

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	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	69,482	12,041	94,589	81,523	(13,066)	(13.81%)
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
Total Costs	\$130,371	\$139,743	\$144,725	\$87,218	\$270,114	\$231,943	(\$38,171)	(14.13%)
General Fund	113,907	102,033	128,261	70,784	215,940	199,045	(16,895)	(7.82%)
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
Total Funds	\$130,371	\$139,743	\$144,725	\$87,218	\$270,114	\$231,943	(\$38,171)	(14.13%)

Program Description

The Director's Office (office) provides overall leadership and management support to the Department of Administration's divisions and offers administrative support to attached boards and commissions. The office acts as a liaison among the agency's divisions, administratively attached boards and commissions, the Cabinet, the legislature, and the Governor's office.

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> ◆ Overall costs for the division in HB 2 are reduced due to changes included in statewide present law adjustments ◆ Proprietary rates requested for the 2015 biennium would generate higher revenues when compared to the FY 2012 base budget
Major LFD Issues
<ul style="list-style-type: none"> ◆ Budget transfers of authority and FTE in FY 2012 increase proprietary rates in the 2015 biennium

Program Discussion

The Director's Office costs decrease between the 2013 and 2015 biennia due to reductions included in:

- Statewide present law adjustments for legislative audit costs
- Personal service costs for employee benefits that are lower in the 2015 biennium

Funding

The following table shows program funding for the 2015 biennium from all sources of authority.

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - Director'S Office							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$199,045	\$0	\$70,674,796	\$70,873,841	51.3%	17-7-502	Direct
						19-3-319	Pass Thru
						19-20-604	Pass Thru
						19-20-607	Pass Thru
State Special Total	\$0	\$0	\$21,978,022	\$21,978,022	15.9%		
02858 Mineral Impact	\$0	\$0	\$21,978,022	\$21,978,022	15.9%	17-3-241	Pass Thru
Federal Special Total	\$32,898	\$0	\$41,214,186	\$41,247,084	29.8%		
03095 Taylor Grazing Act Dist.	\$0	\$0	\$240,712	\$240,712	0.2%	17-3-222	Pass Thru
03369 Flood Control Payments	\$32,898	\$0	\$0	\$32,898	0.0%		
03425 Forest Reserve Shared Revenue	\$0	\$0	\$40,973,474	\$40,973,474	29.6%	17-3-212	Pass Thru
Proprietary Total	\$0	\$3,353,667	\$0	\$3,353,667	2.4%		
06534 Management Services	\$0	\$3,353,667	\$0	\$3,353,667	2.4%		
Other Total	\$0	\$0	\$779,052	\$779,052	0.6%		
05008 Capitol Building Sr	\$0	\$0	\$779,052	\$779,052	0.6%	17-7-502	Direct
Total All Funds	\$231,943	\$3,353,667	\$134,646,056	\$138,231,666	100.0%		
Percent - Total All Sources	0.2%	2.4%	97.4%				

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.

LFD COMMENT	<p>The majority of the funding in the Director's Office is statutorily appropriated. The legislature may effect change in these appropriations through changes to the statutes listed in the table shown above.</p> <p><u>Direct Bearing on Agency Operations</u></p> <p>General fund statutory appropriations include the following appropriations that have a direct bearing on the agency's operations:</p> <ul style="list-style-type: none"> o Cash Management Improvement Act returns o Paying debt service costs <p>Funding for general fund payments of debt service decreases by \$1.3 million over the biennium when compared with FY 2012 payments as long-term debt for building projects for the Department of Labor and Industry and Department of Public Health and Human Services are paid off.</p> <p>Other funds include capital projects funding for debt service of long-range building projects that are financed through capital project funds.</p>
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LFD COMMENT	<p><u>Pass Thru</u></p> <p>General fund statutory appropriations that do not directly impact agency operations include state contributions for:</p> <ul style="list-style-type: none"> ○ Local government employee pensions ○ School district employee pensions ○ Teacher retirement ○ Supplemental contributions to teachers retirement <p>General fund contributions for retirement payments are estimated to increase by \$4.6 million over the biennium.</p> <p>State special revenues for mineral impact fees are distributed to counties from which the minerals were produced and that resulted in the deposit of the mineral royalty revenues. Federal funds include statutory appropriations for Taylor Grazing Act funds and forest reserve funds that are distributed to counties with federal forest lands.</p> <p>The methodology used by the federal government to establish the amount of the federal forest reserve funds is outlined in the federal Emergency Economic Stabilization Act of 2008. The amount for each county declined by 10% a year until FY 2012 when the act sunsets. Beginning in FY 2013 it is assumed that the previous methodology for determining the federal payment will be used, which is 25% of the value of timber sold averaged over the prior three years. As a result, the federal forest reserve funds is expected to decline about \$4.00 million each year.</p>
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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	114.45%	130,371	130,371	260,742	112.42%
Statewide PL Adjustments	7,354	(50,123)	(42,769)	(21.49%)	7,354	(50,153)	(42,799)	(18.45%)
Other PL Adjustments	7,000	7,000	14,000	7.03%	7,000	7,000	14,000	6.04%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$128,261	\$70,784	\$199,045		\$144,725	\$87,218	\$231,943	

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					872					804
Vacancy Savings					(2,449)					(2,447)
Inflation/Deflation					7					14
Fixed Costs					8,924					(48,524)
Total Statewide Present Law Adjustments		\$7,354	\$0	\$0	\$7,354		(\$50,123)	\$0	(\$30)	(\$50,153)
DP 101 - Burial Board	0.00	7,000	0	0	7,000	0.00	7,000	0	0	7,000
Total Other Present Law Adjustments	0.00	\$7,000	\$0	\$0	\$7,000	0.00	\$7,000	\$0	\$0	\$7,000
Grand Total All Present Law Adjustments	0.00	\$14,354	\$0	\$0	\$14,354	0.00	(\$43,123)	\$0	(\$30)	(\$43,153)

DP 101 - Burial Board - OTO - Burial Board requests 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 does not include funding for them. Funding requested 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

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Budget Transfers in FY 2012 Increase Rates in 2015 Biennium

The 2011 Legislature set the maximum amount the Director’s Office could charge to the divisions during the FY 2013 biennium as:

- o \$574 annually per FTE for human resources services
- o \$903,354 for legal services, financial management, and overall management services of the Director’s Office

Figure 3

During FY 2012 the agency transferred additional authority and FTE into the Director’s Office as shown in the Figure 3.

Department of Administration Director's Office Transfers of FTE and Appropriation Authority		
From	FTE	Authority
State Human Resource Division	0.68	\$49,667
State Accounting Division	0.50	23,940
General Services Division	<u>4.00</u>	<u>126,099</u>
Total Transfers	<u>5.18</u>	<u>\$199,706</u>

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Figure 4 shows the FY 2012 spending by the agency for legal services, financial management, and overall management services of the Director’s Office for the proprietary fund, as recorded on the state’s accounting records. The Director’s Office spent more than \$140,390 above the maximum amount approved in the rates included in HB 2 for these functions. The agency did not increase the rates to recover the additional funding in the base year.

The Office of Human Resources uses an annual rate per FTE for human resource services. The amounts charged in FY 2012 are based on FTE numbers for FY 2010. In FY 2012 the department charged for 566.47 FTE at an approved rate of \$574 per FTE. This resulted in \$325,318 in revenues. Actual spending for the Office of Human Resources was \$335,065.

The transfer of FTE and appropriation authority in FY 2012 increases the spending of the program for FY 2012. This higher level of spending is the basis for the establishment of the rates for the 2015 biennium. While the transfers are within the legal authority of the agency, they do allow the agency to increase the proposed rates for the next budget cycle. It should be noted that the agency reduced the amounts charged in proprietary rates in the State Human Resources and State Accounting Divisions to the other divisions through the transfers. The General Services Division (GSD) is funded through set fees which were not reduced as a result of the transfer of authority, however GSD granted a two month rent holiday to state agencies which lowered excess fund balance in its rent proprietary fund.

Legislative Option

If the legislature wants to increase its oversight of the costs of the Director’s Office it can consider including appropriations for personal services and operating costs in HB 2 rather than approving rates in the proprietary fund.

Figure 4

Department of Administration Director's Office	
Office	Costs
Director's Office	\$548,960
Office of Legal Services	105,928
Office of Finance and Budget	340,513
Non-budgeted Expenditures	48,343
Total	<u>\$1,043,744</u>
HB 2 Rate	\$903,354

Expenses

Significant costs for the program include:

- o Personal services of \$1.45 million supporting 19.51 FTE. 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 Figure 2. New positions include:
 - o 1.50 FTE - Human Resource Specialists
 - o 1.00 FTE - Paralegal Assistant
 - o 0.68 FTE – Budget Analyst
 - o 1.00 FTE – Auditor
 - o 1.00 FTE – Project Facilitation Specialist

- o Operating Costs of \$227,000 supporting:
 - o Consulting and Professional Services - \$26,500
 - o ITSD services - \$38,500
 - o Office space rent - \$33,200
 - o Computers - \$15,800
 - o 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.

Funding Sources

The following sources of funding were used to pay for the services provided by this program:

- o General fund – 6.5%
- o State special revenue – 9.4%
- o Proprietary funds – 84.1%

Present Law Adjustments

As discussed in the LFD issue above, the agency transferred 5.18 FTE and related personal services costs into the agency. These costs are shown in Figure 5.

Figure 5

Department of Administration Director's Office Increases in Personal Services		
Cost	Budgeted FY 2014	Budgeted FY 2015
Salaries	\$241,430	\$241,430
Longevity	1,086	1,124
Benefits	38,719	38,240
Health Insurance	52,776	52,776
Vacancy Savings	(13,361)	(13,084)
Total	\$320,650	\$320,486

The increased costs are included in DP 102 in each applicable division budget. The allocation is an adjustment to the base budgets and includes the amount for the requested rate increase of \$297,730 in FY 2014 and \$286,953 in FY 2015. Costs are reduced by lower salaries budgeted for other positions within the Director’s Office. The allocation process allocates 6.9% of the increase to general funded programs and 93.1% to other funds.

Proprietary Rates

For the 2015 biennium the following rates are proposed by the executive are shown in Figure 6.

Figure 6

Requested 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

As discussed previously, 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. These rates reflect a net biennium increase of \$776,780 from the costs of the 2013 biennium. The components of the increase to the two rates are:

- o \$150,284 for human resources
- o \$626,496 for other services including:
 - o \$246,409 for finance and budget services
 - o \$ 87,140 for legal services
 - o \$292,947 for Director Office’s management services

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.