882,544	6,807,105	(75,439)	(161,397)
Federal Spec. Rev. Funds	19,075	1,557,937	1,555,248	(2,689)	101,276	99,011	(2,265)	(4,954)
Other	5,025,931	6,797,340	10,956,288	4,158,948	6,117,038	10,290,335	4,173,297	8,332,245
Total Funds	\$16,019,433	\$23,627,806	\$26,872,113	\$3,244,307	\$21,274,103	\$24,581,999	\$3,307,896	\$6,552,203

The legislative budget for HB 2 increases when compared to the executive budget proposal due to the inclusion of the administrative costs of the State Employee Group Benefit Plan (SEGBP) in HB 2 as required by statute. SEGBP administrative costs are supported by proprietary funds which provide for:

- \$2.9 million in personal services supporting 19.44 FTE each year of the biennium
- \$2.9 million in operating expenses each year of the biennium

The Governor line-time vetoed the appropriation for administrative costs of SEGBP within HB 2. The legislature adopted 2% vacancy savings applied to HB 2 positions within the boilerplate language of HB 2; decreased the increased funding for the rent of the common areas requested by the executive by \$1.0 million over the biennium; included funding for a labor-management training institute; switched funding for the Governor Elect Program to the correct fiscal year; reduced proposed increases for marketing costs of the Montana State Lottery by \$0.7 million over the biennium; added 1.14 FTE and related personal services to the Montana State Lottery; and reduced 1.50 FTE and related funding within the Montana Tax Appeal Board. The legislature did not approve other personal services adjustments or other operating expense increases that were above the FY 2015 legislative base budget for the majority of the programs within DOA.

Changes in Proprietary Rates from the Executive

The legislature reduced authority for proprietary rates for warrant writer, payroll services, SABHRS, workers' compensation management, state information technology services, and rent. The legislature increased rates for general liability insurance premiums charged to state agencies and the Montana University System due to increased claims which are projected to continue in the next biennium and the need to restore insurance reserves. The legislature also provided \$6.0 million in supplemental appropriations from the general fund in FY 2015 for reserves for the self insurance program within the boilerplate language of HB 2.

Language and Statutory Authority

The legislature included the following language in HB 2:

"Burial Board Per Diem is contingent upon the passage and approval of HB 126."

"Rent for the Common Areas is restricted to a transfer to the capitol complex major maintenance account in the state special revenue fund for use in capital projects approved through a long-range building program bill."