

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	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	437,123	434,725	866,310	871,848	5,538	0.64%
Total Costs	\$1,561,986	\$1,785,456	\$1,817,950	\$1,815,722	\$3,347,442	\$3,633,672	\$286,230	8.55%
General Fund	1,561,986	1,785,456	1,817,950	1,815,722	3,347,442	3,633,672	286,230	8.55%
Total Funds	\$1,561,986	\$1,785,456	\$1,817,950	\$1,815,722	\$3,347,442	\$3,633,672	\$286,230	8.55%

Program Description

The State Human Resources Division (SRHD) provides statewide human resource services utilizing the following functions and programs:

- o The Human Resources Policy and Programs (HRPP) Bureau, establishing the human resource rules, policies and standards for Montana’s executive branch
- o The State Office of Labor Relations, representing the Governor’s Office in all matters relating to collective bargaining
- o The Professional Development Center (PDC), offering training and other professional development services to Montana state government and other organizations
- o The Human Resources Information Services Bureau, supplying payroll and other HR information systems for all branches of state government.

Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The majority of the funding for this program is from non-budgeted proprietary funds that are included in the proprietary rate section of HB 2 ◆ Personal services cost increases are included as part of statewide present law adjustments
Major LFD Issues
<ul style="list-style-type: none"> ◆ Policy choice for the legislature includes continuing the current tuition fee structure for training provided by the division or establishing training as a fixed cost for state agencies

The State Human Resource Division personal services budget increases include the following changes:

- o Reclassification of one position
- o Salary increases, including longevity and broadband pay adjustments
- o Vacancy savings rate of 12.9% compared to a budgeted rate of 4%
- o Transfer of 0.51 FTE to State Accounting Division

Funding

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

Total Department Of Administration Funding by Source of Authority 2015 Biennium Budget - State Human Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$3,633,672	\$0	\$0	\$3,633,672	32.5%		
Proprietary Total	\$0	\$7,534,071	\$0	\$7,534,071	67.5%		
06525 Intergovernmental Training	\$0	\$1,002,928	\$0	\$1,002,928	9.0%		
06563 Payroll Fund	\$0	\$6,531,143	\$0	\$6,531,143	58.5%		
Total All Funds	\$3,633,672	\$7,534,071	\$0	\$11,167,743	100.0%		
Percent - Total All Sources	32.5%	67.5%	0.0%				

HB 2

General fund supports the operations of HRPP and the State Office of Labor Relations.

Proprietary Funding

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

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

The PDC has previously been 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 Governor is proposing to change the funding mechanism for the PDC from the current process of charging tuition to each participant for attending a training course to a fixed cost rate to agencies based on their FTE. See the LFD Issue in the “Proprietary Rate” section of the narrative for further information and legislative options in regard to the proposed shift in the funding mechanism.

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	85.97%	1,561,986	1,561,986	3,123,972	85.97%
Statewide PL Adjustments	269,199	267,266	536,465	14.76%	269,199	267,266	536,465	14.76%
Other PL Adjustments	5,993	5,703	11,696	0.32%	5,993	5,703	11,696	0.32%
New Proposals	(19,228)	(19,233)	(38,461)	(1.06%)	(19,228)	(19,233)	(38,461)	(1.06%)
Total Budget	\$1,817,950	\$1,815,722	\$3,633,672		\$1,817,950	\$1,815,722	\$3,633,672	

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					272,473					272,651
Vacancy Savings					(57,533)					(57,541)
Inflation/Deflation					77					239
Fixed Costs					54,182					51,917
Total Statewide Present Law Adjustments		\$269,199	\$0	\$0	\$269,199		\$267,266	\$0	\$0	\$267,266
DP 102 - Allocate department indirect/admin costs	0.00	5,993	0	0	5,993	0.00	5,703	0	0	5,703
Total Other Present Law Adjustments	0.00	\$5,993	\$0	\$0	\$5,993	0.00	\$5,703	\$0	\$0	\$5,703
Grand Total All Present Law Adjustments	0.00	\$275,192	\$0	\$0	\$275,192	0.00	\$272,969	\$0	\$0	\$272,969

Statewide present law adjustments include increases in personal services for broadband pay adjustment and longevity increases. The positions that received increases include human resource specialists that are 84.4% of the 2012 market midpoint for their positions after the adjustments and an operations manager that is at 59.8% of the market. Changes to fixed costs include:

- o \$45,000 in FY 2014 and \$43,000 in FY 2015 for adjustments of rent for the building
- o \$5,300 each year of the biennium for increases to SITSD costs
- o \$2,600 each year of the biennium for increases in maintenance of the grounds

DP 102 - Allocate department indirect/admin costs - This request funds 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 6101 - Professional Development Center Fee Allocation	23	0.00	(19,228)	0	0	(19,228)	0.00	(19,233)	0	0	(19,233)
Total	0.00	(\$19,228)	\$0	\$0	(\$19,228)	0.00	(\$19,233)	\$0	\$0	(\$19,233)	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Proprietary Rates

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

- o Professional Developmental Center, which trains state employees
- o 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*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 2013 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.

The executive proposes changing the funding mechanism for the Professional Development Center.

- Rather than the current process of charging tuition to each participant for attending a training course, the PDC proposes charging a fixed cost rate to agencies based on their FTE
- The center calculated this rate by projecting the annual expenses of the program at \$445,086 and allocating it to each agency based on its number of employees
- The expense figure represents an increase from an average \$297,419 over the 2011 and 2013 biennia
- The center projects increases in participation in training programs, rising from an average of 3,163 a year to over 8,200
- The program projects the fixed-cost rate to be \$34.59 per FTE each fiscal year of the biennium

Significant Present Law Adjustments

The center is proposing an additional 1.0 FTE for a trainer to meet the increased demand they anticipate due to the change in the funding of services. The program also includes increased expenses for supplies and materials, and printing and instructional supplies as part of the proposal. These costs would increase the overall budget for the PDC by \$0.2 million over the 2015 biennium

**LFD
ISSUE**Policy Choice for the Legislature Includes Continuing the Current Tuition Fee Structure or Establishing Training as a Fixed Costs

The Governor proposes broadening the programs and services offered to train state employees while changing the funding mechanism for the center from one based on consumer demand for services to one funded by all state agencies. Figure 23 shows the number of state employees that took classes during the previous five years, the percentage change in the participants between years, the projected and actual revenues for the center, and the percentage change in the actual revenues between years.

Figure 23

Department of Administration State Human Resources Division Professional Development Center Intergovernmental Training Revenues					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Number of Participants	3,806	3,225	2,401	3,645	2,699
Change from Previous Year		-15.27%	-25.55%	51.81%	-25.95%
Charges for Services					
Projected	\$299,000	\$281,801	\$259,440	\$261,940	\$395,000
Actual	<u>321,139</u>	<u>343,528</u>	<u>281,820</u>	<u>274,757</u>	<u>317,962</u>
Difference	<u>\$22,139</u>	<u>\$61,727</u>	<u>\$22,380</u>	<u>\$12,817</u>	<u>(\$77,038)</u>
Change from Previous Year		6.97%	-17.96%	-2.51%	15.72%

As shown, with the exception of FY 2011, the number of participants in the program has declined. In FY 2011 the division conducted comprehensive training for the State Information Technology Services Division, which increased the participants by 1,600 under the methodology used by SHRD. In addition, projected revenues decreased between FY 2008 and FY 2011 while actual revenues decreased in FY 2010 and FY 2011. In FY 2012 revenues increased but not to the extent projected by the center. As shown by the various measures, the demand for program services is declining. Under the enterprise model of providing for program support by charging for services, the center may need to adjust the services provided. This period also corresponds with reductions in state agency budgets impacted by declining state revenues.

The executive proposes the new funding model and FTE to support a change in the delivery of services. As part of the review of state agency employee retention, SHRD has identified that one reason employees are leaving state government or transferring to other agencies is issues with supervisors. Through review of agency exit interviews SHRD has identified under-developed management and supervisory skills for individuals who are promoted into management positions as an issue for the state as an employer. The new program would provide management and supervision skills on a statewide basis.

The PCD is considering changing the delivery method for classes from ones offered at various times per year to having agency tailored classes provided at the agency for a short period of time. PCD is looking at methods to create efficiencies in providing training while expanding the number of employees who receive it. Another policy choice included in the proposal is eliminating services to local governments and providing training exclusively to state employees. The legislature may wish to discuss the changes envisioned in the proposal further to clarify such aspects as:

- o Does PDC envision a change to state job listings to require either supervision experience or completion of management and supervision classes?

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- How does this proposal fit into the succession planning for the state of Montana as an employer and how will it impact training costs overall?

Figure 24 shows the total additional revenues above current expenditures for PDC that the executive is proposing be added for this fixed cost, by agency. Please note that the figures do not represent all training costs of any agency. Training provided in-house, jointly with other agencies, or by outside parties is not included, nor are any travel costs incurred by agencies in conjunction with training.

Figure 24

Department of Administration State Human Resources Division Professional Development Center												
State Agency	FY 2014					FY 2015					Biennial Total	
	General Fund	State Special	Federal Special	Proprietary	Total	General Fund	State Special	Federal Special	Proprietary	Total		
Governor's Office	\$344	\$0	\$0	\$0	\$344	\$344	\$0	\$0	\$0	\$344	\$688	
Commissioner Of Political Practices	(551)	0	0	0	(551)	(551)	0	0	0	(551)	(1,102)	
State Auditor's Office	0	1,452	0	0	1,452		1,452	0	0	1,452	2,904	
Crime Control Division	(264)	0	0	0	(264)	(264)	0	0	0	(264)	(528)	
Department Of Justice	17,536	0	0	0	17,536	17,536	0	0	0	17,536	35,072	
Public Service Regulation	0	(193)	0	0	(193)	0	(193)	0	0	(193)	(386)	
Board Of Public Education	17	16	0	0	33	17	16	0	0	33	66	
Commissioner Of Higher Education	1,473	0	1,474	0	2,947	1,473	0	1,474	0	2,947	5,894	
Montana School For The Deaf & Blind	3,065	0	0	0	3,065	3,065	0	0	0	3,065	6,130	
Montana Arts Council	(7)	(3)	(9)	0	(19)	(7)	(3)	(9)	0	(19)	(38)	
Montana State Library	(766)	0	0	0	(766)	(766)	0	0	0	(766)	(1,532)	
Montana Historical Society	1,245	259	0	476	1,980	1,245	259	0	476	1,980	3,960	
Department Of Fish, Wildlife & Parks	0	154,214	(1,867)	0	152,347		154,017	(1,867)	0	152,150	304,497	
Department Of Environmental Quality	(1,451)	(4,926)	(6,157)	0	(12,534)	(1,451)	(4,926)	(6,157)	0	(12,534)	(25,068)	
Department Of Transportation	0	58,862	0	0	58,862		58,862	0	0	58,862	117,724	
Department Of Livestock	0	4,333	0	0	4,333		4,333	0	0	4,333	8,666	
Department Of Natural Resources & Conservation	2,838	2,739	0	0	5,577	2,838	2,739	0	0	5,577	11,154	
Department Of Revenue	8,506	0	0	470	8,976	8,506	0	0	470	8,976	17,952	
Department Of Administration	(20,685)	(457)	0	(288)	(21,430)	(20,699)	(473)	0	(296)	(21,468)	(42,898)	
Office Of The Public Defender	6,767	0	0	0	6,767	6,767	0	0	0	6,767	13,534	
Department Of Agriculture	(82)	38	0	0	(44)	(82)	38	0	0	(44)	(88)	
Department Of Corrections	33,924	381	0	2,429	36,734	33,924	381	0	2,429	36,734	73,468	
Department Of Commerce	(105)	(104)	(642)	0	(851)	(105)	(104)	(642)	0	(851)	(1,702)	
Department Of Labor & Industry	(458)	(6,217)	(4,025)	0	(10,700)	(458)	(6,217)	(4,025)	0	(10,700)	(21,400)	
Department Of Military Affairs	542	360	1,782	0	2,684	542	360	1,782	0	2,684	5,368	
Department of Public Health and Human Services	18,906	2,435	37,761	0	59,102	18,906	2,435	37,761	0	59,102	118,204	
Grand Total	\$70,794	\$213,189	\$28,317	\$3,087	\$315,387	\$70,780	\$212,976	\$28,317	\$3,079	\$315,152	\$630,539	

There are two policy proposals inherent in this change:

- 1) The executive is proposing to increase the amount of funding for training within the agencies and to provide a consistent training budget by asking the legislature to fund a per person training budget through fixed costs each biennium
 - a. The executive therefore assumes that state employees should be provided with more training opportunities
- 2) The executive inherently assumes that it is desirable to have a professional training function as a part of state government, and that the function should have a reliable funding source

The legislative policy decisions in relationship to state employee training are:

- Provide a dependable source of funding to make training available to state agencies through an assessment to state agencies based on the number of employees in the agency. This option may ensure that the agencies have a consistent training staff that understands the challenges of state agencies as compared to the private sector. However if state agencies do not use the facility they would be receiving funds through the fixed cost that they may not use for that purpose
- Continue the current funding mechanism, which establishes a training fee for the classes if state agencies determine their employees need specific training and they have funding in their budgets to pay for the training.

LFD ISSUE CONT.	<p>Legislative Options: The policy choices for the legislature include:</p> <ul style="list-style-type: none"> o Continue the program utilizing the current tuition structure o Change the funding mechanism to a fixed cost rate for all state agencies
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Proprietary Rates

For the 2015 biennium the following rates proposed by the executive are shown in Figure 25. The rates charged in the base year are shown for comparison purposes.

Figure 25

Requested Rates for Internal Service Funds				
Fee/Rate Information for Legislative Action				
	Actual	Projected	Projected	Projected
	FY 12	FY 13	FY 14	FY 15
PDC Fee per FTE	N/A	N/A	34.59	34.59
Fee Group A				
Training Services per hour				
Open Enrollment Courses				
Two-Day Course (per participant)	\$187.00	\$190.00	N/A	N/A
One-Day Course (per participant)	\$120.00	\$123.00	N/A	N/A
Half-Day Course (per participant)	\$93.00	\$95.00	N/A	N/A
Eight-Day Management Series (per participant)	\$565.00	\$570.00	N/A	N/A
Six-Day Management Series (per participant)	\$465.00	\$440.00	N/A	N/A
Four-Day Administrative Assistant Series (per participant)	\$330.00	\$333.00	N/A	N/A
Contract Courses				
Full Day Training (flat fee)	\$825.00	\$830.00	N/A	N/A
Half Day Training (flat fee)	\$565.00	\$570.00	N/A	N/A
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:

- o Personal services of \$3.3 million over the biennium for 23.29 FTE
- o 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 following rates are proposed by the executive are shown in Figure 26. The rates charged in the base year are shown for comparison purposes.

Requested 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/advice 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.