

**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	29.00	29.00	24.00	24.00	29.00	24.00	(5.00)	(17.24%)
Personal Services	1,461,475	1,478,435	1,189,114	1,190,808	2,939,910	2,379,922	(559,988)	(19.05%)
Operating Expenses	278,465	347,920	387,347	284,667	626,385	672,014	45,629	7.28%
<b>Total Costs</b>	<b>\$1,739,940</b>	<b>\$1,826,355</b>	<b>\$1,576,461</b>	<b>\$1,475,475</b>	<b>\$3,566,295</b>	<b>\$3,051,936</b>	<b>(\$514,359)</b>	<b>(14.42%)</b>
General Fund	884,803	884,510	885,662	885,664	1,769,313	1,771,326	2,013	0.11%
State Special	855,137	941,845	690,799	589,811	1,796,982	1,280,610	(516,372)	(28.74%)
<b>Total Funds</b>	<b>\$1,739,940</b>	<b>\$1,826,355</b>	<b>\$1,576,461</b>	<b>\$1,475,475</b>	<b>\$3,566,295</b>	<b>\$3,051,936</b>	<b>(\$514,359)</b>	<b>(14.42%)</b>

**Program Description**

The Veterans Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City, Fort Harrison in Helena, and Missoula. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs, and operates under a state mandate provided in Title 10, Chapter 2, MCA.

**Program Highlights**

<b>Veterans' Affairs Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The majority of the changes proposed for the program's budget are based on changes discussed with the Legislative Finance Committee (LFC); the LFC recommended the program reduce HB 2 appropriations that were also considered statutory appropriations</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ The executive proposal to eliminate statutory authority from HB 2 increases the base budget for the program by \$42,400 by removing less program costs than indicated</li> </ul>

**Program Discussion**

The Legislative Finance Committee (LFC) reviewed statutory appropriations for the various state agencies during the 2013 interim period. As a part of the review the LFC determined that the money for the veterans' cemeteries program is appropriated twice, once in HB 2 and again in statute. The LFC recommended that the funding included in HB 2 be eliminated, allowing the statutory appropriation for the program to continue to provide support. As a result of the recommendation, the program has eliminated statutorily appropriated funds from the program for the 2015 biennium. For a further discussion please see the issue under DP 3101 below.

In addition, the committee determined that the statutory appropriation should be assigned to the Department of Military Affairs. The LFC requested a committee bill to address this issue.

**Funding**

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

Total Department Of Military Affairs Funding by Source of Authority 2015 Biennium Budget - Veterans Affairs Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,771,326	\$0	\$0	\$1,771,326	49.4%		
State Special Total	\$1,280,610	\$0	\$533,623	\$1,814,233	50.6%		
02214 Veterans Affairs Cemeteries	(\$47,224)	\$0	\$533,623	\$486,399	13.6%	10-2-603	Direct
02222 Patriotic License Plate Fees	\$100,416	\$0	\$0	\$100,416	2.8%		
02548 Veterans Affairs SB 401	\$1,227,418	\$0	\$0	\$1,227,418	34.2%		
Total All Funds	\$3,051,936	\$0	\$533,623	\$3,585,559	100.0%		
<b>Percent - Total All Sources</b>	<b>85.1%</b>	<b>0.0%</b>	<b>14.9%</b>				

The Veterans’ Affairs program is funded with both general fund and state special revenue. General fund is used to support functions throughout the program.

State special revenue is the largest funding source for the program. The primary state special revenue account was created by the legislature during the 2003 regular session in SB 401, which allocates proceeds from the sale of veterans’ specialty license plates. In addition to the revenue received from the sale of some specialty license plates, this account and the Veterans’ Affairs Cemeteries receive a portion of all of the motor vehicle registration revenue that is deposited in the general fund each year. The State Veterans’ Cemeteries Program statutory funding includes revenue derived primarily from cemetery donations and plot allowances. Finally, the Patriotic License Plate Account receives revenue from a \$15 surcharge on original and renewal patriotic license plates issued in Montana. For a further discussion please see the issue under DP 3101 below.

**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	884,803	884,803	1,769,606	99.90%	1,739,940	1,739,940	3,479,880	114.02%
Statewide PL Adjustments	859	861	1,720	0.10%	48,877	47,126	96,003	3.15%
Other PL Adjustments	0	0	0	0.00%	(212,716)	(311,951)	(524,667)	(17.19%)
New Proposals	0	0	0	0.00%	360	360	720	0.02%
<b>Total Budget</b>	<b>\$885,662</b>	<b>\$885,664</b>	<b>\$1,771,326</b>		<b>\$1,576,461</b>	<b>\$1,475,475</b>	<b>\$3,051,936</b>	

**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					102,934					103,898
Vacancy Savings					(62,579)					(62,614)
Inflation/Deflation					(2,930)					(1,664)
Fixed Costs					11,452					7,506
<b>Total Statewide Present Law Adjustments</b>		<b>\$859</b>	<b>\$48,018</b>	<b>\$0</b>	<b>\$48,877</b>		<b>\$861</b>	<b>\$46,265</b>	<b>\$0</b>	<b>\$47,126</b>
DP 3101 - Move Cemetery Positions and Expenses to SA	(5.00)	0	(312,716)	0	(312,716)	(5.00)	0	(311,951)	0	(311,951)
DP 3102 - Spending Authority for Patriotic Plates	0.00	0	100,000	0	100,000	0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>	<b>(5.00)</b>	<b>\$0</b>	<b>(\$212,716)</b>	<b>\$0</b>	<b>(\$212,716)</b>	<b>(5.00)</b>	<b>\$0</b>	<b>(\$311,951)</b>	<b>\$0</b>	<b>(\$311,951)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>(5.00)</b>	<b>\$859</b>	<b>(\$164,698)</b>	<b>\$0</b>	<b>(\$163,839)</b>	<b>(5.00)</b>	<b>\$861</b>	<b>(\$265,686)</b>	<b>\$0</b>	<b>(\$264,825)</b>

DP 3101 - Move Cemetery Positions and Expenses to SA - This request moves the State Veterans' Cemetery Program from HB 2 to a statutory appropriation, as recommended by the Legislative Finance Committee. This adjustment removes the personal services budget for 5.0 FTE and related expenses of the program.

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Adjustment Increases HB 2 Authority By Expanding Base

The costs associated with the funding provided by the State Veterans' Cemetery Program in FY 2012 is shown in Figure 4. The costs for personal services and operating expenses included in the FY 2012 base budget do not align with the reductions proposed by the executive for the State Veterans' Cemetery Program. Figure 4 also shows the estimated costs of the services in FY 2014 and FY 2015 and the effects of the executive's proposed adjustment.

**Figure 4**

Department of Military Affairs Veterans' Affairs Program							
	FY 2012	FY 2014	FY 2015	FY 2014	FY 2015		
Expenditures	Base	Budgeted Costs	Budgeted Costs	Proposed Adjustment	Difference	Proposed Adjustment	Difference
Personal Services	\$239,185	\$279,773	\$280,029	(\$353,304)	(\$73,531)	(\$352,795)	(\$72,766)
Operating Expenses	94,350	98,674	98,221	(4,324)	94,350	(3,871)	94,350
<b>Total</b>	<b>\$333,535</b>	<b>\$378,447</b>	<b>\$378,250</b>	<b>(\$357,628)</b>	<b>\$20,819</b>	<b>(\$356,666)</b>	<b>\$21,584</b>

The total costs that should have been adjusted in FY 2014 are \$378,447 and in FY 2015 \$378,250. Instead the executive proposes to reduce the program costs by about \$21,000 less than indicated for the costs associated with using statutory authority for the program instead of HB 2 appropriations. The overall impact of the proposal is to expand HB 2 base authority by \$42,400 in the 2015 biennium.

In addition, the executive proposes to reduce personal service costs an additional \$146,300 above the projected costs of the program. This will require the program to either:

- Generate additional vacancy savings over the 2015 biennium to provide sufficient funding for the HB 2 positions
- Transfer operating expense authority to personal services to pay the additional costs

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The proposal also increases operating expense authority in HB 2 for costs that are associated with the statutorily funded program.

Legislative Option

The legislature may wish to correct the adjustment for statutorily appropriated funds to the costs associated with providing the services as established through the budget process to ensure the program does not inadvertently expand its HB 2 base budget.

DP 3102 - Spending Authority for Patriotic Plates - The executive is requesting biennial spending authority of \$100,000 from the patriot license plate state special revenue account. The funding would be used for staff training, operational support, and state veterans service organization projects of mutual support such as homeless veteran stand downs and outreach programs. The authority is requested as a biennial appropriation.

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**Patriotic License Plate Fees Fund Balance Can Be Used To Reduce General Fund**

The executive is proposing to increase patriotic license plate fees in the 2015 biennium to offset costs of operating the program. A review of the fund balance for the state special revenue account shows an increasing fund balance, 135% in the last three years. Revenues have increased 52% in the same period. At the beginning of FY 2013 the fund balance was \$170,400. Revenues in FY 2012 were \$72,300 and costs were \$34,000 resulting in an increase to the fund balance of about \$38,000 or about 37% over FY 2011.

Legislative Option

Given the increasing health of the fund, the legislature may wish to consider offsetting \$25,000 of the general fund costs for the program with fund balance.

**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 6101 - Professional Development Center Fee Allocation	31	0.00	0	360	0	360	0.00	0	360	0	360
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$360</b>	<b>\$0</b>	<b>\$360</b>	<b>0.00</b>	<b>\$0</b>	<b>\$360</b>	<b>\$0</b>	<b>\$360</b>	

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.