

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	18.67	18.67	18.67	18.67	18.67	18.67	0.00	0.00%
Personal Services	1,082,891	1,105,372	1,065,407	1,064,394	2,188,263	2,129,801	(58,462)	(2.67%)
Operating Expenses	236,172	273,572	250,704	249,733	509,744	500,437	(9,307)	(1.83%)
Total Costs	\$1,319,063	\$1,378,944	\$1,316,111	\$1,314,127	\$2,698,007	\$2,630,238	(\$67,769)	(2.51%)
General Fund	1,269,360	1,325,274	1,298,230	1,296,348	2,594,634	2,594,578	(56)	0.00%
Federal Special	1,066	4,910	1,066	1,065	5,976	2,131	(3,845)	(64.34%)
Other	48,637	48,760	16,815	16,714	97,397	33,529	(63,868)	(65.57%)
Total Funds	\$1,319,063	\$1,378,944	\$1,316,111	\$1,314,127	\$2,698,007	\$2,630,238	(\$67,769)	(2.51%)

Program Description

The State Accounting Division consists of several programs/activities funded from the general, federal special, and proprietary funds. The State Accounting Division is made up of the:

- State Accounting Bureau
- Local Government Services Bureau
- Treasury Unit
- Social Security Administrator

The State Accounting Bureau:

- Is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS):
- Establishes state accounting policies and procedures;
- Administers the federal Cash Management Improvement Act
- Prepares and negotiates the Statewide Cost Allocation Plan (SWCAP)
- Prepares the state Comprehensive Annual Financial Report (CAFR)
- Provides accounting assistance and training to state agencies

Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel. The bureau maintains and publishes the local government Budgetary, Accounting and Reporting System (BARS) chart of accounts and the county collection and accounting manuals. The Treasury Unit provides the central banking function for state agencies, reconciles the state bank accounts, and insures the collateralization of these bank accounts is maintained at the proper level. The State Social Security Administrator manages the Social Security Act Section 218 program for the State of Montana, including interpreting its provisions and insuring proper application of Social Security coverage to all State and political subdivision employees. The Administrator provides education and outreach to local governments to support them in this function.

Program Highlights

State Accounting Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The majority of the funding in this program is from non-budgeted proprietary funds that do not show on the HB 2 tables ◆ General fund support changes due to: <ul style="list-style-type: none"> • Increases included in the statewide present law adjustments • Increased general fund costs for 1.00 FTE transferred from other divisions to create a social security administrator • Reductions for additional vacancy savings

Program Narrative

General fund support for the program remains static between biennia due to:

- Increased personal service costs supported by general fund. In FY 2012 the agency transferred:
 - 0.51 FTE and \$40,000 general fund annually in personal services from the State Human Resource Division
 - 0.49 FTE and \$20,000 general fund annually in personal services from the Director's Office
- Increased vacancy savings of 2% included for all positions budgeted in HB 2, which reduced support for the division by \$240,900 over the biennium including a reduction in general fund of \$164,300

The division used the additional FTE to create a regulatory program manager position within the accounting bureau for the state social security administrator. The legislature provided costs of the position in the 2015 biennium that are \$45,000 in general fund above the transferred authority.

A portion of the increase in personal services was offset by the application of an additional 2% vacancy savings for the department. The calculated reduction in general fund and proprietary funds was included in the State Accounting Division. However, the legislature included language that allows the department to allocate the reduction across the various divisions. This means that the amount of the reduction allocated to the State Accounting Division will be changed when the department establishes its operating plan budgets at the beginning of the fiscal year.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Accounting Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,594,578	\$0	\$4,118,056	\$6,712,634	40.1%	17-6-101	Direct
Federal Special Total	\$2,131	\$0	\$0	\$2,131	0.0%		
03320 Cmia Funds	\$2,131	\$0	\$0	\$2,131	0.0%		
Proprietary Total	\$33,529	\$9,997,447	\$0	\$10,030,976	59.9%		
06042 Single Audit Review - Hb328	\$0	\$822,697	\$0	\$822,697	4.9%		
06511 Sabhrs Services Bureau	\$0	\$7,665,673	\$0	\$7,665,673	45.8%		
06527 Investment Division	\$33,529	\$0	\$0	\$33,529	0.2%		
06564 Warrant Writing	\$0	\$1,509,077	\$0	\$1,509,077	9.0%		
Total All Funds	\$2,630,238	\$9,997,447	\$4,118,056	\$16,745,741	100.0%		
Percent - Total All Sources	15.7%	59.7%	24.6%				

House Bill 2

General fund in the program supports development of statewide accounting standards, treasury functions, and accounting assistance for local governments. Proprietary funding in HB 2 is a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board. Federal support for cash management services declined 78% from budget projections for federal Cash Management Improvement Act funds that are deposited into the general fund.

Proprietary Funding

The majority of the office functions are funded with 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

About a quarter of the funding in the State Accounting Division is statutorily appropriated for use by the state treasurer. The state treasurer may contract with a financial institution to provide general depository banking services. The cost of contracting for banking services is statutorily appropriated, as provided in 17-7-502, MCA, from the general fund.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,269,360	1,269,360	2,538,720	97.85%	1,319,063	1,319,063	2,638,126	100.30%
Statewide PL Adjustments	107,427	105,823	213,250	8.22%	113,894	112,210	226,104	8.60%
Other PL Adjustments	3,591	3,362	6,953	0.27%	3,591	3,362	6,953	0.26%
New Proposals	(82,148)	(82,197)	(164,345)	(6.33%)	(120,437)	(120,508)	(240,945)	(9.16%)
Total Budget	\$1,298,230	\$1,296,348	\$2,594,578		\$1,316,111	\$1,314,127	\$2,630,238	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					152,366					151,381
Vacancy Savings					(49,413)					(49,370)
Inflation/Deflation					80					223
Fixed Costs					10,861					9,976
Total Statewide Present Law Adjustments		\$107,427	\$0	\$0	\$113,894*		\$105,823	\$0	\$0	\$112,210*
DP 50 - Initial Motion to FY 2012 Base	0.00	(107,427)	0	0	(113,894)*	0.00	(105,823)	0	0	(112,210)*
DP 51 - Adjustment for Statewide Personal Services	0.00	97,031	0	0	102,953*	0.00	96,106	0	0	102,012*
DP 52 - Adjustment for Statewide Operations	0.00	10,621	0	0	11,166*	0.00	9,937	0	0	10,418*
DP 102 - Allocate department indirect/admin costs	0.00	3,366	0	0	3,366	0.00	3,142	0	0	3,142
Total Other Present Law Adjustments	0.00	\$3,591	\$0	\$0	\$3,591*	0.00	\$3,362	\$0	\$0	\$3,362*
Grand Total All Present Law Adjustments	0.00	\$111,018	\$0	\$0	\$117,485*	0.00	\$109,185	\$0	\$0	\$115,572*

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 102 - Allocate department indirect/admin costs - The legislature included an increase of \$3,366 in FY 2014 and \$3,142 in FY 2015 for the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions in the Director's Office in the approved rates.

New Proposals

New Proposals										
	-----Fiscal 2014-----					-----Fiscal 2015-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
03	0.00	(82,148)	0	0	(120,437)*	0.00	(82,197)	0	(1)	(120,508)*
Total	0.00	(\$82,148)	\$0	\$0	(\$120,437)*	0.00	(\$82,197)	\$0	(\$1)	(\$120,508)*

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

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

Proprietary Rates

The State Accounting Division provides the following functions with proprietary funds:

- Statewide Accounting, Budgeting, and Human Resource Program (SABHRS)
- Warrant Writer Program
- Local Government Audit and Reporting Program

These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance each program.

Statewide Accounting, Budgeting, and Human Resources Program - 06511

Program Description

The Statewide Accounting, Budgeting and Human Resource Finance and Budget Bureau (SFAB) is responsible for operational support and maintenance of the enterprise financial and budget development information systems. Budget development business processes are supported by the Montana Budget, Analysis, and Reporting System (MBARS) modules. MBARS supports the executive planning process (EPP), long range building program, general budget building process, narrative publications, and budget implementation.

Proprietary Program Narrative

Expenses

Significant costs for the program include:

- Personal services costs of \$2.6 million over the biennium to support 17.00 FTE
- Operating costs of \$5.0 million including:
 - \$3.2 million for computer costs
 - \$1.2 million for State Information Technology Services Division (SITSD) services such as application and server hosting

Revenues

All state agencies are required to use the SABHRS program to ensure consistent, accurate, and transparent financial and budgeting information. Revenues are based on:

- Costs to operate the program
- Maintaining a reasonable working capital balance, 60 working days

These components factor into the maximum allocation of costs in a rate that is approved by the legislature.

The program costs are allocated based on an agency's proportionate share of journal lines to the total journal lines of all agencies:

- 87% for financial system journal lines
- 13% for MBARS journal lines

Budget authority to pay the SABHRS allocation is a fixed cost in each agencies' budget and equals the revenues included in the proprietary rates for this program.

Proprietary Rates

For the 2015 biennium the rates adopted by the legislature are shown on the following page. The rates charged in the base year are shown for comparison purposes. The legislature adopted rates that were 1.2% lower than the rates proposed by the executive by reducing funding for a computer security specialist position that had been vacant since 5/8/2010.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration State Accounting Division SABHRS				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
SABHRS Services Fee	\$2,961,333	\$3,554,526	\$3,689,397	\$3,346,369
Working Capital	\$505,849	\$505,849	\$505,849	\$505,849
*Note: This analysis does not include OBEP expenses.				

Warrant Writer Program - 06564

Program Description

The department provides the check writing and automatic-deposit services for most state agencies through the Warrant Writer Program. The program produces and processes these payments and tracks them on SABHRS. The program generates, tracks, and reconciles each warrant. Warrant printing is provided by Print and Mail Services within the General Services Division. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, vendor file maintenance, and federal 1099-MISC processing.

Program Narrative

Expenses

Significant costs for the program include:

- o Personal services costs of \$0.4 million over the biennium to support 5.33 FTE
- o Operating costs of \$1.1 million including:
 - o \$0.6 million for mailing costs
 - o \$0.3 million for printing costs

Revenues

As the service is mandated by statute, no alternative exists for state agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system. Revenues are derived from monthly billings based on actual warrants issued.

Budget authority to pay the costs is a fixed cost item in agencies' budgets. The statewide fixed cost in the executive budget is \$450,000 lower for the 2015 biennium than the funding approved by the 2013 Legislature. All fees, except the duplicate payment processing, decreased for fiscal years 2014 and 2015. This results from savings generated by a move of the printing processes to the Print and Mail function in the General Services Division and the continued increase in the use of electronic payments by the agencies.

Proprietary Rates

For the 2015 biennium the rates adopted by the legislature are shown in the table. The rates charged in the base year are shown for comparison purposes.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Department of Administration State Accounting Division Warrant Writer Program				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Mailer	\$0.74392	\$0.74464	\$0.67693	\$0.67112
Non-Mailer	0.28392	0.28464	0.24493	0.24912
Emergency	14.11292	14.11364	9.88544	9.88963
Duplicates	3.35417	3.35489	7.08394	7.08812
Externals				
Externals - Payroll	0.20512	0.21239	0.18730	0.19149
Externals - Universities	0.13859	0.13907	0.12394	0.12260
Direct Deposit				
Direct Deposit - Mailer	0.81859	0.82907	0.70654	0.69520
Direct Deposit - No Advice Printed	0.13859	0.13907	0.12394	0.12260
Unemployment Insurance				
Mailer - Print Only	0.14533	0.14557	0.12099	0.12652
Direct Deposit - No Advice Printed	0.04769	0.04785	0.03618	0.03614
Fiscal Year End Working Capital	\$41,320	\$52,291	\$58,208	\$56,466
Note: This analysis does not include OPEB expenses.				

Local Government Audit and Reporting Program - 06042*Program Description*

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the audit requirements for about 900 Montana local government entities. The work of the Audit Review Program is mandated primarily in 2-7-5, MCA. The program reviews financial reports and enters selected data into a statewide data base and notifies state agencies of audit findings related to financial assistance programs that they administer. The program also maintains a roster of independent auditors authorized to conduct local government audits.

Additionally this program provides technical accounting and reporting assistance to local governments and the other staff within the bureau on an as needed basis.

*Program Narrative*Expenses

Significant costs for the program include:

- Personal services costs of \$0.6 million over the biennium to support 5.00 FTE
- Operating costs of \$0.2 million including:
 - \$60,200 for office rent
 - \$26,600 for indirect costs paid for management services provided by the Director's Office

Revenues

Fees include a:

- Report filing fee based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee
- Financial review fee collected from local governments that are required to submit financial reviews
- Roster fee collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana.
- Late payment penalty incurred when a local government entity fails to file a report as required
- Fine for failure to file audits or reports as required

The program also may receive reimbursement for audited entities for costs to contract for special audits as requested.

Proprietary Rates

Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for this proprietary funded program. The fees shown on the following page are adopted in the Administrative Rules of Montana or required in statute.

Department of Administration State Accounting Division Local Government Audit and Reporting Program				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Variable fee, as follows:				
Major Fee: Local Government Report Filing Fee				
Annual revenues less than \$200,000	\$0	\$0	\$0	\$0
Annual revenues equal to or greater than \$200,000, but less than \$500,000	0	0	0	0
Annual revenues equal to or greater than \$500,000, but less than \$1,000,000	435	435	435	435
Annual revenues equal to or greater than \$1,000,000, but less than \$1,500,000	635	635	635	635
Annual revenues equal to or greater than \$1,500,000, but less than \$2,500,000	760	760	760	760
Annual revenues equal to or greater than \$2,500,000, but less than \$5,000,000	845	845	845	845
Annual revenues equal to or greater than \$5,000,000, but less than \$10,000,000	890	890	890	890
Annual revenues are equal to or greater than \$10,000,000, but less than \$50,000,000	965	965	965	965
Annual revenues are equal to or greater than \$50,000,000	1,000	1,000	1,000	1,000
Minor Fee: Auditor Roster Fee				
Annual Fee	\$100	\$100	\$100	\$100
Working Capital (November)	\$366,738	\$342,942	\$324,781	\$307,170
<u>Note:</u> Because of the timing of revenue collections, the low point on working capital for this fund is November of each year.				
*Note: This analysis does not include OPEB expenses.				

Due to concerns that the fees charged to local governments were not commensurate with costs of administering the program the Joint Appropriations Subcommittee on General Government recommended that the Legislative Finance Committee monitor progress by the State Accounting Division in lowering the fees for the Local Government and Reporting Program including:

- o Reduction of excess fund balance in the related proprietary fund
- o Fees commensurate with the costs of operating the program

The subcommittee also recommended that a report on the progress be provided to the 2015 Joint Appropriations Subcommittee on General Government.