

### Agency Budget Comparison

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

Agency 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	151.63	151.63	149.13	149.13	151.63	149.13	(2.50)	(1.65%)
Estimated Impact of HB 2*			(6.22)	(6.22)		(6.22)	(6.22)	
<b>Net Estimated FTE*</b>			<b>142.91</b>	<b>142.91</b>		<b>142.91</b>	<b>(8.72)</b>	
Personal Services	9,462,117	9,956,483	10,047,001	10,052,768	19,418,600	20,099,769	681,169	3.51%
Operating Expenses	9,343,096	9,109,048	8,026,411	7,801,103	18,452,144	15,827,514	(2,624,630)	(14.22%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Local Assistance	32,228	42,206	32,228	32,228	74,434	64,456	(9,978)	(13.41%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	761,110	1,160,559	0	0	1,921,669	0	(1,921,669)	(100.00%)
Debt Service	122,027	85,827	89,977	89,977	207,854	179,954	(27,900)	(13.42%)
<b>Total Costs</b>	<b>\$19,740,078</b>	<b>\$20,396,200</b>	<b>\$18,215,117</b>	<b>\$17,995,576</b>	<b>\$40,136,278</b>	<b>\$36,210,693</b>	<b>(\$3,925,585)</b>	<b>(9.78%)</b>
General Fund	5,776,947	6,132,662	6,292,860	6,185,621	11,909,609	12,478,481	568,872	4.78%
State Special	6,430,943	6,883,075	5,978,176	5,976,271	13,314,018	11,954,447	(1,359,571)	(10.21%)
Federal Special	17,530	42,043	947,530	947,499	59,573	1,895,029	1,835,456	3,081.02%
Other	7,514,658	7,338,420	4,996,551	4,886,185	14,853,078	9,882,736	(4,970,342)	(33.46%)
<b>Total Funds</b>	<b>\$19,740,078</b>	<b>\$20,396,200</b>	<b>\$18,215,117</b>	<b>\$17,995,576</b>	<b>\$40,136,278</b>	<b>\$36,210,693</b>	<b>(\$3,925,585)</b>	<b>(9.78%)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Agency Mission - The Department of Administration's mission is to serve, satisfy, and support our customers.

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

- Accounting, financial reporting, and warrant writing
- Audit review, enforcement and technical assistance for local governments
- 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, workforce development and labor relations
- State financial institution oversight and regulation
- Insurance coverage and risk management programs
- Tort Claims Act administration
- Long-Range Building Program
- State employee group benefits
- Workers compensation management

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

- Board of Examiners
- Burial Preservation Board
- Information Technology Board
- Public Defender Commission
- Public Employees' Retirement Board
- State Banking Board

- State Board of County Printing
- State Compensation Insurance Fund Board
- State Tax Appeal Board
- Teachers' Retirement System Board

### Agency Highlights

<b>Department of Administration Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ About 4% of the agency's budget in appropriated in HB 2</li> <li>◆ State special revenue declines are due to the transfer of responsibilities for the Montana Land Information Act to the Montana State Library</li> <li>◆ Federal revenue increases by \$1.9 million for a FirstNet planning grant to the State Information Technology Services Division</li> <li>◆ Proprietary funds decrease due to a change in the budgeting of lottery vendor fees. The legislature provided a statutory appropriation for the fees and eliminated the HB 2 appropriation</li> <li>◆ The legislature increased insurance rates for general liability insurance as a result of a \$43.0 million court ordered settlement to victims of asbestos in Libby</li> <li>◆ The legislature eliminated a number of vacant positions within various proprietary funds throughout the department</li> </ul>

### Agency Discussion

The Department of Administration 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, the agency serves as the landlord for state-owned buildings and provides for 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 projects of state owned buildings

### Summary of Legislative Action

The budget for the Department of Administration decreases \$3.9 million in 2015 biennium when compared to the 2013 biennium due to:

- Reduction of proprietary funding for the Montana State Lottery of \$5.8 million
- Transfer of the Montana Land Information Act responsibilities to the Montana State Library
- Additional federal authority provided for the FirstNet planning grant for public safety responders
- Statewide present law adjustments for personal services
- Additional vacancy savings of 2% applied to HB 2 positions

The legislature included the administrative costs of the State Employee Group Health Care Plan in HB 2 as required by statute. The Governor line item vetoed the appropriation including:

- Personal services funding of \$2.6 million supporting 19.64 FTE
- Operating expenses of \$12.2 million
  - \$4.7 million for consulting and professional services

- \$3.8 million for third party administrator fees for managed care plans

The Governor line item vetoed the funding prior to signing HB 2 stating that the state contribution to the plan is statutorily established and reviewed in the pay plan. The veto language also references language included in HB 2 that states:

*Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines “rates and fees” for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits to meet the requirements of 2-18-812(1)*

Neither the statutes referenced in the message nor the language shown above appear to address the requirement to include administrative costs for the SEGBP from temporary appropriations (included in HB 2).

*Bill to Implement Provisions of HB 2*

The legislature approved SB 410 to implement HB 2, including provisions to transfer the \$0.5 million of the central stores account fund balance to the general fund. The purpose of the transfer was in part to provide funding for the:

- Human Rights Bureau within the Department of Labor and Industry
- Traumatic brain injury services provided by the Department of Public Health and Human Services

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 6.22 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**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 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,478,481	\$0	\$75,058,880	\$87,537,361	10.8%
State Special Total	11,954,447	-	50,329,752	62,284,199	7.7%
Federal Special Total	1,895,029	-	41,214,186	43,109,215	5.3%
Proprietary Total	9,882,736	538,408,836	69,489,296	617,780,868	76.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	779,052	779,052	0.1%
<b>Total All Funds</b>	<b>\$36,210,693</b>	<b>\$538,408,836</b>	<b>\$236,871,166</b>	<b>\$811,490,695</b>	
Percent - Total All Sources	4.5%	66.3%	29.2%		

Overall 93.7% of the funding for the 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 Board of County Printing and the Burial Preservation Board, and provides partial support for the State Accounting Division, General Services Division including facilities maintenance functions for common areas, and the State Human Resources Division.

State special revenues include:

- Assessments, application fees, and examination fees paid by the 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). Profits from the lottery are deposited into the state’s general fund. As such, the legislature had made a policy decision to appropriate 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 the majority 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 are discussed in detail in the narrative sections of the programs.

**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	5,776,947	5,776,947	11,553,894	92.59%	19,740,078	19,740,078	39,480,156	109.03%
Statewide PL Adjustments	602,216	495,833	1,098,049	8.80%	1,132,809	915,434	2,048,243	5.66%
Other PL Adjustments	(4,155)	(4,962)	(9,117)	(0.07%)	462,957	460,639	923,596	2.55%
New Proposals	(82,148)	(82,197)	(164,345)	(1.32%)	(3,120,727)	(3,120,575)	(6,241,302)	(17.24%)
<b>Total Budget</b>	<b>\$6,292,860</b>	<b>\$6,185,621</b>	<b>\$12,478,481</b>		<b>\$18,215,117</b>	<b>\$17,995,576</b>	<b>\$36,210,693</b>	

Statewide present law adjustments provide for about 6% of the increases for the Department of Administration. About \$1.9 million of the increase is related to personal service adjustments and the remainder includes adjustments for fixed costs and inflation/deflation included in the operating expenses. Other present law adjustments include:

- Burial Board funding
- Increases for the Director’s Office, which is assessed to the other divisions as department indirect costs
- One-time-only request for lottery terminals

New proposals provide for the majority of the changes in the budget for the Department of Administration. The legislature approved a request to transfer the responsibilities for the Montana Land Information Act to the Montana State Library. The legislature appropriated the administrative expenses of the SEGBP in HB 2 as required by statute and provided federal funds for the FirstNet Planning Grant. These are offset by reductions for additional vacancy savings and elimination of contract lottery fees from HB 2.

**Other Legislation**

**HB 3** – The legislature provided \$13.4 million in general fund as a supplemental appropriation for the state’s self-insurance fund. In FY 2012, the fund was used to pay \$26.8 million as part of a court ordered settlement with the victims of asbestos in Libby. The supplemental funding restores reserves for several of the insurance risks and reduces an unfunded liability for general liability insurance to an estimated (\$7.1) million at the end of the 2015 biennium.

**HB 10** – The legislature appropriated \$6.0 million in long range information technology project funds to the Department of Administration. The funding provides for the following projects:

- Public safety communications system maintenance and operations - \$3.0 million
- Statewide data protection - \$2.0 million
- Electronic records management/electronic content management matching grants - \$1.0 million

In addition, the bill also provides DOA with \$350,000 in proprietary fund authority for a computerized maintenance management system.

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**HB 20** – The legislature approved statutorily appropriating the costs for lottery vendor fees beginning in FY 2014. The legislature removed \$5.8 million in operating costs for the Montana State Lottery as a result of the change.

**HB 38** – The legislature approved transferring the responsibilities for the Montana Land Information Act from the State Information Technology Services Division (SITSD) to the Montana State Library. As part of this change, the legislature also approved a reduction in HB 2 in funding for SITSD of \$1.9 million over the biennium including personal services that had supported 2.50 FTE.

**SB 410** – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor’s Office. The funding can be transferred at the Governor’s discretion in the 2015 biennium to the following departments for operations costs:

- Governor’s Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	151.63	149.13	149.13	0.00	149.13	149.13	0.00	
Estimated Impact of HB 2*			(6.22)	(6.22)		(6.22)	(6.22)	
<b>Net Estimated FTE*</b>			<b>142.91</b>	<b>(6.22)</b>		<b>142.91</b>	<b>(6.22)</b>	
Personal Services	9,462,117	10,172,697	10,047,001	(125,696)	10,178,582	10,052,768	(125,814)	(251,510)
Operating Expenses	9,343,096	10,146,647	8,026,411	(2,120,236)	9,921,337	7,801,103	(2,120,234)	(4,240,470)
Equipment & Intangible Assets	19,500	19,500	19,500	0	19,500	19,500	0	0
Local Assistance	32,228	32,228	32,228	0	32,228	32,228	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	761,110	0	0	0	0	0	0	0
Debt Service	122,027	89,977	89,977	0	89,977	89,977	0	0
<b>Total Costs</b>	<b>\$19,740,078</b>	<b>\$20,461,049</b>	<b>\$18,215,117</b>	<b>(\$2,245,932)</b>	<b>\$20,241,624</b>	<b>\$17,995,576</b>	<b>(\$2,246,048)</b>	<b>(\$4,491,980)</b>
General Fund	5,776,947	6,353,651	6,292,860	(60,791)	6,246,461	6,185,621	(60,840)	(121,631)
State/Other Special	6,430,943	6,072,276	5,978,176	(94,100)	6,070,416	5,976,271	(94,145)	(188,245)
Federal Special	17,530	17,530	947,530	930,000	17,500	947,499	929,999	1,859,999
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	7,514,658	8,017,592	4,996,551	(3,021,041)	7,907,247	4,886,185	(3,021,062)	(6,042,103)
<b>Total Funds</b>	<b>\$19,740,078</b>	<b>\$20,461,049</b>	<b>\$18,215,117</b>	<b>(\$2,245,932)</b>	<b>\$20,241,624</b>	<b>\$17,995,576</b>	<b>(\$2,246,048)</b>	<b>(\$4,491,980)</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislative budget for HB 2 changes when compared to the executive due to two major changes; 1) additional federal funds to support a FirstNet Planning Grant to plan for the use and integration of existing systems with the nationwide public safety broadband network, and 2) reduction of \$5.8 million in proprietary funding supporting the Montana State Lottery due to the passage and approval of HB 20. These changes are partially offset by a reduction for an additional 2% vacancy savings for the positions funded in HB 2.

*Changes in Proprietary Rates from the Executive*

The legislature reduced authority for proprietary rates by 1.2% overall for the Statewide Accounting, Budgeting and Human Resources Program (SABHRS) by eliminating funding for a computer specialist position. The legislature increased rates for general liability insurance premiums by \$525,000 each year of the biennium for the state's self-insurance program. In FY 2012 the Risk Management and Tort Defense Division experienced as "lifetime legacy shock-loss" of \$26.8 million due to a settlement for Montana asbestos victims. Finally, the legislature rejected an executive proposal to change the method of charging for state employee training from a tuition based methodology to a charge per state employee.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"If House Bill No. 38 is not passed and approved State Information Technology Services Division is increased by \$943,612 in FY 2014 and \$943,342 in FY 2015 in state special revenue."

"Employee Benefits Program – Because state employee benefit plans require a large number of individual contributions for a variety of benefit options, because the portion of the contributions paid by the state is statutorily established in 2-18-703, and because the employee and retiree-paid portion of those contributions must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines “rates and fees” for state employee programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward group benefits necessary to meet the requirements of 2-18-812(1). "

"State Accounting Division includes a reduction in general fund of \$82,148 in fiscal year 2014 and \$82,197 in fiscal year 2015, federal special revenue of \$1 in fiscal year 2014 and \$38,310 in fiscal year 2015. Banking and Financial Division includes a reduction in state special revenue of \$95,259 in fiscal year 2014 and \$95,306 in fiscal year 2015. The reductions are the equivalent of an additional 2% vacancy savings. The agency may allocate these reductions in funding among programs when developing 2015 biennium operating plans."