

**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	168.77	168.77	151.63	168.77	17.14	11.30%
Personal Services	9,462,117	9,956,483	11,362,576	11,371,131	19,418,600	22,733,707	3,315,107	17.07%
Operating Expenses	9,343,096	9,109,048	14,131,991	13,898,477	18,452,144	28,030,468	9,578,324	51.91%
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	19,395	19,395	0	38,790	38,790	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>\$25,655,667</b>	<b>\$25,430,708</b>	<b>\$40,136,278</b>	<b>\$51,086,375</b>	<b>\$10,950,097</b>	<b>27.28%</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	0	0	0	0	0	0	0	n/a
Other	7,514,658	7,338,420	12,437,101	12,321,317	14,853,078	24,758,418	9,905,340	66.69%
<b>Total Funds</b>	<b>\$19,740,078</b>	<b>\$20,396,200</b>	<b>\$25,655,667</b>	<b>\$25,430,708</b>	<b>\$40,136,278</b>	<b>\$51,086,375</b>	<b>\$10,950,097</b>	<b>27.28%</b>

**Page Reference**

Legislative Budget Analysis, A-111

**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	168.77	19.64	149.13	168.77	19.64	
Personal Services	9,462,117	10,172,697	11,362,576	1,189,879	10,178,582	11,371,131	1,192,549	2,382,428
Operating Expenses	9,343,096	10,146,647	14,131,991	3,985,344	9,921,337	13,898,477	3,977,140	7,962,484
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	19,395	19,395	0	19,395	19,395	38,790
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>\$25,655,667</b>	<b>\$5,194,618</b>	<b>\$20,241,624</b>	<b>\$25,430,708</b>	<b>\$5,189,084</b>	<b>\$10,383,702</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	12,437,101	4,419,509	7,907,247	12,321,317	4,414,070	8,833,579
<b>Total Funds</b>	<b>\$19,740,078</b>	<b>\$20,461,049</b>	<b>\$25,655,667</b>	<b>\$5,194,618</b>	<b>\$20,241,624</b>	<b>\$25,430,708</b>	<b>\$5,189,084</b>	<b>\$10,383,702</b>

The legislative budget for HB 2 increases when compared to the executive due to three major changes; 1) inclusion of the administrative costs of the State Employee Group Benefit Plan (SEGBP) in HB 2 as required by statute; 2) 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 3) 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.

SEGPB administrative costs are supported by proprietary funds which provide for:

- \$2.6 million in personal services supporting 19.64 FTE
- \$12.2 million in operating expenses, including:
  - \$4.7 million for consulting and professional services
  - \$3.8 million for third party administrator fees for managed care plans

#### *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.

#### **Agency Highlights**

<b>Department of Administration Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ About 6.3% of the agency's budget is appropriated in HB 2</li> <li>◆ State special revenue declines due to a transfer of responsibilities for the Montana Land Information Act to the Montana State Library contained in HB 38</li> <li>◆ Federal revenues increase by \$1.9 million for a FirstNet planning grant to the State Information Technology Services Division</li> <li>◆ Proprietary funds increase due to:           <ul style="list-style-type: none"> <li>• Inclusion of administrative costs of the State Employee Group Benefit Plan (SEGBP) in HB 2 as required by statute</li> <li>• The increase is partially offset by reductions of \$5.8 million in proprietary funding supporting the Montana State Lottery due to the passage and approval of HB 20</li> </ul> </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

The budget for the Department of Administration increases \$11.0 million in 2015 biennium when compared to the 2013 biennium due to:

- Inclusion of \$14.9 million in proprietary funds for the administrative costs of SEGBP
- 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

*Requests for a Bill to Implement Provisions of HB 2*

The Senate Finance and Claims Committee requested that a bill to implement HB 2 include provisions to transfer the \$0.5 million of the central stores account fund balance to the general fund. The purpose of the transfer was 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

**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	24,758,418	523,533,628	69,489,296	617,781,342	76.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	779,052	779,052	0.1%
<b>Total All Funds</b>	<b>\$51,086,375</b>	<b>\$523,533,628</b>	<b>\$236,871,166</b>	<b>\$811,491,169</b>	
<b>Percent - Total All Sources</b>	<b>6.3%</b>	<b>64.5%</b>	<b>29.2%</b>		

93.7% of the overall 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 State Human Resources Division.

State special revenues include:

- Assessments, application fees, and examination fees paid by the regulated financial institutions
- Fees are 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 SEGBP. 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	77.28%
Statewide PL Adjustments	602,216	495,833	1,098,049	8.80%	1,132,809	915,434	2,048,243	4.01%
Other PL Adjustments	(4,155)	(4,962)	(9,117)	(0.07%)	463,197	460,873	924,070	1.81%
New Proposals	(82,148)	(82,197)	(164,345)	(1.32%)	4,319,583	4,314,323	8,633,906	16.90%
<b>Total Budget</b>	<b>\$6,292,860</b>	<b>\$6,185,621</b>	<b>\$12,478,481</b>		<b>\$25,655,667</b>	<b>\$25,430,708</b>	<b>\$51,086,375</b>	

Statewide present law adjustments provide for about 4% 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 proposed by the agency 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 increases 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. Currently state statute makes the department responsible for the administration of the act. 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.

### Language and Statutory Authority

The legislature proposes the following language for inclusion 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."

### 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	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00%
Personal Services	60,356	61,572	58,779	58,713	121,928	117,492	(4,436)	(3.64%)
Operating Expenses	53,551	41,038	69,493	12,053	94,589	81,546	(13,043)	(13.79%)
Local Assistance	16,464	37,133	16,464	16,464	53,597	32,928	(20,669)	(38.56%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$130,371</b>	<b>\$139,743</b>	<b>\$144,736</b>	<b>\$87,230</b>	<b>\$270,114</b>	<b>\$231,966</b>	<b>(\$38,148)</b>	<b>(14.12%)</b>
General Fund	113,907	102,033	128,272	70,796	215,940	199,068	(16,872)	(7.81%)
State Special	0	577	0	0	577	0	(577)	(100.00%)
Federal Special	16,464	37,133	16,464	16,434	53,597	32,898	(20,699)	(38.62%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$130,371</b>	<b>\$139,743</b>	<b>\$144,736</b>	<b>\$87,230</b>	<b>\$270,114</b>	<b>\$231,966</b>	<b>(\$38,148)</b>	<b>(14.12%)</b>

### Page Reference

Legislative Budget Analysis, A-116

### 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.

Within HB 2 general fund provides funding for the office's support of:

- o Board of County Printing
- o Burial Preservation Board
- o General management and legal support for statewide functions

Federal special revenue funds administration functions that support the allocation of federal flood control payments.

### 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	113,907	113,907	227,814	114.44%	130,371	130,371	260,742	112.41%
Statewide PL Adjustments	7,354	(50,123)	(42,769)	(21.48%)	7,354	(50,153)	(42,799)	(18.45%)
Other PL Adjustments	7,011	7,012	14,023	7.04%	7,011	7,012	14,023	6.05%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$128,272</b>	<b>\$70,796</b>	<b>\$199,068</b>		<b>\$144,736</b>	<b>\$87,230</b>	<b>\$231,966</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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					872					804
Vacancy Savings					(2,449)					(2,447)
Inflation/Deflation					7					14
Fixed Costs					8,924					(48,524)
<b>Total Statewide Present Law Adjustments</b>		<b>\$7,354</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,354</b>		<b>(\$50,123)</b>	<b>\$0</b>	<b>(\$30)</b>	<b>(\$50,153)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(7,354)	0	0	(7,354)	0.00	50,123	0	30	50,153
DP 51 - Adjustment for Statewide Personal Services	0.00	(1,577)	0	0	(1,577)	0.00	(1,642)	0	(1)	(1,643)
DP 52 - Adjustment for Statewide Operations	0.00	8,942	0	0	8,942	0.00	(48,469)	0	(29)	(48,498)
DP 101 - Burial Board	0.00	7,000	0	0	7,000	0.00	7,000	0	0	7,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,011</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,011</b>	<b>0.00</b>	<b>\$7,012</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,012</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$14,365</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,365</b>	<b>0.00</b>	<b>(\$43,111)</b>	<b>\$0</b>	<b>(\$30)</b>	<b>(\$43,141)</b>

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 101 - Burial Board - The legislature provided a one-time-only appropriation of \$7,000 general fund for each year of the 2015 biennium to cover costs associated with repatriation hearings. There was no need for repatriation hearings in FY 2012, and as such the base budget did not include funding for them. Funding approved anticipates one repatriation hearing each fiscal year with costs for a hearing examiner and travel for members.

### Proprietary Rates

The Director's Office provides management services to other divisions within the agency. Costs of providing the services are charged to the divisions and used to support the activities within the office.

### Proprietary Program Description

The Director's Office provides services in the areas of legal, human resources, and financial management to other divisions of the agency and agencies and boards attached to the agency for administrative purposes. The Office of Legal Services advises the divisions on legal matters. The Office of Human Resources processes payroll; assists with recruitment, selection and orientation of new employees; classifies positions; and develops human resource policies for the department. The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance. Additionally, the Director's Office provides IT management and project management services.

*Proprietary Program Narrative*Expenses

Significant costs for the program include:

- Personal services of \$1.45 million supporting 19.51 FTE over the 2015 biennium. This is an increase of 5.18 FTE and \$320,500 in personal service costs from those included in the rates in FY 2012 as shown in the figure below. New positions include:
  - 1.50 FTE - Human Resource Specialists
  - 1.00 FTE - Paralegal Assistant
  - 0.68 FTE – Budget Analyst
  - 1.00 FTE – Auditor
  - 1.00 FTE – Project Facilitation Specialist
- Operating costs of \$227,000 supporting:
  - Consulting and professional services - \$26,500
  - ITSD services - \$38,500
  - Office space rent - \$33,200
  - Computers - \$15,800
  - Indirect costs - \$15,800

Revenues

All divisions of the agency and other agencies and boards designed in statute as being administratively attached to the agency use the services provided by the programs included in the Director's Office. Administratively attached agencies or boards with staff to perform the provided functions do not use some of the services and are not charged a fee.

The revenues for this program are allocated in three ways: 1) the human resource function based on an annual amount per FTE served; 2) the legal unit costs based on a time-use study; and 3) the remaining portion on the proportional size of the division, board, or agency's budget to the total of all served.

*Proprietary Rates*

For the 2015 biennium the legislature approved the rates as shown below. The rate is determined by estimating the amount of revenue necessary to cover all personal services and operation costs and to maintain a sufficient working capital balance.

Rates for Director's Office (Management Services)				
	Actual FY 2012	Budgeted FY 2013	Budgeted FY 2014	Budgeted FY 2015
Fee/Rate				
Human resources portion of program (annually per FTE)	\$633	\$570	\$606	\$603
Remaining portion of the program (fixed amount for allocation)	\$1,009,516	\$902,951	\$1,269,878	\$1,269,231

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.

### 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%)
<b>Total Costs</b>	<b>\$1,319,063</b>	<b>\$1,378,944</b>	<b>\$1,316,111</b>	<b>\$1,314,127</b>	<b>\$2,698,007</b>	<b>\$2,630,238</b>	<b>(\$67,769)</b>	<b>(2.51%)</b>
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%)
<b>Total Funds</b>	<b>\$1,319,063</b>	<b>\$1,378,944</b>	<b>\$1,316,111</b>	<b>\$1,314,127</b>	<b>\$2,698,007</b>	<b>\$2,630,238</b>	<b>(\$67,769)</b>	<b>(2.51%)</b>

### Page Reference

Legislative Budget Analysis, A-122

### Funding

#### 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 which 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%)
<b>Total Budget</b>	<b>\$1,298,230</b>	<b>\$1,296,348</b>	<b>\$2,594,578</b>		<b>\$1,316,111</b>	<b>\$1,314,127</b>	<b>\$2,630,238</b>	

### 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
<b>Total Statewide Present Law Adjustments</b>		<b>\$107,427</b>	<b>\$0</b>	<b>\$0</b>	<b>\$113,894*</b>		<b>\$105,823</b>	<b>\$0</b>	<b>\$0</b>	<b>\$112,210*</b>
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
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,591</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,591*</b>	<b>0.00</b>	<b>\$3,362</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,362*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$111,018</b>	<b>\$0</b>	<b>\$0</b>	<b>\$117,485*</b>	<b>0.00</b>	<b>\$109,185</b>	<b>\$0</b>	<b>\$0</b>	<b>\$115,572*</b>

\* "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 a decrease of \$441 in FY 2014 and \$520 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)*
<b>Total</b>	<b>0.00</b>	<b>(\$82,148)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$120,437)*</b>	<b>0.00</b>	<b>(\$82,197)</b>	<b>\$0</b>	<b>(\$1)</b>	<b>(\$120,508)*</b>

\* "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

### Proprietary Program Description

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 \$7.8 million over the biennium to support 18.00 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 below. 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.

<b>Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
	Actual	Budgeted	Budgeted	Budgeted
	FYE 12	FY 13	FY 14	FY 15
SABHRS Services Fee	\$2,961,333	\$3,554,526	\$3,346,369	\$3,689,397
Working Capital	505,849	505,849	505,849	505,849
*Note: This analysis does not include OBEP expenses.				

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 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:

- Personal services costs of \$0.4 million over the biennium to support 5.33 FTE
- Operating costs of \$1.1 million including:
  - \$0.6 million for mailing costs
  - \$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 below. The rates charged in the base year are shown for comparison purposes.

<b>Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
	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 Prii	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 Prii	0.04769	0.04785	0.03618	0.03614
	Actual	Estimated	Estimated	Estimated
	FY12	FY13	FY14	FY15
Fiscal Year End Working Capital	41,320	52,291	58,208	56,466
Note: This analysis does not include OPEB expenses.				

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 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



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:

- Reduction of excess fund balance in the related proprietary fund
- 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.

### 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	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,295,638	1,305,035	1,332,445	1,332,830	2,600,673	2,665,275	64,602	2.48%
Operating Expenses	580,784	576,549	530,682	529,875	1,157,333	1,060,557	(96,776)	(8.36%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,876,422</b>	<b>\$1,881,584</b>	<b>\$1,863,127</b>	<b>\$1,862,705</b>	<b>\$3,758,006</b>	<b>\$3,725,832</b>	<b>(\$32,174)</b>	<b>(0.86%)</b>
State Special	1,876,422	1,881,584	1,863,127	1,862,705	3,758,006	3,725,832	(32,174)	(0.86%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$1,876,422</b>	<b>\$1,881,584</b>	<b>\$1,863,127</b>	<b>\$1,862,705</b>	<b>\$3,758,006</b>	<b>\$3,725,832</b>	<b>(\$32,174)</b>	<b>(0.86%)</b>

### Page Reference

Legislative Budget Analysis, A-133

### Funding

The Architecture and Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses in support of the state Long-range Building Program.

### 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	0	0	0	0.00%	1,876,422	1,876,422	3,752,844	100.72%
Statewide PL Adjustments	0	0	0	0.00%	(23,719)	(23,838)	(47,557)	(1.28%)
Other PL Adjustments	0	0	0	0.00%	10,424	10,121	20,545	0.55%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,863,127</b>	<b>\$1,862,705</b>	<b>\$3,725,832</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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					92,326					92,726
Vacancy Savings					(55,519)					(55,534)
Inflation/Deflation					(1,055)					(546)
Fixed Costs					(59,471)					(60,484)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>(\$23,719)</b>	<b>\$0</b>	<b>(\$23,719)</b>		<b>\$0</b>	<b>(\$23,838)</b>	<b>\$0</b>	<b>(\$23,838)</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	23,719	0	23,719	0.00	0	23,838	0	23,838
DP 51 - Adjustment for Statewide Personal Services	0.00	0	36,807	0	36,807	0.00	0	37,192	0	37,192
DP 52 - Adjustment for Statewide Operations	0.00	0	(60,321)	0	(60,321)	0.00	0	(60,830)	0	(60,830)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	10,219	0	10,219	0.00	0	9,921	0	9,921
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$10,424</b>	<b>\$0</b>	<b>\$10,424</b>	<b>0.00</b>	<b>\$0</b>	<b>\$10,121</b>	<b>\$0</b>	<b>\$10,121</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$13,295)</b>	<b>\$0</b>	<b>(\$13,295)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$13,717)</b>	<b>\$0</b>	<b>(\$13,717)</b>

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 approved funding the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

### 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	11.25	11.25	11.25	11.25	11.25	11.25	0.00	0.00%
Personal Services	631,242	668,361	681,346	681,031	1,299,603	1,362,377	62,774	4.83%
Operating Expenses	1,339,564	1,337,919	1,384,957	1,337,116	2,677,483	2,722,073	44,590	1.67%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	32,050	0	0	0	32,050	0	(32,050)	(100.00%)
<b>Total Costs</b>	<b>\$2,002,856</b>	<b>\$2,006,280</b>	<b>\$2,066,303</b>	<b>\$2,018,147</b>	<b>\$4,009,136</b>	<b>\$4,084,450</b>	<b>\$75,314</b>	<b>1.88%</b>
General Fund	1,949,942	1,953,234	2,004,122	1,956,166	3,903,176	3,960,288	57,112	1.46%
State Special	52,914	53,046	62,181	61,981	105,960	124,162	18,202	17.18%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$2,002,856</b>	<b>\$2,006,280</b>	<b>\$2,066,303</b>	<b>\$2,018,147</b>	<b>\$4,009,136</b>	<b>\$4,084,450</b>	<b>\$75,314</b>	<b>1.88%</b>

### Page Reference

Legislative Budget Analysis, A-136

### Funding

#### HB 2 Funding

General fund provides funding for the State Procurement Bureau and about 11.5% of the total costs for the Facilities Management Bureau. General fund supports facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building.

State special revenues from procurement rebates fund a portion of the procurement functions that provide the fueling and procurement card operations.

#### Proprietary Funds

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.

### 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	1,949,942	1,949,942	3,899,884	98.47%	2,002,856	2,002,856	4,005,712	98.07%
Statewide PL Adjustments	83,130	35,308	118,438	2.99%	92,446	44,433	136,879	3.35%
Other PL Adjustments	(28,950)	(29,084)	(58,034)	(1.47%)	(28,999)	(29,142)	(58,141)	(1.42%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$2,004,122</b>	<b>\$1,956,166</b>	<b>\$3,960,288</b>		<b>\$2,066,303</b>	<b>\$2,018,147</b>	<b>\$4,084,450</b>	

### 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					78,492					78,166
Vacancy Savings					(28,388)					(28,377)
Inflation/Deflation					64					119
Fixed Costs					42,278					(5,475)
<b>Total Statewide Present Law Adjustments</b>		<b>\$83,130</b>	<b>\$9,316</b>	<b>\$0</b>	<b>\$92,446</b>		<b>\$35,308</b>	<b>\$9,125</b>	<b>\$0</b>	<b>\$44,433</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(83,130)	(9,316)	0	(92,446)	0.00	(35,308)	(9,125)	0	(44,433)
DP 51 - Adjustment for Statewide Personal Services	0.00	44,301	5,803	0	50,104	0.00	44,056	5,733	0	49,789
DP 52 - Adjustment for Statewide Operations	0.00	38,956	3,521	0	42,477	0.00	(8,624)	3,400	0	(5,224)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	2,973	(57)	0	2,916	0.00	2,842	(66)	0	2,776
DP 606 - Eliminate General Fund Installment Purchase Budget	0.00	(32,050)	0	0	(32,050)	0.00	(32,050)	0	0	(32,050)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$28,950)</b>	<b>(\$49)</b>	<b>\$0</b>	<b>(\$28,999)</b>	<b>0.00</b>	<b>(\$29,084)</b>	<b>(\$58)</b>	<b>\$0</b>	<b>(\$29,142)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$54,180</b>	<b>\$9,267</b>	<b>\$0</b>	<b>\$63,447</b>	<b>0.00</b>	<b>\$6,224</b>	<b>\$9,067</b>	<b>\$0</b>	<b>\$15,291</b>

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 funding for indirect/administrative costs for services provided by proprietary funded centralized service functions in the Director's Office.

DP 606 - Eliminate General Fund Installment Purchase Budget - The legislature reduced general fund for the installment purchase associated with the OPI building lease that was completed June 30, 2012.

### 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 613 - Facilities Management for Common Areas (OTO)	06	0.00	0	0	0	0	0.00	0	0	0	0
<b>Total</b>		<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

DP 613 - Facilities Management for Common Areas (OTO) - The legislature provided a one-time-only appropriation to support maintenance and repair projects for the common areas of state buildings in the capitol complex of \$1.2 million for each year of the biennium. The common areas include office spaces for the House of Representatives and Senate,

Governor's Mansion, public display areas in the Historical Society Museum, and some office space in the museum building.

### **Proprietary Rates**

#### **Proprietary Program Description**

The General Services Division provides the following functions supported by proprietary funds:

- Facilities Management (Rent and Maintenance)
- Print Services
- Mail Services
- Surplus Property
- Central Stores

These programs are described in the following pages along with a discussion of each program's revenues, expenditures, and rates being requested to finance the program.

### **Facilities Management Bureau - 06528**

#### *Program Description*

Rent and maintenance is managed by the Facilities Management Bureau, which is the custodian of all state property and grounds in the state capitol area. The state capitol area is the geographic area within a 10-mile radius of the state capitol. Services include providing facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and providing statewide leasing assistance to agencies to negotiate co-location of agencies when procuring leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program services all agencies and units within state government.

#### *Program Narrative*

#### Expenses

Significant costs for the program in the 2015 biennium include:

- Personal services for 35.05 FTE are \$3.9 million
- Operating costs are \$15.4 million
  - Janitorial services - \$2.7 million
  - Caretaker services - \$2.6 million
  - Electricity - \$2.9 million
  - Natural gas - \$0.6 million
  - Building and grounds maintenance and repair - \$2.6 million

#### Revenues

All agencies occupying office space in a state-owned building on the capitol complex pay rent to the program. Separate rental rates are established for office and storage space and for the grounds. In addition to rent payments, agencies pay a percentage of the costs for non-routine maintenance projects. These fees are charged at different rates depending on whether bureau or contracted employees are used to complete the project. The revenues from fees are budgeted in the following percentages:

- 92% - Square footage rental rate for office and warehouse space billed to agencies occupying space in state owned buildings controlled by the Department of Administration
- 5% - Grounds maintenance
- 2% - Construction and handyman services. These services are outside the scope of rent and include remodeling, relocating offices, repair and maintenance, and construction services
- 1% - Recycling

*Proprietary Rates*

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

-----Adopted-----

	FYE 12	FY 13	FY 14	FY 15
Office Rent (per sq. ft.)	8.412	8.460	8.434	8.217
Storage Rent (per sq. ft.)	4.844	4.876	4.625	4.637
Project Management (In-house)	15%	15%	15%	15%
Project Management (contracted)	5%	5%	5%	5%
Grounds Maintenance (per sq. ft.)	0.494	0.494	0.491	0.493

Rent is based on square feet occupied and is assessed each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses including maintenance and equipment. Grounds maintenance charges are also based on square feet of office space occupied in buildings controlled by the Department of Administration. Again, the rates are established to cover the cost of personal services, operating expenses including maintenance, and equipment replacement.

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.

**Print & Mail Services Bureau (Fund 06530)***Program Description*

The Print & Mail Services Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) a postal station in the Capitol. All printing or purchasing of printing is requested through Print & Mail Services, which determines the most cost effective method of project completion. Approximately 67 % of printing expenditures are procured through commercial vendors.

The Postal Contract Station provides mail services to the public.

*Program Narrative*Expenses

Significant costs for the program are for:

- Personal services for 36.80 FTE at a biennial cost of \$3.2 million
- Operating expenses of \$17.5 million over the 2015 biennium:
  - Postage and mailing, \$8.4 million
  - Printing, \$5.2 million
  - Direct materials for printing, \$0.9 million

Revenues

All agencies in Helena use the services of this program depending upon their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency specified service frequency.

Revenue is received in the following percentages:

- Internal Printing - 16.45%
- External (contracted) printing - 26.72%
- Photocopy Pool - 4.94%
- Mail Preparation - 6.60%

- Central Mail Operations - 42.00%
- Inter-agency (Deadhead Mail) - 2.91%
- Postal Contract Station (\$3,248 monthly from the U.S. Postal Service for operation of the Capitol Post Office) 38%

### Proprietary Rates

For the 2015 biennium the legislature adopted the following rates as shown below. The rates charged in the base year are shown for comparison purposes.

Rates - Print and Mail - Printing Rates				
Fee group and fees	FY 2012	FY 2013	FY 2014	FY 2015
Internal Printing				
Impression Cost				
1-20	\$0.0762	\$0.0762	\$0.0800	\$0.0800
21-100	0.0336	0.0336	0.0360	0.0360
101-1000	0.0193	0.0193	0.0200	0.0200
1001-5000	0.0078	0.0078	0.0080	0.0080
5000+	0.0039	0.0039	0.0040	0.0040
Color Copy				
8 1/2 x 11	0.2500	0.2500	0.2500	0.2500
11 x 17	0.5000	0.5000	0.5000	0.5000
Ink				
Black per Sheet	0.0002	0.0002	0.0002	0.0002
Color	15.0000	15.0000	15.0000	15.0000
Special Mix	25.0000	25.0000	25.0000	25.0000
Large format color per ft.	12.7000	12.7000	12.7000	12.7000
Collating machine	0.0072	0.0072	0.0080	0.0080
Collating hand	0.6000	0.6000	0.6000	0.6000
Stapling hand	0.0180	0.0180	0.0180	0.0180
Stapling In-line	0.0120	0.0120	0.0120	0.0120
Saddle Stitch	0.0360	0.0360	0.0360	0.0360
Folding (base + per sheet)	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding Rt Angle (base + per sheet)	12.00 + .006	12.00 + .006	12.00 + .006	12.00 + .006
Folding In-line	0.0360	0.0360	0.0360	0.0360
Punching Standard 3-hole	0.0012	0.0012	0.0012	0.0012
Punching Nonstandard (base + per sheet)	3.60 + .0012	3.60 + .0012	3.60 + .0012	3.60 + .0012
Cutting	0.6600	0.6600	0.6600	0.6600
Padding	0.0024	0.0024	0.0024	0.0024
Scoring, perf, numb (setup + duplicating rate)	6.00 + Dup Rate			
Perfect Binding (setup + per sheet)	18.00 + .66	18.00 + .66	18.00 + .66	18.00 + .66
Spiral Binding	0.6900	0.6900	0.6900	0.6900
Laminating				
8 1/2 x 11	0.5700	0.5700	0.5700	0.5700
11 x 17	0.8500	0.8500	0.8500	0.8500
Tape Binding	0.6000	0.6000	0.6000	0.6000
Tabs	0.6000	0.6000	0.6000	0.6000
Transparencies	0.6000	0.6000	0.6000	0.6000
Shrink Wrapping	0.3000	0.3000	0.3000	0.3000
Hand work Production	0.6000	0.6000	0.6000	0.6000
Overtime	22.1500	22.1500	24.0000	24.0000
Desktop	46.3600	46.3600	50.0000	50.0000
Scan	9.5200	9.5200	9.5200	9.5200
Proof	0.2500	0.2500	0.2500	0.2500

Continued Rates - Print and Mail - Printing Rates				
Fee group and fees	FY 2012	FY 2013	FY 2014	FY 2015
Programming	45.4600	45.4600	50.0000	50.0000
File Transfer	22.7300	22.7300	25.0000	25.0000
Variable Data	0.0090	0.0090	0.0200	0.0200
Mainframe printing	0.0690	0.0690	0.0690	0.0690
CD Duplicating	1.7500	1.7500	1.7500	1.7500
DVD Duplication	3.5000	3.5000	3.5000	3.5000
CTP Plates				
8 1/2 x 11	9.2000	9.2000	9.2000	9.2000
11 x 17	10.3500	10.3500	10.3500	10.3500
External Printing (% markup on invoice)	6.7300%	6.7300%	6.7300%	6.7300%
Photocopy Pool (% markup on invoice)	15.9000%	15.9000%	15.9000%	15.9000%
Inventory (% markup on invoice)	0.0000%	0.0000%	15.0000%	15.0000%
Mail Preparation				
Tabbing	0.0210	0.0210	0.0210	0.0210
Labeling	0.0210	0.0210	0.0210	0.0210
Ink Jet	0.0340	0.0340	0.0340	0.0340
Inserting	0.0300	0.0300	0.0300	0.0300
Winsort	0.0620	0.0620	0.0690	0.0690
Permit mailings	0.0620	0.0620	0.0690	0.0690
Mail Operations				
Machinable	0.0430	0.0430	0.0430	0.0430
Nonmachinable	0.0800	0.0800	0.1000	0.1000
Seal Only	0.0200	0.0200	0.0200	0.0200
Postcards	0.0490	0.0490	0.0600	0.0600
Certified Mail	0.6140	0.6140	0.6140	0.6140
Registered Mail	0.6140	0.6140	0.6140	0.6140
International Mail	0.4000	0.4000	0.5000	0.5000
Flats	0.1100	0.1100	0.1400	0.1400
Priority	0.6140	0.6140	0.6140	0.6140
Express Mail	0.6140	0.6140	0.6140	0.6140
USPS Parcels	0.4000	0.4000	0.5000	0.5000
Insured Mail	0.6140	0.6140	0.6140	0.6140
Media Mail	0.3070	0.3070	0.3070	0.3070
Standard Mail	0.2000	0.2000	0.2000	0.2000
Postage Due	0.0610	0.0610	0.0610	0.0610
Fee Due	0.0610	0.0610	0.0610	0.0610
Tapes	0.2450	0.2450	0.2450	0.2450
Express Services	0.5000	0.5000	0.5000	0.5000
Interagency Mail	297,657.0000	297,657.0000	314,750.0000	314,750.0000
Postal Contract (Capitol)	\$38,976.0000	\$38,976.0000	\$38,976.0000	\$38,976.0000

Print and Mail Services has over 100 rates used to provide services to agencies. Overall volume of services is projected to remain constant. Direct and administrative overhead is allocated to each program. Costs are recovered by charging for each unit of service provided. External printing and the photocopy pool recover costs by charging a percentage markup on the invoice for the printing job and/or photocopier. Each rate includes personal services costs, operating costs, and administrative overhead.

### Central Stores Program (Fund 06531)

#### *Program Description*

The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office

supplies. The program also develops standard specifications and procures, warehouses and delivers commonly used office supplies, paper products, and janitorial supplies to all state agencies and participating local governments. 18-4-221, MCA, requires the Department of Administration to procure or supervise the procurement of all supplies and services needed by the state. Customers include all agencies and units within state government, and participating local governments.

18-4-302(3), MCA, requires state agencies to use Central Stores unless an alternate supplier's publicly advertised price, established catalog price, or discount price offered to the agency is less than the price offered by the Central Stores program if the office supply conforms in all material respects to the terms, conditions, and quality offered by the Central Stores program. Local governments and University System employees are provided optional use of central stores.

#### *Program Narrative*

The Legislative Audit Division (LAD) examined the central stores function with the objectives of:

- Determining if the processes in place for office supply acquisition obtain products at the lowest available price
- Evaluating management of the office supply acquisition processes

The audit determined that the state may be able to generate savings and shorten delivery time by eliminating the products sold directly through the central stores function. To ensure that the contractor for the function complies with contract requirements the audit also concluded that the bureau should periodically review contractor performance. According to the auditors, the department has recently added a position with the capacity to complete such work.

The audit recommended that the Department of Administration:

- Seek a statewide contract for office supplies that features direct delivery of products from a vendor to the ordering agency
- Include the office supplies currently sold through Central Stores in a new direct delivery statewide contract for online ordering of office supplies
- Establish a process to coincide with contractor reporting periods to review the office supply contractor's performance in comparison to contract terms and conditions

The legislature eliminated 7.0 FTE and \$9.2 million from the program to implement the audit division recommendation. It is the legislature's intent that the Department of Administration develop contracts separately for coarse paper, janitorial supplies, and food service disposables in addition to the statewide contract for office supplies and that the 2% rate apply to all contracts.

#### Expenses

Significant costs for the program are for:

- Personal services support of \$105,200 for 1.0 FTE to monitor the contract
- Operating costs of \$38,000 for office space and related costs of the contract administrator

#### Revenues

The costs associated with contract administration would be assessed a rate of 2.00% generating \$95,600 each year of the biennium.

#### *Proprietary Rates*

For the 2015 biennium the following rates are proposed by the executive are shown below. The rates charged in the base year are shown for comparison purposes.

<b>Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A	-	-	-	-
Central Stores Supplies	20%	20%	2%	2%
Central Stores was provided a maximum mark up of 2%				

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.

### **Surplus Property Program - 06066**

#### *Program Description*

The Property & Supply Bureau operates the surplus property program to administer the sale of surplus property no longer needed by agencies. This property is distributed to state agencies or other eligible organizations. The program sells property through on-line auction, fixed price warehouse sales, public auction and garage sales. The surplus property program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

### 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	9.50	9.50	7.00	7.00	9.50	7.00	(2.50)	(26.32%)
Personal Services	585,595	544,641	620,011	623,188	1,130,236	1,243,199	112,963	9.99%
Operating Expenses	174,109	240,701	1,151,652	1,150,845	414,810	2,302,497	1,887,687	455.07%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	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%)
<b>Total Costs</b>	<b>\$1,520,814</b>	<b>\$1,945,901</b>	<b>\$1,771,663</b>	<b>\$1,774,033</b>	<b>\$3,466,715</b>	<b>\$3,545,696</b>	<b>\$78,981</b>	<b>2.28%</b>
General Fund	404,563	422,323	458,554	460,823	826,886	919,377	92,491	11.19%
State Special	1,116,251	1,523,578	383,109	383,210	2,639,829	766,319	(1,873,510)	(70.97%)
Federal Special	0	0	930,000	930,000	0	1,860,000	1,860,000	n/a
<b>Total Funds</b>	<b>\$1,520,814</b>	<b>\$1,945,901</b>	<b>\$1,771,663</b>	<b>\$1,774,033</b>	<b>\$3,466,715</b>	<b>\$3,545,696</b>	<b>\$78,981</b>	<b>2.28%</b>

### Page Reference

Legislative Budget Analysis, A-148

### Funding

#### House Bill 2 Funding

General fund provides funding for the administration of the Public Safety Services Office. State special revenues in the program provide support for the administrative costs related to 911 services. Fees are imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services. Federal funds are provided to support a federal FirstNet Planning Grant.

#### Statutory Appropriations

The majority of the state special revenue funding in the division is statutorily appropriated for 911 services. 911 surcharges are collected by the state and statutorily appropriated for distribution to counties and telecommunications providers.

#### Proprietary Funding

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other agencies and divisions within this agency and are discussed in the "Proprietary Rates" section of the narrative.

### 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	404,563	404,563	809,126	88.01%	1,520,814	1,520,814	3,041,628	85.78%
Statewide PL Adjustments	49,399	51,722	101,121	11.00%	255,879	258,080	513,959	14.50%
Other PL Adjustments	4,592	4,538	9,130	0.99%	8,582	8,481	17,063	0.48%
New Proposals	0	0	0	0.00%	(13,612)	(13,342)	(26,954)	(0.76%)
<b>Total Budget</b>	<b>\$458,554</b>	<b>\$460,823</b>	<b>\$919,377</b>		<b>\$1,771,663</b>	<b>\$1,774,033</b>	<b>\$3,545,696</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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					156,607					159,635
Vacancy Savings					(29,689)					(29,810)
Inflation/Deflation					(86)					(59)
Fixed Costs					129,047					128,314
<b>Total Statewide Present Law Adjustments</b>		<b>\$49,399</b>	<b>\$206,480</b>	<b>\$0</b>	<b>\$255,879</b>		<b>\$51,722</b>	<b>\$206,358</b>	<b>\$0</b>	<b>\$258,080</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(49,399)	(206,480)	0	(255,879)	0.00	(51,722)	(206,358)	0	(258,080)
DP 51 - Adjustment for Statewide Personal Services	0.00	(45,458)	172,376	0	126,918	0.00	(43,153)	172,978	0	129,825
DP 52 - Adjustment for Statewide Operations	0.00	94,857	34,104	0	128,961	0.00	94,875	33,380	0	128,255
DP 102 - Allocate Department Indirect/Admin Costs	0.00	4,592	3,990	0	8,582	0.00	4,538	3,943	0	8,481
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,592</b>	<b>\$3,990</b>	<b>\$0</b>	<b>\$8,582</b>	<b>0.00</b>	<b>\$4,538</b>	<b>\$3,943</b>	<b>\$0</b>	<b>\$8,481</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$53,991</b>	<b>\$210,470</b>	<b>\$0</b>	<b>\$264,461</b>	<b>0.00</b>	<b>\$56,260</b>	<b>\$210,301</b>	<b>\$0</b>	<b>\$266,561</b>

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 funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

### 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 703 - Montana Land Information Act - Housekeeping (Requires Legislation)										
07	(2.50)	0	(943,612)	0	(943,612)	(2.50)	0	(943,342)	0	(943,342)
DP 711 - FirstNet Planning Grant - (Biennial Restricted)										
07	0.00	0	0	930,000	930,000	0.00	0	0	930,000	930,000
<b>Total</b>	<b>(2.50)</b>	<b>\$0</b>	<b>(\$943,612)</b>	<b>\$930,000</b>	<b>(\$13,612)</b>	<b>(2.50)</b>	<b>\$0</b>	<b>(\$943,342)</b>	<b>\$930,000</b>	<b>(\$13,342)</b>

DP 703 - Montana Land Information Act - Housekeeping (Requires Legislation) - The legislature approved reducing 2.5 FTE and eliminating \$1.8 million in state special revenue in the 2015 biennium. The legislature adopted recommendations prepared by the Geographic Information System (GIS) Task Force to finalize the transfer of the Base Map Service Center and administration of the Montana Land Information Act from the Department of Administration to the Montana State Library.

DP 711 - FirstNet Planning Grant - (Biennial/Restricted) - The legislature provided \$1.86 million in federal special revenue to provide support for the FirstNet Planning Grant Program. The grant supports the planning process for a specific frequency for emergency responders. The legislature's intent is that the state's FirstNet planning efforts including substantive participation from private telecommunication network providers, both wireline and wireless, and that the plan developed must seek to maximize the use of existing private telecommunications infrastructure.

The legislature also recommended that the Energy and Telecommunications Interim Committee monitor progress by the State Information Technology Services Division in development of the FirstNet Planning Grant.

## **Proprietary Rates**

### *Program Description*

The State Information Technology Services Division manages information technology services for state government. Responsibilities of the division include:

- Hosting services, which includes servers, storage, web sites, applications, and enterprise email
- Systems development services incorporating development for applications, web applications, and GIS application development
- Communications and connectivity services for local and long-distance voice services, design and development of telephone equipment and voice applications, Internet access, data network services, and video conferencing services
- Operations support providing for imaging scanning, content management, application printing, systems operations, tape management, local area network (LAN) administration
- Enterprise services that include the following:
  - Statewide Continuity Planning
  - Information System Risk Management
  - Enterprise Security and Computing Systems Monitoring
- Montana Information Technology Act (MITA) oversight of IT activities:
  - IT strategic planning and agency IT plan approval
  - IT policy, standards and procedures
- State Chief Information Officer and Geographic Information Officer activities, Enterprise IT Councils, Advisory Groups and Conference Support, Enterprise-wide IT procurement and contract management, IT training coordination, mt.gov and MINE portal development and website hosting
- Enterprise application hosting - Citrix and Oracle
- Public Safety Services:
  - 9-1-1 program
  - Interoperability Montana (IM) public safety radio program
  - Montana broadband program
- State of MT Data Center

### *Program Narrative*

#### Expenses

Significant costs for the program are for:

- Personal services costs of \$29.0 million for 188.50 FTE
- Operating costs of \$43.55 million including:
  - \$13.6 million in software programs
  - \$2.3 million in IT vendor services
  - \$3.4 million in computer hardware
  - \$7.6 million in converged traffic
  - \$3.0 million in computer maintenance
- Equipment costs for computers and terminals \$4.8 million

### Revenues

Funding for SITSD is from charges to state agencies through the fixed cost process for server and application hosting, and data/network services. The majority of SITSD's budget is funded through proprietary funds.

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed cost in the budget for SITSD is \$1.2 million higher in FY 2014 and \$1.5 million higher in FY 2015. A portion of the increase is related to using the billed invoice rates, with the remaining increase due to projected increases in services or the rates charged by SITSD for the rates.

SITSD uses a methodology to identify and allocate the full cost of each separate service it offers to the users of that service. This is known as the Full-Cost Transparency Model (FTM) and has been in place since the 2011 biennium. Over the past year SITSD has defined about 200 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service. SITSD also implemented a staff time tracking system to refine the accuracy of staff time allocation. Because SITSD continues to refine the model for the services and the costs to provide them, the allocation of costs to the various state agencies is changed from those allocated in the 2013 biennium.

### *Proprietary Rates*

For the 2015 biennium the legislature approved SITSD charging various rates in order to maintain a 30-day working capital. By approving the working capital rate the legislature allows SITSD to charge establish the rates for its customers. SITSD is allowed to set and change the level of the rates throughout the interim.

### 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	37.00	37.00	37.00	37.00	37.00	37.00	0.00	0.00%
Personal Services	2,464,400	2,704,811	2,650,564	2,651,864	5,169,211	5,302,428	133,217	2.58%
Operating Expenses	920,956	719,479	1,019,195	1,016,511	1,640,435	2,035,706	395,271	24.10%
<b>Total Costs</b>	<b>\$3,385,356</b>	<b>\$3,424,290</b>	<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$6,809,646</b>	<b>\$7,338,134</b>	<b>\$528,488</b>	<b>7.76%</b>
State Special	3,385,356	3,424,290	3,669,759	3,668,375	6,809,646	7,338,134	528,488	7.76%
<b>Total Funds</b>	<b>\$3,385,356</b>	<b>\$3,424,290</b>	<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$6,809,646</b>	<b>\$7,338,134</b>	<b>\$528,488</b>	<b>7.76%</b>

### Page Reference

Legislative Budget Analysis, A-157

### Funding

The division is funded solely by state special revenues generated from assessments, application fees, and examination fees paid by the regulated financial institutions.

### 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	0	0	0	0.00%	3,385,356	3,385,356	6,770,712	92.27%
Statewide PL Adjustments	0	0	0	0.00%	280,742	279,971	560,713	7.64%
Other PL Adjustments	0	0	0	0.00%	6,920	6,354	13,274	0.18%
New Proposals	0	0	0	0.00%	(3,259)	(3,306)	(6,565)	(0.09%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$3,669,759</b>	<b>\$3,668,375</b>	<b>\$7,338,134</b>	

### 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					395,822					397,226
Vacancy Savings					(114,399)					(114,456)
Inflation/Deflation					(1,831)					(1,091)
Fixed Costs					1,150					(1,708)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$280,742</b>	<b>\$0</b>	<b>\$280,742</b>		<b>\$0</b>	<b>\$279,971</b>	<b>\$0</b>	<b>\$279,971</b>
DP 50 - Initial Motion for FY 2012 Base	0.00	0	(280,742)	0	(280,742)	0.00	0	(279,971)	0	(279,971)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	281,423	0	281,423	0.00	0	282,770	0	282,770
DP 52 - Adjustment for Statewide Operations	0.00	0	(192)	0	(192)	0.00	0	(2,319)	0	(2,319)
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	6,431	0	6,431	0.00	0	5,874	0	5,874
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$6,920</b>	<b>\$0</b>	<b>\$6,920</b>	<b>0.00</b>	<b>\$0</b>	<b>\$6,354</b>	<b>\$0</b>	<b>\$6,354</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$287,662</b>	<b>\$0</b>	<b>\$287,662</b>	<b>0.00</b>	<b>\$0</b>	<b>\$286,325</b>	<b>\$0</b>	<b>\$286,325</b>

DP 50 - Initial Motion for 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 funded the department's indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

### 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	14	0.00	0	(95,259)	0	(95,259)	0.00	0	(95,306)	0	(95,306)
DP 1401 - Licensing and Enforcement System Maintenance	14	0.00	0	92,000	0	92,000	0.00	0	92,000	0	92,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,259)</b>	<b>\$0</b>	<b>(\$3,259)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,306)</b>	<b>\$0</b>	<b>(\$3,306)</b>	

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.

DP 1401 - Licensing and Enforcement System Maintenance - The legislature approved the Banking and Financial Division request for \$184,000 for the 2015 biennium for ongoing support, maintenance, and hosting of the COTS database. The division's current fee structure supports this project and no fee increases are anticipated. Cost savings would be recognized by improved efficiency, improved communication with customers, and increased security of sensitive documents. The project is part of the overall department's IT strategic plan.

### 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	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00%
Personal Services	1,791,766	1,800,905	1,794,578	1,795,998	3,592,671	3,590,576	(2,095)	(0.06%)
Operating Expenses	5,564,778	5,360,851	3,075,681	2,963,996	10,925,629	6,039,677	(4,885,952)	(44.72%)
Equipment & Intangible Assets	19,500	42,077	19,500	19,500	61,577	39,000	(22,577)	(36.66%)
Debt Service	89,977	85,827	89,977	89,977	175,804	179,954	4,150	2.36%
<b>Total Costs</b>	<b>\$7,466,021</b>	<b>\$7,289,660</b>	<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$14,755,681</b>	<b>\$9,849,207</b>	<b>(\$4,906,474)</b>	<b>(33.25%)</b>
State Special	0	0	0	0	0	0	0	n/a
Other	7,466,021	7,289,660	4,979,736	4,869,471	14,755,681	9,849,207	(4,906,474)	(33.25%)
<b>Total Funds</b>	<b>\$7,466,021</b>	<b>\$7,289,660</b>	<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$14,755,681</b>	<b>\$9,849,207</b>	<b>(\$4,906,474)</b>	<b>(33.25%)</b>

### Page Reference

Legislative Budget Analysis, A-162

### Funding

#### House Bill 2 Funding

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund and by law its funding for operations must be appropriated by the legislature.

#### Statutory Appropriations

About 80% of the funding for the lottery is statutorily appropriated for lottery prizes and commissions paid to lottery ticket or chance sales agents. In FY 2012 the operating costs for these expenditures increased more than 15% due to increased lottery ticket sales. The legislature adopted and the Governor approved HB 20, which provides that lottery contract fees are statutorily appropriated rather than included in HB 2. The change reduced the proprietary funding included in HB 2 for the program by \$5.9 million over the 2015 biennium. This funding is now included in the legislative budget as part of the statutory appropriations for the program.

### 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	0	0	0	0.00%	7,466,021	7,466,021	14,932,042	151.61%
Statewide PL Adjustments	0	0	0	0.00%	51,307	(58,372)	(7,065)	(0.07%)
Other PL Adjustments	0	0	0	0.00%	445,827	445,241	891,068	9.05%
New Proposals	0	0	0	0.00%	(2,983,419)	(2,983,419)	(5,966,838)	(60.58%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$4,979,736</b>	<b>\$4,869,471</b>	<b>\$9,849,207</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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					77,541					79,021
Vacancy Savings					(74,729)					(74,789)
Inflation/Deflation					(2,771)					(1,321)
Fixed Costs					51,266					(61,283)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$51,307*</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$58,372)*</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	0	(51,307)*	0.00	0	0	0	58,372*
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	0	2,812*	0.00	0	0	0	4,232*
DP 52 - Adjustment for Statewide Operations	0.00	0	0	0	48,874*	0.00	0	0	0	(62,233)*
DP 102 - Allocate Department Indirect/Admin Costs	0.00	0	0	0	(2,552)*	0.00	0	0	0	(3,130)*
DP 1501 - Montana Lottery Coronis MP Terminals - OTO	0.00	0	0	0	448,000*	0.00	0	0	0	448,000*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$445,827*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$445,241*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$497,134*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$386,869*</b>

\* "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 funded the department's indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

DP 1501 - Montana Lottery Coronis MP Terminals - OTO - The legislature provided a one-time-only appropriation of \$896,000 to lease 150 additional Coronis MP Terminals for the 2015 biennium. The lottery will acquire the terminals from its gaming contractor, Intralot, under an operating lease. Increasing the availability of these terminals allows for greater access to terminals to increase sales and net proceeds.

**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 1502 - Reduce Lottery Vendor Fees - HB 20										
15	0.00	0	0	0	(2,983,419)*	0.00	0	0	0	(2,983,419)*
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,983,419)*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,983,419)*</b>

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

DP 1502 - Reduce Lottery Vendor Fees - HB 20 - The legislature approved reductions for operating expenses due to the passage and approval of HB 20, which statutorily appropriates lottery contractor fees previously included in the FY 2012 base budget for the Montana State Lottery.

### 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	0.00	0.00	19.64	19.64	0.00	19.64	19.64	n/a
Personal Services	0	0	1,315,575	1,318,363	0	2,633,938	2,633,938	n/a
Operating Expenses	0	0	6,105,580	6,097,374	0	12,202,954	12,202,954	n/a
Benefits & Claims	0	0	19,395	19,395	0	38,790	38,790	n/a
<b>Total Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,440,550</b>	<b>\$7,435,132</b>	<b>\$0</b>	<b>\$14,875,682</b>	<b>\$14,875,682</b>	<b>n/a</b>
Other	0	0	7,440,550	7,435,132	0	14,875,682	14,875,682	n/a
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,440,550</b>	<b>\$7,435,132</b>	<b>\$0</b>	<b>\$14,875,682</b>	<b>\$14,875,682</b>	<b>n/a</b>

### Page Reference

Legislative Budget Analysis, A-166

### Program Narrative

Statute requires that the administrative costs of the State Employee Group Benefit Plan (SEGBP) be included in HB 2. The legislature approved including personal service costs to support 19.64 FTE, operating expenses associated with administration, and benefit and claims costs for the wellness programs offered by the plan. Operating expenses include:

- \$4.7 million over the biennium for consulting and professional services
- \$3.8 million over the biennium for third party administrator fees for managed care plans

### Funding

As shown above, the division is entirely funded from proprietary funds, a portion of which are appropriated in HB 2. The various accounts provide for two programs and a third function within the division:

- Health Care Benefits Bureau provides oversight and administrative functions for the state employee group benefit plan, including administration of health, dental, life insurance, and flexible spending accounts. It is funded from the Group Benefits Claims A/c, an account used for the administrative costs of the bureau and benefit and claim costs
- Workers' Compensation Management Bureau is the central resource for state agencies in working to:
  - Enhance worker safety
  - Provide for loss-prevention
  - Develop and provide return-to-work programs
  - Coordinate workers' compensation coverage and policy management issues
- Flexible spending funds account for employee deductions for flexible spending, including medical and child care

### 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	0	0	0	0.00%	0	0	0	0.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	240	234	474	0.00%
New Proposals	0	0	0	0.00%	7,440,310	7,434,898	14,875,208	100.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$7,440,550</b>	<b>\$7,435,132</b>	<b>\$14,875,682</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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
<b>Total Statewide Present Law Adjustments</b>		\$0			\$0		\$0			\$0
DP 52 - Adjustment for Statewide Operations	0.00	0	0	0	240*	0.00	0	0	0	234*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$240*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$234*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$240*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$234*</b>

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

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

### 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 2103 - Establish SEGBP in HB 2	21	19.64	0	0	0	7,440,310*	19.64	0	0	0	7,434,898*
<b>Total</b>	<b>19.64</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,440,310*</b>	<b>19.64</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,434,898*</b>	

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

DP 2103 - Establish SEGBP in HB 2 - The legislature funded the administrative costs of the State Employee Group Benefit Plan in HB 2 as required by statute and correspondingly reduced authority in the non-budgeted internal service fund.

### Proprietary Rates

The Healthcare and Benefits Division manages two proprietary programs:

- Health care benefits for employees, which includes the state's health and other benefit insurance plans, and contract administration of the flexible spending accounts
- Management of the state agency workers' compensation insurance

### Employee Benefits Program - 06559

#### Program Description

The Health Care and Benefits Bureau manages the following:

- State employee group benefit health plan
- State employee sick leave fund
- Employee assistance services
- Health promotion
- Voluntary employee benefit health care expense trust

*Program Narrative*Expenses

Significant costs for the program include:

- \$341.8 million in benefits and claims including:
  - \$247.3 million for projected medical and dental claims – an increase of 10.27% above the FY 2012 base amount in FY 2014 and 16.7% in FY 2015
  - \$83.3 million for projected prescription drug payments – an increase of 41.5% above the FY 2012 base amount in FY 2014 and 67.5% in FY 2015

Primary cost drivers for both medical and dental claims and prescription drug payments are projected costs and service utilization. The projected budget anticipates cost increases of \$58.8 million over the biennium for medical and prescription drug cost and utilization increases compared to the FY 2012 base budget of \$141.5 million. By comparison the projected budget increase for the 2013 biennium was \$57.8 million over the biennium compared to a base budget of \$101.4 million.

It should be noted that for FY 2012 the projected costs for these benefits was \$131.0 million, or \$10.5 million less than actual costs. Higher costs in the base year were driven by higher incurred medical payments. Measurements related to medical costs for the first six months of the plan year include:

- Medical expenses per eligible participant were up 9.9% for the period January through June
- Medical paid claims loss ratio of 87.7% compared to 78.7% a year ago for active employees. A loss ratio is the amount of health care costs incurred during the year compared to the amount of premium
- Medical paid claims loss ratio of 104.0% compared to 85.7% a year ago for retirees
  - Early retirees medical paid loss ratio of 151.8% compared to 138.5% a year ago
  - Retirees eligible for Medicare medical paid loss ratio of 72.3% compare to 48.4% a year ago

Revenues

The state group plan is self-insured, and as such is responsible for medical costs incurred by its members. The health plan is funded by the state (employer share) and premium payments by members. The state share is \$733 per month and is established in 2-18-703(2), MCA. As a component of employee compensation, the state contribution amount is a subject of collective bargaining and is negotiated as part of the overall pay package for state employees.

Plan revenues from premiums are estimated at \$165.0 million in FY 2014 and \$175.0 million in FY 2015. The state share for the state employee group health plan is budgeted at \$121.0 million in both FY 2014 and FY 2015 or 73.3% of the estimated plan costs in FY 2014 and 69.1% in FY 2015, with the remainder primarily from additional premiums paid by members and investment income.

*Proprietary Rates*

For the 2015 biennium, the following rates are included in HB 13 for consideration by the legislature and are shown below. The rates charged in the base year are shown for comparison purposes.

Rates for Internal Service Funds				
Fee/Rate Information for Legislative Action				
	Actual FY 12	Budgeted FY 13	Budgeted* FY 14	Budgeted* FY 15
Fee Group A				
State share per employee per month	733	733	806	887
Rates are established to maintain adequate actuarial reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average monthly state share rate for each fiscal year. Rates for FY 2014 and 2015 have not been determined at this time.				
* Indicates the state share proposed in the Governor's January 7, 2013 budget submission to the legislature in HB 13. As proposed the increased state share would begin January 1, 2014 and 2015 for state employees and July 1, 2013 and 2014 for MUS employees				

The rates shown above are the state contribution for each state employee each month. The rates are contained in the proposed pay plan (HB 13) and, if adopted by the legislature, will be included in statute. The various premium costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claims costs for each insurance type. Any difference between the state contribution and actual costs are made up by employee premiums and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of premiums from two plan years.

### **Workers' Compensation Management Program – 06575**

#### *Program Description*

The Health Care & Benefits Division manages the Workers' Compensation Management Program. The program assists employees and state agencies in ensuring a safe working environment and reducing on-the-job injuries and accidents in the workplace, and assists employees who are injured in returning to work. The program is the central resource in working with the state's workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues.

#### *Program Narrative*

#### Expenses

Significant costs for the program are for:

- o Personal services of \$375,492 over the biennium
- o Operating costs of \$73,796 over the biennium

#### Revenues

The workers' compensation management program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period. The rate in HB 2 is \$0.82 for each payroll warrant in FY 2014 and FY 2015.

#### *Proprietary Rates*

For the 2015 biennium the following rates were adopted by the legislature as shown below. The rates charged in the base year are shown for comparison purposes.

<b>Rates for Enterprise Funds</b>				
<b>Fee/Rate Information</b>				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Administrative Fee (per payroll warrant)	\$1.09	\$1.08	\$0.82	\$0.82
Program rates have been established to maintain a 60-day working capital. The rates are to be paid by state agencies and are based on a projected number of payroll Note: Prior to fiscal year 2010, the program expenditures were included in the General Fund. Note also: This analysis does not include OPEB expenses.				

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.

**Flexible Spending Account Program – (06027)***Program Description*

The Flexible Spending Account Program allows employees to defer part of their gross pay into an account for reimbursement of qualified:

- Medical expenses
- Childcare expenses

*Program Narrative*

HCBD contracts to administer a flexible spending account program for state employees, who can set aside a certain amount of their pay into accounts for costs throughout the year. The “set aside” funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims for allowable expenses to use funds deposited into the accounts. Employees forfeit any unspent funds.

Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. The current contribution maximums are \$2,500 per year for medical and \$5,000 per year for dependent care.

Expenses

Significant costs for the program are for the administration contract.

Revenues

The flexible spending account program is funded from an administrative fee of \$2.26 per month on each account. The fee was waived in the 2013 biennium. At times the flexible spending account program has accumulated additional funds due to forfeited funds. In the 2013 biennium the program used the additional funds to waive the monthly \$2.26 fee charged to participants.

*Proprietary Rates*

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

<b>Rates for Enterprise Funds</b>				
<b>Fee/Rate Information</b>				
	Actual FY 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Fee Group A				
Administrative Fee (per member per mo)	\$0.00	\$0.00	\$2.26	\$2.26
Administrative fees charged and collected from plan participants are determined through the competitive bid process as part of the selection of a plan administrator.				

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.

### 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	18.21	18.21	18.21	18.21	18.21	18.21	0.00	0.00%
Personal Services	1,165,887	1,315,245	1,380,827	1,380,997	2,481,132	2,761,824	280,692	11.31%
Operating Expenses	396,099	470,211	456,570	454,172	866,310	910,742	44,432	5.13%
<b>Total Costs</b>	<b>\$1,561,986</b>	<b>\$1,785,456</b>	<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,347,442</b>	<b>\$3,672,566</b>	<b>\$325,124</b>	<b>9.71%</b>
General Fund	1,561,986	1,785,456	1,837,397	1,835,169	3,347,442	3,672,566	325,124	9.71%
<b>Total Funds</b>	<b>\$1,561,986</b>	<b>\$1,785,456</b>	<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,347,442</b>	<b>\$3,672,566</b>	<b>\$325,124</b>	<b>9.71%</b>

### Page Reference

Legislative Budget Analysis, A-175

### Funding

#### HB 2

General fund supports the operations of Human Resources Policy Program and the State Office of Labor Relations.

#### Proprietary Funding

The majority of the division budget is supported by proprietary funds that fund two programs:

- Professional Development Center (PDC)
- Human Resource Information Services (HRIS) bureau

The PDC is supported through fees in the form of tuition paid by state agencies that enroll employees in the various classes provided by PDC and fees for other services offered by the PDC. The HRIS bureau is funded through a fee charged state agencies for each employee payroll processed in a pay period. Both of these funds are considered and approved as rates charged to other state agencies and are discussed in the "Proprietary Rates" section of the narrative.

### 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	1,561,986	1,561,986	3,123,972	85.06%	1,561,986	1,561,986	3,123,972	85.06%
Statewide PL Adjustments	269,199	267,266	536,465	14.61%	269,199	267,266	536,465	14.61%
Other PL Adjustments	6,212	5,917	12,129	0.33%	6,212	5,917	12,129	0.33%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,672,566</b>		<b>\$1,837,397</b>	<b>\$1,835,169</b>	<b>\$3,672,566</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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					272,473					272,651
Vacancy Savings					(57,533)					(57,541)
Inflation/Deflation					77					239
Fixed Costs					54,182					51,917
<b>Total Statewide Present Law Adjustments</b>		<b>\$269,199</b>	<b>\$0</b>	<b>\$0</b>	<b>\$269,199</b>		<b>\$267,266</b>	<b>\$0</b>	<b>\$0</b>	<b>\$267,266</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(269,199)	0	0	(269,199)	0.00	(267,266)	0	0	(267,266)
DP 51 - Adjustment for Statewide Personal Services	0.00	214,940	0	0	214,940	0.00	215,110	0	0	215,110
DP 52 - Adjustment for Statewide Operations	0.00	54,478	0	0	54,478	0.00	52,370	0	0	52,370
DP 102 - Allocate department indirect/admin costs	0.00	5,993	0	0	5,993	0.00	5,703	0	0	5,703
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$6,212</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,212</b>	<b>0.00</b>	<b>\$5,917</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,917</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$275,411</b>	<b>\$0</b>	<b>\$0</b>	<b>\$275,411</b>	<b>0.00</b>	<b>\$273,183</b>	<b>\$0</b>	<b>\$0</b>	<b>\$273,183</b>

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 funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

### Proprietary Rates

The State Human Resources Division provides the following programs funded through proprietary rates:

- Professional Developmental Center, which trains state employees
- Human Resource Information Services, including payroll and benefits eligibility processing

### Professional Development Center/Training Program - 06525

#### Program Description

The Professional Development Center (PDC) program provides training and related services throughout locations in Montana. The PDC offers training directed toward improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design.

*Program Narrative*

The legislature rejected a proposal by the executive to change the methodology used to fund the PDC. The executive proposed to charge each agency budget an annual per employee charge rather than base the revenues on enrollment fees for the various classes offered to employees. Instead the legislature elected to continue tuition as the proprietary rate used to provide for the expenses of the program.

Expenses

Significant costs for the program are for:

- Personal services of \$0.4 million over the biennium
- Operating costs of \$0.3 million over the biennium

Revenues

In the 2015 biennium, two sources of revenue cover the personal services and operating expenses for the PDC:

- Open-enrollment fees, which is a per-person tuition charged for attendance. Tuition rates are based on two factors: 1) projected attendance; and 2) competitive pricing. Tuition rates for the 2013 biennium were based on the proportion of fixed and personal services costs to the overall anticipated program cost. The amount per person varies by length of the course and number of people attending from a single agency.
- Contract fees, which is a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract.

*Proprietary Rates*

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

<b>Rates for Internal Service Funds</b>				
<b>Fee/Rate Information for Legislative Action</b>				
	Actual	Projected	Projected	Projected
	FY 12	FY 13	FY 14	FY 15
PDC Fee per FTE	N/A	N/A	N/A	N/A
Fee Group A				
Training Services per hour				
Open Enrollment Courses				
Two-Day Course (per participant)	\$187.00	\$190.00	\$190.00	\$190.00
One-Day Course (per participant)	\$120.00	\$123.00	\$123.00	\$123.00
Half-Day Course (per participant)	\$93.00	\$95.00	\$95.00	\$95.00
Eight-Day Management Series (per participant)	\$565.00	\$570.00	\$570.00	\$570.00
Six-Day Management Series (per participant)	\$465.00	\$440.00	\$440.00	\$440.00
Four-Day Administrative Assistant Series (per par	\$330.00	\$333.00	\$333.00	\$333.00
Contract Courses				
Full Day Training (flat fee)	\$825.00	\$830.00	\$830.00	\$830.00
Half Day Training (flat fee)	\$565.00	\$570.00	\$570.00	\$570.00
The Training Program determines rates by analyzing its billable staff hours, overhead costs, and variable costs which are directly associated with providing a specific training service. Service fees include an allocation of total overhead costs based on an estimate of total billable hours during the year. Rates are established to build up to a 60-day working capital.				
Note: This analysis does not include OPEB expenses.				

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.

### HRIS Bureau - 06563

#### *Program Description*

The Human Resources Information Services (HRIS) operates the payroll, benefits, and human resources system of the State Accounting Budgeting and Human Resources (SABHRS). SABHRS is used to process, distribute, report, and account for payroll, benefits and associated withholding and deductions for over 13,500 state employees in the executive, legislative, and judicial branches. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation, and pension) classification, pay, labor relations, policy, and training.

#### *Program Narrative*

During FY 2012 the State Human Resource Division transferred 4.0 FTE to the Health Care and Benefits Division (HCBD) and 0.68 FTE to the Director's Office. The 4.0 FTE that were transferred to the HCBD had previously worked for HCDB under a memorandum of understanding. The result of the transfer is that the expenses for personal services included in the HRIS Bureau have decreased by \$244,500 a year.

#### Expenses

Significant costs for the program are for:

- Personal services of \$3.3 million over the biennium for 23.29 FTE
- Operating costs of \$3.2 million over the biennium including a \$29,200 increase for projected license and maintenance fee increases for SABHRS-HR software

#### Revenues

The revenues are collected from two sources: 1) central payroll processing fees are assessed to each agency based on the average number of paychecks processed during the prior two fiscal years; and 2) costs associated with processing the benefit eligibility elections for the 35,000 plan members are collected from the Health Care and Benefits Division.

#### *Proprietary Rates*

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

Rates for Internal Service Funds				
Fee/Rate Information for Legislative Action				
	Actual	Projected	Projected	Projected
	FY 12	FY 13	FY 14	FY 15
Fee Group A				
HRIS fees (per employee processed per pay period)	\$8.06	\$8.10	\$8.13	\$8.15
Health Resources Information Services (HRIS) rates have been established under the authority of 2-18-401, MCA, and 2-18-403, MCA. Projected HRIS expenditures anticipated for the 2013 biennium are distributed as a fixed cost fee to the Health Care Benefits Division for services rendered by HRIS to support benefit operations associated with managing the state's payroll system; and as a fixed cost rate to state agencies based on an estimated average number of payroll warrants/advices per pay period per agency. The agencies' payroll warrant/advice counts are based upon FY 2009 and FY 2010 data.				

Note: This analysis does not include OPEB expenses.

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.

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**Funding***Proprietary Funding*

The majority of the division budget is supported by proprietary funds that are derived from premium assessments on insurance risks paid by state agencies and the Montana University System. These funds are considered and approved as rates charges to other state agencies and are discussed in the “Proprietary Rates” section of the narrative.

*Statutory Appropriations*

Less than 20% of the division’s funding is derived from statutory appropriations for the receipts of insurance reimbursements on state agency buildings.

**Proprietary Rates***Program Description*

The Risk Management and Tort Defense Division administers a comprehensive plan of property and casualty insurance protection on behalf of state government.

*Program Narrative*

In September 2011 Judge Sherlock approved a \$43.0 million settlement with victim in Libby who had been impacted by asbestos. \$26.8 million of the settlement was paid from the State Property/Casualty Insurance Fund (fund).

The effect the settlement payment of \$26.8 million for Montana asbestos victims had on the fund was that it:

- Eliminated reserves for all insurance risks for FY 2012, not only general liability but automobile, aviation, and property
- Reduced assets in the account to \$3.5 million at the end of FY 2012
- Created an unfunded liability of (\$17.1) million at FYE 2012

The legislature approved a two-step process to reduce the unfunded liability and establish reserves for the various risks:

- Increased rates for general liability by 20% compared to those charged in the 2013 biennium
- Included \$13.4 million in general fund in HB 3 as it came out of House Appropriations Committee

The effect of the process is that reserves for automobile, aviation, and property insurance risks will be reestablished to the level prior to the settlement payment. For general liability, given the increased premium revenues and establishment of reserves for the other risks, the unfunded liability for the program is estimated to be (\$7.1) million at the end of FY 2015.

**Expenses**

Significant costs for the program are for:

- Personal services of \$2.4 million for 17.00 FTE over the biennium
- Operating expenses of \$11.8 million over the biennium including
  - \$5.6 million for commercial insurance
  - \$3.4 million for legal fees and court costs
  - \$0.5 million for application development of computer systems
- Benefits and Claims costs estimated at \$11.5 million over the biennium

Payments for claims and the operational expenses incurred by the division are expended from the fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claim costs or loss adjustment expenses and for incurred but not yet reported claims.

### Revenues

Montana self-insures its insurance risks for automobile, aviation, general liability, and property via this program so all state agencies pay insurance premiums to the Risk Management and Tort Defense Division. Depending on the type of property owned or on the agency's claims history, insurance premiums paid by agencies can vary.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. Budget authority to pay insurance premiums is a fixed cost item in the agencies' budgets. The statewide fixed cost in the legislative budget increases from the 2013 biennium due to an increase in all insurance risks.

The legislature approved rate increases insurance costs to state agencies by \$2.8 million each year of the biennium or 24.1 %. Premiums for the 2015 biennium are apportioned based upon exposure and uniform reductions in loss experience as follows:

- Automobile - comprised of two separate components: 1) comprehensive and collision based upon total values of reported vehicles; and 2) auto liability premium based upon agency losses and the number of vehicles reported
- Aviation - allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports
- General Liability - comprised of commercial coverage, which is based on commercial coverage negotiated with commercial insurance carriers and self-insured
- Property - allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers and machinery, etc.).

### *Proprietary Rates*

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

<b>Rates for Internal Service Funds</b>				
<b>Fee/Rate Information</b>				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Premium				
Auto/Comp/Collision	\$1,031,347	\$1,037,665	\$1,248,500	\$1,248,500
Aviation	212,451	212,451	169,961	169,961
General Liability	6,750,000	6,750,000	8,100,000	8,100,000
Property/Miscellaneous	<u>3,733,020</u>	<u>3,783,090</u>	<u>5,040,000</u>	<u>5,040,000</u>
Total	<u>\$11,726,818</u>	<u>\$11,783,206</u>	<u>\$14,558,461</u>	<u>\$14,558,461</u>

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.

### 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	7.50	7.50	7.50	7.50	7.50	7.50	0.00	0.00%
Personal Services	384,342	450,541	463,044	463,753	834,883	926,797	91,914	11.01%
Operating Expenses	77,083	88,728	87,477	86,802	165,811	174,279	8,468	5.11%
Local Assistance	15,764	5,073	15,764	15,764	20,837	31,528	10,691	51.31%
<b>Total Costs</b>	<b>\$477,189</b>	<b>\$544,342</b>	<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,021,531</b>	<b>\$1,132,604</b>	<b>\$111,073</b>	<b>10.87%</b>
General Fund	477,189	544,342	566,285	566,319	1,021,531	1,132,604	111,073	10.87%
<b>Total Funds</b>	<b>\$477,189</b>	<b>\$544,342</b>	<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,021,531</b>	<b>\$1,132,604</b>	<b>\$111,073</b>	<b>10.87%</b>

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### Funding

The board is fully funded with general fund. General fund also provides support for travel expenses, compensation, and all other incidental expenses of county tax appeal boards, except that counties fund office and equipment expenses of their respective county boards.

### 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	477,189	477,189	954,378	84.26%	477,189	477,189	954,378	84.26%
Statewide PL Adjustments	85,707	85,837	171,544	15.15%	85,707	85,837	171,544	15.15%
Other PL Adjustments	3,389	3,293	6,682	0.59%	3,389	3,293	6,682	0.59%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,132,604</b>		<b>\$566,285</b>	<b>\$566,319</b>	<b>\$1,132,604</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget approved 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					97,976					98,715
Vacancy Savings					(19,274)					(19,304)
Inflation/Deflation					29					63
Fixed Costs					6,976					6,363
<b>Total Statewide Present Law Adjustments</b>		<b>\$85,707</b>	<b>\$0</b>	<b>\$0</b>	<b>\$85,707</b>		<b>\$85,837</b>	<b>\$0</b>	<b>\$0</b>	<b>\$85,837</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(85,707)	0	0	(85,707)	0.00	(85,837)	0	0	(85,837)
DP 51 - Adjustment for Statewide Personal Services	0.00	78,702	0	0	78,702	0.00	79,411	0	0	79,411
DP 52 - Adjustment for Statewide Operations	0.00	7,095	0	0	7,095	0.00	6,514	0	0	6,514
DP 102 - Allocate Department Indirect/Admin Costs	0.00	3,299	0	0	3,299	0.00	3,205	0	0	3,205
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,389</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,389</b>	<b>0.00</b>	<b>\$3,293</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,293</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$89,096</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,096</b>	<b>0.00</b>	<b>\$89,130</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,130</b>

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 funded the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.