

### Program Budget Comparison

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

Program 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	Biennium % Change
FTE	18.67	18.67	17.67	17.67	18.67	17.67	(1.00)	(5.36)%
Personal Services	1,150,020	1,260,306	1,284,380	1,289,109	2,410,326	2,573,489	163,163	6.77 %
Operating Expenses	253,469	249,733	354,032	356,039	503,202	710,071	206,869	41.11 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
<b>Total Costs</b>	<b>\$1,403,489</b>	<b>\$1,510,039</b>	<b>\$1,638,412</b>	<b>\$1,645,148</b>	<b>\$2,913,528</b>	<b>\$3,283,560</b>	<b>\$370,032</b>	<b>12.70 %</b>
General Fund	1,346,251	1,453,950	1,581,655	1,588,348	2,800,201	3,170,003	369,802	13.21 %
Federal Spec. Rev. Funds	2,133	1,065	1,427	1,427	3,198	2,854	(344)	(10.76)%
Proprietary Funds	55,105	55,024	55,330	55,373	110,129	110,703	574	0.52 %
<b>Total Funds</b>	<b>\$1,403,489</b>	<b>\$1,510,039</b>	<b>\$1,638,412</b>	<b>\$1,645,148</b>	<b>\$2,913,528</b>	<b>\$3,283,560</b>	<b>\$370,032</b>	<b>12.70 %</b>

### Program Description

The State Financial Services Division (SFSD) programs supported in HB 2 are made up of the:

- State Accounting Bureau
- Local Government Services Bureau
- 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; prepares the state Comprehensive Annual Financial Report; and provides accounting assistance and training to state agencies. The Treasury Unit provides the central banking function for state agencies, reconciles state bank accounts, and insures the collateralization of these bank accounts is maintained at the proper level. The 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 chart of accounts and the county collection and accounting manuals. The bureau collects and provides local government financial information to the public, legislature, federal government, and other public entities. The State Social Security Administrator manages the Social Security Act Section 218 program for the State of Montana including interpreting its provisions, insuring proper application of Social Security coverage to all state and political subdivision employees, conducting referendums as needed, and reporting local government entity changes (dissolutions and consolidations) to federal partners. The administrator provides extensive education and outreach to local governments to support them in this function.

### Program Highlights

<b>State Financial Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium appropriations for the division increase by 10.51% when compared to the 2015 legislative appropriations</li> <li>• The majority of the funding in this program is from non-budgeted proprietary funds that do not show in the HB 2 tables</li> <li>• General fund support changes were due to: <ul style="list-style-type: none"> <li>◦ Increased personal service costs</li> <li>◦ Higher operating costs for the State Accounting Bureau and the Social Security Administrator</li> </ul> </li> </ul>

## Program Narrative

Personal services increased between biennia due to implementation of pay raises and health insurance contributions included in HB 13 as enacted by the 2013 Legislature. Other changes to personal services include:

- 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

Operating expense adjustments result from changes in fixed costs and implementation of higher costs for the Director's Office that are allocated to the various divisions including SFSD.

## Funding

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

Department of Administration, 03-State Financial Services Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,170,003	0	6,305,741	9,475,744	48.38 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
03320 CMIA Funds	2,854	0	0	2,854	100.00 %
<b>Federal Special Total</b>	<b>\$2,854</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,854</b>	<b>0.01 %</b>
06042 Single Audit Review - HB328	0	1,076,365	0	1,076,365	10.65 %
06511 SABHRS SERVICES BUREAU	0	7,514,325	0	7,514,325	74.34 %
06527 Investment Division	110,703	0	0	110,703	1.10 %
06564 Warrant Writing	0	1,406,282	0	1,406,282	13.91 %
<b>Proprietary Total</b>	<b>\$110,703</b>	<b>\$9,996,972</b>	<b>\$0</b>	<b>\$10,107,675</b>	<b>51.61 %</b>
<b>Total All Funds</b>	<b>\$3,283,560</b>	<b>\$9,996,972</b>	<b>\$6,305,741</b>	<b>\$19,586,273</b>	

### 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 provides for cash management services for federal Cash Management Improvement Act funds that are deposited into the general fund.

### Proprietary Funding

Over half of the funding for the division office functions are supported with proprietary funds not appropriated through HB 2. These funds are considered and approved as rates charged to other divisions in the agency and other state agencies. The rates are discussed in the "Proprietary Rates" section of the narrative.

### Statutory Appropriations

About a quarter of the funding in the State Financial Services 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 from the general fund.

## 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	1,453,950	1,453,950	2,907,900	91.73 %	1,510,039	1,510,039	3,020,078	91.98 %
PL Adjustments	127,705	134,398	262,103	8.27 %	128,373	135,109	263,482	8.02 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$1,581,655</b>	<b>\$1,588,348</b>	<b>\$3,170,003</b>		<b>\$1,638,412</b>	<b>\$1,645,148</b>	<b>\$3,283,560</b>	

The significant majority of the increases in the SFSD budget are contained as part of the present law adjustments and include changes for personal services and fixed costs assessed by other divisions.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance	0.00	8,588	0	0	8,588	0.00	8,588	0	0	8,588
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	23,075	0	1	23,076	0.00	23,075	0	1	23,076
DP 525 - Fixed Cost Adjustment	0.00	55,314	0	0	55,314	0.00	52,179	0	0	52,179
DP 529 - Longevity and Other adjustments	0.00	(7,590)	0	0	(7,590)	0.00	(2,861)	0	0	(2,861)
DP 531 - SITSD Rate Adjustment	0.00	33,334	0	0	33,788	0.00	36,524	0	0	37,021
DP 532 - General Liability Insurance Rate Adjustment	0.00	(10,820)	0	0	(10,968)	0.00	(10,863)	0	0	(11,011)
DP 550 - Motor Pool Rate Adjustment	0.00	(131)	0	0	(131)	0.00	(131)	0	0	(131)
DP 300106 - Directors Office Costs	0.00	2,212	0	0	2,212	0.00	1,287	0	0	1,287
DP 300444 - Statewide 4% FTE Reduction - Program 3	(1.00)	0	0	0	0	(1.00)	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>(1.00)</b>	<b>\$103,982</b>	<b>\$0</b>	<b>\$1</b>	<b>\$104,289</b>	<b>(1.00)</b>	<b>\$107,798</b>	<b>\$0</b>	<b>\$1</b>	<b>\$108,148</b>

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 300106 - Directors Office Costs -

The legislature provided general fund to support indirect/administrative costs for services provided by proprietary funded centralized service functions within the Director's Office.

DP 300444 - Statewide 4% FTE Reduction - Program 3 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-300444 includes a reduction of 1.00 FTE each year.

**Other Issues**

**Proprietary Rates**

The State Financial Services Division provides the following functions with proprietary funds:

- Statewide Accounting, Budgeting, and Human Resource System (SABHRS) Financial Services Technology Bureau (FSTB)
- Warrant Writer
- Local Government Audit and Reporting

**SABHRS Financial Services Technology Bureau - 06511**

*Program Description*

The SABHRS Financial Services Technology Bureau is responsible for the operational support, hosting, and maintenance for the enterprise financial and budget development information systems. FTSB is also responsible for providing hosting services, system architecture, and maintenance for the SABHRS HR information system for the HR Information Systems Bureau.

*Rate and Rate Explanation:*

For the 2017 biennium the following rates were adopted by the legislature . The rates charged in the base year are shown for comparison purposes.

<b>Requested Rates for Internal Service Funds Fee/Rate Information</b>				
	<b>Actual FY14</b>	<b>Budgeted FY15</b>	<b>Budgeted FY16</b>	<b>Budgeted FY17</b>
SABHRS Services:	\$3,689,397	\$3,346,369	\$4,008,249	\$3,818,905

As approved rates increase 7.9% in FY 2016 and 3.5% in FY 2017 when compared to the FY 2014 rate charged to agencies. 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.

**Warrant Writer Program - 06564**

*Program Description*

The Warrant Writer Unit (WWU) provides the check writing and direct-deposit services for most state agencies, including the university system. The WWU processes agency approved payments and tracks the payment status on SABHRS. Warrant printing is provided to the WWU by Print and Mail Services within the General Services Division. The WWU generates, tracks, and reconciles each payment. The services 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.

*Rate and Rate Explanation:*

For the 2017 biennium the following rates were approved by the legislature. The rates charged in previous biennia are shown for comparison purposes.

<b>Requested Rates for Internal Service Funds Fee/Rate Information</b>					
		<b>Actual FY14</b>	<b>Budgeted FY15</b>	<b>Budgeted FY16</b>	<b>Budgeted FY17</b>
Fee Description:	Mailer	0.74392	0.74464	0.92500	0.92500
	Non-Mailer	0.28392	0.28464	0.40000	0.40000
	Emergency	14.11292	14.11364	15.00000	15.00000
	Duplicates	3.35417	3.35489	10.00000	10.00000
	Externals				
	Externals - Payroll	0.20512	0.21239	0.16861	0.16368
	Externals - Universities	0.13859	0.13907	0.13500	0.13500
	Direct Deposit				
	Direct Deposit - Mailer	0.81859	0.82907	1.10000	1.10000
	Direct Deposit - No Advice Printed	0.13859	0.13907	0.15000	0.15000
	Unemployment Insurance				
	Mailer - Print Only	0.14533	0.14557	0.13280	0.13141
	Direct Deposit - No Advice Printed	0.04769	0.04785	0.03910	0.03308

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.

#### **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 database 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, provides technical accounting assistance to local governments and other staff within the bureau.

##### *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 below are adopted in the Administrative Rules of Montana or are required in statute.

<b>Requested Rates for Internal Service Funds Fee/Rate Information</b>				
	<b>Actual FY14</b>	<b>Budgeted FY15</b>	<b>Budgeted FY16</b>	<b>Budgeted FY17</b>
<b>Major Fee:</b>				
<b>Local Government Report Filing Fee</b>				
Annual revenues equal to or greater than \$500,000, but less than \$1,000,000	\$435 635	\$435 635	\$440 640	\$440 640
Annual revenues equal to or greater than \$1,500,000, but less than \$2,500,000	760	760	830	830
Annual revenues equal to or greater than \$2,500,000, but less than \$5,000,000	845	845	1,000	1,000
Annual revenues equal to or greater than \$5,000,000, but less than \$10,000,000	890	890	1,200	1,200
Annual revenues are equal to or greater than \$10,000,000, but less than \$50,000,000	965	965	1,400	1,400
Annual revenues are equal to or greater than \$50,000,000	1,000	1,000	1,600	1,600
<b>Minor Fee:</b>				
<b>Auditor Roster Fee</b>				
Annual Fee	100	100	150	150