

Program Budget Comparison

The following table summarizes the total executive 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	16.00	16.00	18.00	18.00	16.00	18.00	2.00	12.50%
Personal Services	810,031	943,083	1,062,517	1,063,803	1,753,114	2,126,320	373,206	21.29%
Operating Expenses	2,511,876	2,490,111	3,136,528	3,137,034	5,001,987	6,273,562	1,271,575	25.42%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Total Costs	\$3,321,907	\$3,433,194	\$4,199,045	\$4,200,837	\$6,755,101	\$8,399,882	\$1,644,781	24.35%
General Fund	801,606	790,402	974,684	976,724	1,592,008	1,951,408	359,400	22.58%
State Special	1,985,509	2,003,841	2,496,156	2,496,193	3,989,350	4,992,349	1,002,999	25.14%
Other	534,792	638,951	728,205	727,920	1,173,743	1,456,125	282,382	24.06%
Total Funds	\$3,321,907	\$3,433,194	\$4,199,045	\$4,200,837	\$6,755,101	\$8,399,882	\$1,644,781	24.35%

Program Description

The Montana Correctional Enterprises (MCE) Division provides vocational education and on the job training to over 500 offenders. MCE programs allow offenders to gain valuable knowledge, life skills, and work experience, helping them to transition back into society.

Program Highlights

Montana Correctional Enterprises Major Budget Highlights
<ul style="list-style-type: none"> ◆ Major factors contributing to the proposed funding increase are: <ul style="list-style-type: none"> • A request to add 2.00 FTE for the vocational education program • Requests for overtime and inmate pay that are 62% higher than the base • A request to purchase \$1.0 million in merchandise for the canteen for purchase by inmates
Major LFD Issues
<ul style="list-style-type: none"> ◆ A portion of the vocational education program is included in HB 2 funding and also being requested as a proprietary rate ◆ Fees for the license plate factory are not commensurate with costs ◆ Revenue projections for the vocational education proprietary fund and the MSP institutional industries fund are questionable

Program Discussion

LFD ISSUE Vocational Education – Proprietary Budgeted as Both HB 2 and Non-Budgeted Proprietary

The Vocational Education Program consists of two segments: 1) a portion that provides inmates with training for various job skills intended to improve the inmates’ transition back into the community (Vocational Education – General Fund); and 2) a similar job training program that provides services to Toyota Motor Company and other areas of the Montana State Prison in exchange for a fee to the program receiving the service (Vocational Education – Proprietary)

LFD ISSUE CONT. The Vocational Education – Proprietary portion of the program is funded with an internal services fund and legislative actions for this type of funding are to approve the maximum level of fees the program may charge during the biennium. The Vocational Education – Proprietary has been included in this budget as both a HB 2 subprogram and a proprietary program requesting rate approval.

Inclusion of the HB 2 subprogram for this function overstates the budget for this program and the agency by nearly \$1.5 million for the biennium in proprietary funds. The legislature need not approve the appropriation for the subprogram Vocational Education – Proprietary 07.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Corrections Funding by Source of Authority 2015 Biennium Budget - Mont Correctional Enterprises							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,951,408	\$0	\$0	\$1,951,408	6.1%		
State Special Total	\$4,992,349	\$0	\$0	\$4,992,349	15.7%		
02917 Msp Canteen Revolving Acct	\$4,992,349	\$0	\$0	\$4,992,349	15.7%		
Proprietary Total	\$1,456,125	\$23,341,291	\$0	\$24,797,416	78.1%		
06034 Msp Institutional Industries	\$0	\$4,519,754	\$0	\$4,519,754	14.2%		
06572 Mce License Plate Production	\$0	\$1,872,667	\$0	\$1,872,667	5.9%		
06573 Msp - Cook Chill	\$0	\$8,019,092	\$0	\$8,019,092	25.3%		
Total All Funds	\$8,399,882	\$23,341,291	\$0	\$31,741,173	100.0%		
Percent - Total All Sources	26.5%	73.5%	0.0%				

This program is funded by a combination of general fund, state special revenue, and proprietary funds. General fund supports the industries program and personal services costs for the inmate canteen. State special revenue from the inmate canteen fund supports the purchase of merchandise that is distributed and sold to inmates through the canteen. Proprietary funds support a portion of the industries program. The prison ranch, a portion of the industries program, food factory, and license plate operations are funded with non-budgeted proprietary funds and are discussed separately in the Proprietary Rates section.

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	801,606	801,606	1,603,212	82.16%	3,321,907	3,321,907	6,643,814	79.09%
Statewide PL Adjustments	(16,858)	(14,686)	(31,544)	(1.62%)	25,202	27,126	52,328	0.62%
Other PL Adjustments	52,500	52,500	105,000	5.38%	714,500	714,500	1,429,000	17.01%
New Proposals	137,436	137,304	274,740	14.08%	137,436	137,304	274,740	3.27%
Total Budget	\$974,684	\$976,724	\$1,951,408		\$4,199,045	\$4,200,837	\$8,399,882	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

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					60,364					61,845
Vacancy Savings					(34,814)					(34,877)
Inflation/Deflation					(348)					158
Total Statewide Present Law Adjustments		(\$16,858)	(\$19,353)	\$0	\$25,202*		(\$14,686)	(\$19,316)	\$0	\$27,126*
DP 402 - MCE Overtime and Inmate Pay	0.00	52,500	30,000	0	114,500*	0.00	52,500	30,000	0	114,500*
DP 403 - MCE Additional Spending Authority	0.00	0	500,000	0	600,000*	0.00	0	500,000	0	600,000*
Total Other Present Law Adjustments	0.00	\$52,500	\$530,000	\$0	\$714,500*	0.00	\$52,500	\$530,000	\$0	\$714,500*
Grand Total All Present Law Adjustments	0.00	\$35,642	\$510,647	\$0	\$739,702*	0.00	\$37,814	\$510,684	\$0	\$741,626*

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

New Proposals

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
	DP 402 - MCE Vocational Training FTE at MWP/MSP	04	2.00	137,436	0	0	137,436	2.00	137,304	0	0	137,304
	Total	2.00	\$137,436	\$0	\$0	\$137,436	2.00	\$137,304	\$0	\$0	\$137,304	

Sub-Program Details

VOCATIONAL EDUCATION 02

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	9.00	0.00	2.00	11.00	0.00	2.00	11.00	11.00
Personal Services	500,763	35,424	112,436	648,623	37,031	112,304	650,098	1,298,721
Operating Expenses	155,195	(297)	25,000	179,898	172	25,000	180,367	360,265
Total Costs	\$655,958	\$35,127	\$137,436	\$828,521	\$37,203	\$137,304	\$830,465	\$1,658,986
General Fund	655,958	35,127	137,436	828,521	37,203	137,304	830,465	1,658,986
Total Funds	\$655,958	\$35,127	\$137,436	\$828,521	\$37,203	\$137,304	\$830,465	\$1,658,986

Sub-Program Description

This subprogram consists of the vocational education in areas of motor vehicle servicing and maintenance, business skills, welding and machining, and meat cutting. This subprogram provides re-entry services by providing job skills for inmates to use upon re-entry to the community.

Budget Summary by Category

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

Budget Summary by Category								
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	655,958	655,958	1,311,916	79.08%	655,958	655,958	1,311,916	79.08%
Statewide PL Adjustments	(12,373)	(10,297)	(22,670)	(1.37%)	(12,373)	(10,297)	(22,670)	(1.37%)
Other PL Adjustments	47,500	47,500	95,000	5.73%	47,500	47,500	95,000	5.73%
New Proposals	137,436	137,304	274,740	16.56%	137,436	137,304	274,740	16.56%
Total Budget	\$828,521	\$830,465	\$1,658,986		\$828,521	\$830,465	\$1,658,986	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Budget Item	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					8,285					9,961
Vacancy Savings					(20,361)					(20,430)
Inflation/Deflation					(297)					172
Total Statewide Present Law Adjustments		(\$12,373)	\$0	\$0	(\$12,373)		(\$10,297)	\$0	\$0	(\$10,297)
DP 402 - MCE Overtime and Inmate Pay	0.00	47,500	0	0	47,500	0.00	47,500	0	0	47,500
Total Other Present Law Adjustments										

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
	0.00	\$47,500	\$0	\$0	\$47,500	0.00	\$47,500	\$0	\$0	\$47,500
Grand Total All Present Law Adjustments	0.00	\$35,127	\$0	\$0	\$35,127	0.00	\$37,203	\$0	\$0	\$37,203

DP 402 - MCE Overtime and Inmate Pay - The executive requests general fund for staff overtime and inmate pay. These expenses are zero-based and must be requested in full each biennium.

LFD COMMENT	Base expenditures of this subprogram were \$25,664. This request represents an 85% increase over the base.
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New Proposals

New Proposals										
-----Fiscal 2014-----						-----Fiscal 2015-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - MCE Vocational Training FTE at MWP/MSP										
02	2.00	137,436	0	0	137,436	2.00	137,304	0	0	137,304
Total	2.00	\$137,436	\$0	\$0	\$137,436	2.00	\$137,304	\$0	\$0	\$137,304

DP 402 - MCE Vocational Training FTE at MWP/MSP – The executive requests general fund to purchase reference materials and fund personal services to add 2.00 FTE. One position would be for the high-side vocational education program at Montana State Prison and the second position would be for vocational education programs at Montana Women’s Prison.

Sub-Program Details

INMATE CANTEEN 06

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00	3.00
Personal Services	164,950	11,213	0	176,163	11,309	0	176,259	352,422
Operating Expenses	1,966,207	499,949	0	2,466,156	499,986	0	2,466,193	4,932,349
Total Costs	\$2,131,157	\$511,162	\$0	\$2,642,319	\$511,295	\$0	\$2,642,452	\$5,284,771
General Fund	145,648	515	0	146,163	611	0	146,259	292,422
State/Other Special	1,985,509	510,647	0	2,496,156	510,684	0	2,496,193	4,992,349
Total Funds	\$2,131,157	\$511,162	\$0	\$2,642,319	\$511,295	\$0	\$2,642,452	\$5,284,771

Sub-Program Description

This subprogram consists of activities in support of the inmate canteen where inmates purchase various personal items.

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	145,648	145,648	291,296	99.61%	2,131,157	2,131,157	4,262,314	80.65%
Statewide PL Adjustments	(4,485)	(4,389)	(8,874)	(3.03%)	(23,838)	(23,705)	(47,543)	(0.90%)
Other PL Adjustments	5,000	5,000	10,000	3.42%	535,000	535,000	1,070,000	20.25%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$146,163	\$146,259	\$292,422		\$2,642,319	\$2,642,452	\$5,284,771	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(17,906)					(17,805)
Vacancy Savings					(5,881)					(5,886)
Inflation/Deflation					(51)					(14)
Total Statewide Present Law Adjustments		(\$4,485)	(\$19,353)	\$0	(\$23,838)		(\$4,389)	(\$19,316)	\$0	(\$23,705)
DP 402 - MCE Overtime and Inmate Pay	0.00	5,000	30,000	0	35,000	0.00	5,000	30,000	0	35,000
DP 403 - MCE Additional Spending Authority	0.00	0	500,000	0	500,000	0.00	0	500,000	0	500,000
Total Other Present Law Adjustments	0.00	\$5,000	\$530,000	\$0	\$535,000	0.00	\$5,000	\$530,000	\$0	\$535,000
Grand Total All Present Law Adjustments	0.00	\$515	\$510,647	\$0	\$511,162	0.00	\$611	\$510,684	\$0	\$511,295

DP 402 - MCE Overtime and Inmate Pay - The executive requests general fund and state special revenue for staff overtime and inmate pay. These expenses are zero-based and must be requested in full each biennium.

LFD COMMENT	Base expenditures of this subprogram were \$22,960. This request represents an 52% increase over the base.
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DP 403 - MCE Additional Spending Authority - The executive requests state special revenue for the purchase of additional merchandise for the canteen.

Sub-Program Details

VOCATIONAL EDUCATION - PROPRIETARY 07

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	144,318	93,413	0	237,731	93,128	0	237,446	475,177
Operating Expenses	390,474	100,000	0	490,474	100,000	0	490,474	980,948
Total Costs	\$534,792	\$193,413	\$0	\$728,205	\$193,128	\$0	\$727,920	\$1,456,125
Proprietary	534,792	193,413	0	728,205	193,128	0	727,920	1,456,125
Total Funds	\$534,792	\$193,413	\$0	\$728,205	\$193,128	\$0	\$727,920	\$1,456,125

Sub-Program Description

This proprietary program consists of the motor vehicle maintenance shop and Toyota cutaway operation.

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%	534,792	534,792	1,069,584	73.45%
Statewide PL Adjustments	0	0	0	0.00%	61,413	61,128	122,541	8.42%
Other PL Adjustments	0	0	0	0.00%	132,000	132,000	264,000	18.13%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$728,205	\$727,920	\$1,456,125	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD ISSUE	<p><u>Proprietary Funding</u></p> <p>Because the proprietary funds associated with this subprogram are approved in the rates, the legislature does not need to fund these decision packages or the base budget. For a further discussion, see the summary section of this division’s narrative.</p>
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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					69,985					69,689
Vacancy Savings					(8,572)					(8,561)
Total Statewide Present Law Adjustments		\$0	\$0	\$0	\$61,413*		\$0	\$0	\$0	\$61,128*
DP 402 - MCE Overtime and Inmate Pay	0.00	0	0	0	32,000*	0.00	0	0	0	32,000*
DP 403 - MCE Additional Spending Authority	0.00	0	0	0	100,000*	0.00	0	0	0	100,000*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$132,000*	0.00	\$0	\$0	\$0	\$132,000*
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$193,413*	0.00	\$0	\$0	\$0	\$193,128*

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

DP 402 - MCE Overtime and Inmate Pay - The executive requests proprietary funds for staff overtime and inmate pay. These expenses are zero-based and must be requested in full each biennium.

LFD COMMENT	Base expenditures of this subprogram were \$22,182. This request represents an 44% increase over the base.
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DP 403 - MCE Additional Spending Authority - The executive requests proprietary funds for the purchase of additional parts and supplies for motor vehicle maintenance operations, which is part of the vocational education program.

Proprietary Rates

The Montana Correctional Enterprises Program provides the following functions funded with proprietary funds. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- o Prison Ranch
- o Industries
- o Food Factory
- o License Plate Operations

Prison Ranch – Fund 06033

Proprietary Proposed Budget

The 2015 biennium report on enterprise funds for the Prison Ranch shows the financial information for the fund from FY 2010 through FY 2015. The report is provided as submitted by the executive and is included in the appendix for this agency.

Proprietary Program Description

The proprietary program consists of the ranch operation located near the Montana State Prison in Deer Lodge and includes cattle, crops, feedlot, land management, dairy milking parlor, dairy processing, heifer reproduction, and lumber processing activities.

*Proprietary Program Narrative*Expenses

Personal services funds 21.50 FTE. The largest operating expenses for the program include items such as feed, grain, gasoline, diesel fuel, and veterinary supplies. The cost of these supplies varies with general economic conditions.

Revenues

Revenues for this program are derived primarily from the sale of raw milk and livestock. Additionally, a small amount of revenue is generated through logging. Revenues vary depending upon general economic conditions that impact commodity prices.

Funding Sources

Prison ranch products are sold in the private sector.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$497,000 for the biennium to fund statewide present law adjustments.

Proprietary Rates

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program.

MSP Institutional Industries – Fund 06034*Proprietary Proposed Budget*

The 2015 biennium report on enterprise funds for the MSP Institutional Industries shows the financial information for the fund from FY 2010 through FY 2015. The report is provided as submitted by the executive and is included in the appendix for this agency.

**LFD
ISSUE**Fee Revenue Questionable and Net Assets are Growing

The fee revenues shown on the report for each year of the 2015 biennium are exactly the same but lower than the projection for FY 2013. These revenue estimates are questionable given the proposed rate increases that incrementally increase each year of the 2015 biennium over those for the 2013 biennium. When rates were increased from the 2011 biennium to the 2013 biennium, the revenues increased accordingly. Even with the revenue estimates shown on the report, operating income is driving up net assets, which gives the indication that fees are not commensurate with costs as required in state law.

The legislature may want to request that the agency provide updated revenue estimates for FY 2014 and FY 2015 to see how more realistic revenues would impact operating income and the resulting net assets. Since a large portion of the fees paid for this service are by other agencies including this department, other state funds including general fund are indirectly impacted by fees of this program. The legislature may want to recommend to the agency that they adjust fees so they are commensurate with cost.

Proprietary Program Description

This proprietary program consists of the furniture, upholstery, print, sign, and laundry operations at the Montana State Prison facility.

*Proprietary Program Narrative*Expenses

The expenses are split almost equally between personal services for 21.00 FTE and operating expenses. The largest categories of operating expenses for the program include items related to furniture manufacturing and shop supplies.

Revenues

Revenues are derived primarily from the sale of merchandise (furniture and signs) and charges for laundry services. In FY 2012 about \$935,000 of revenue was derived from furniture sales and upholstery work to state agencies and the private sector and \$433,000 was derived from the provision of laundry services to Montana State Prison (MSP) and Montana State Hospital (MSH).

Funding Sources

Because a large portion of revenues are the result of business done with state agencies, a portion of the revenue from this program comes indirectly from the general fund and other special revenue and proprietary funds in undeterminable amounts.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$291,000 for the biennium to fund statewide present law adjustments.

Proprietary Rates

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program.

MCE Food Factory – Fund 06573*Proprietary Proposed Budget*

The 2015 biennium report on internal service funds for the MCE Food Factory shows the financial information for the fund from FY 2010 through FY 2015. The report is provided as submitted by the executive and is included in the appendix for this agency.

Proprietary Program Description

This proprietary program consists of food processing and creation of trayed meals and products that are sold to other facilities of the agency and the Montana State Hospital at Warm Springs.

*Proprietary Program Narrative*Expenses

The expenses include personal services for 21.00 FTE and operating expenses, with the bulk of the funding supporting operating costs. The largest category of operating cost is raw materials, which includes the various grocery type items needed to prepare meals.

Revenues

Revenues are derived from the sale of meals to facilities. The largest customer is MSP.

Funding Sources

Revenues supporting MSP, the food factory's largest customer, come from the general fund.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$178,000 for the biennium to fund statewide present law adjustments.

Proprietary Rates

This program is funded with an internal service type proprietary fund. As such, the legislature approves the maximum rates the program may charge for its services. The executive requests the following rates for the 2015 biennium. The overhead charges are allocated in the same percentages as in the 2013 biennium except for a 1% shift from the Montana State Prison to the Treasure State Correctional Training Center. There are no changes proposed for delivering meals. The executive proposes increases for all tray meal prices. The requested rates are shown on the figure.

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. Previous rates charged by this program were not generating adequate revenues to keep up with expenses. The rates proposed to the 2015 biennium would restore balance between expenses and revenues.

Requested Rates for MCE Food Factory				
	Actual FY 2012	Budgeted FY 2013	Requested FY 2014	Requested FY 2015
Tray Meal Prices to all customers				
Base Tray-Hot/Cold	\$1.73	\$1.73	\$2.14	\$2.32
Base Tray-Hot	0.87	0.87	1.08	1.18
Detention Center Trays	2.45	2.45	2.72	2.92
Accessory Package	0.10	0.10	0.16	0.16
Delivery Charge Per Trayed Meal				
Delivery charge - per mile	0.50	0.50	0.50	0.50
Deliver charge - per hour	35.00	35.00	35.00	35.00
Bulk Food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses. Overhead charge is based on historical costs				
Spoilage percentage to all customers	5%	5%	5%	5%
(Overhead Chrg)				
Montana State Hospital	11%	11%	11%	11%
MSH - supplies only				
MSH - all overhead except supplies				
Montana State Prison	77%	77%	76%	76%
MSP - supplies only				
MSP - all overhead except supplies				
Treasure State Correctional Training	12%	12%	13%	13%
TSCTC - supplies only				
TSCTS - all overhead except supplies				

Vocational Education – Fund 06545

Proprietary Proposed Budget

The 2015 biennium report on internal service funds for vocational education shows the financial information for the fund from FY 2010 through FY 2015. The report is provided as submitted by the executive and is included in the appendix for this agency.

LFD ISSUE	<p><u>Fee Revenue Not Realistic</u></p> <p>The fee revenues shown on the report for each year of the 2015 biennium are questionable as they are exactly the same as projected for FY 2013, even though the executive is proposing an increase in rates with no change in expected demand for the services. Given the revenue estimates shown on the report the program would be operating at a loss and net assets are being depleted. If revenues are accurate, they will not be sufficient to fund expenses of this program.</p> <p>Before considering the proposed rates, the legislature may want to request that the agency provide updated revenue estimates for FY 2014 and FY 2015 to see how more realistic revenues would impact operating income.</p>
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Proprietary Program Description

This proprietary program consists of the motor vehicle maintenance shop and Toyota cutaway operation.

Proprietary Program Narrative

LFD ISSUE	<p><u>Proprietary Funding</u></p> <p>A similar issues is discussed in the HB 2 subprogram Vocational Education – Proprietary where appropriations are requested for the same expenditures that would be funded with this proprietary program. Legislative action for internal service type proprietary programs is to approve fees and charges. For a further discussion, see the summary section of this division’s narrative.</p>
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Expenses

The expenses are split between personal services (4.00 FTE) and operating expenses, with about one-third of the budget supporting personal services and the remaining two-thirds supporting operating costs. The largest category of operating expense for the program is merchandise.

Revenues

Revenues are derived primarily from motor vehicle maintenance completed for MSP and the prison ranch.

Funding Sources

Because a largest portion of the revenues are the result of business done with MSP and the prison ranch, the primary funding sources supporting payment for services are the ranch proprietary fund and the general fund, which supports MSP.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$123,000 for the biennium to fund statewide present law adjustments. Other decision packages for this program are provided in the HB 2 subprogram Vocational Education – Proprietary. These decision packages would increase costs for this program by \$264,000 for the biennium.

Proprietary Rates

This program is funded with an internal service type proprietary fund. As such, the legislature approves the maximum rates the program may charge for its services. The executive requests the following rates for the program.

Requested Rates for Vocational Education				
Fee Group	Actual FY 2012	Budgeted FY 2013	Requested FY 2014	Requested FY 2015
Rate 1 - Labor Charge for Motor Vehicle Maint (per hour)	\$26.50	\$26.50	\$27.45	\$28.45
Rate 2 - Supply fee as a percentage of actual cost of parts (per unit)	0.05	0.05	0.05	0.05
Rate 3 - Parts are sold at actual cost	Not applicable			

MCE License Plate – Fund 06572

Proprietary Proposed Budget

The 2015 biennium report on internal service funds for the license plate program shows the financial information for the fund from FY 2010 through FY 2015. The report is provided as submitted by the executive and is included in the appendix for this agency.

**LFD
ISSUE**Legislative Audit Finding – Fees Not Commensurate With Costs

The legislative audit recently completed for the agency for the two fiscal years ending June 30, 2012, found that fees for the license plate program were not commensurate with costs. The Legislative Audit Committee recommended that the agency reduce license plate rates to achieve a reasonable fund equity balance. The report for this fund shows projected operating income of \$1.1 million for the 2015 biennium and proposed fees at the same level as they have been since FY 2010.

The legislature may want to discuss with the agency the actions it is taking to comply with the audit findings and its statement of concurrence in the audit. The legislature may want to direct the agency to propose revised fees that are commensurate with costs.

Proprietary Program Description

This proprietary program consists of license plate manufacturing.

*Proprietary Program Narrative*Expenses

The expenses for this program include personal services for 2.50 FTE and operating expenses, with the bulk of the funding supporting operating costs for materials used in the production of license plates.

Revenues

Revenues are derived from the sale of license plates to the Department of Justice. The Department of Justice pays for the license plates with fee revenue collected from license plate sales.

Funding Sources

Revenues supporting license plate manufacturing come from members of the public who purchase license plates.

Proprietary Present Law Adjustments

Present law adjustments for this program consist of \$43,000 for the biennium to fund statewide present law adjustments. The entire budget for this fund is established in a present law adjustment because this function was not moved to a proprietary fund until the second year of the 2011 biennium.

Proprietary Rates

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. The executive requests the legislature approved \$6.20 per set of plates as the rate for both FY 2014 and FY 2015.