

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	154.62	154.62	155.62	156.12	154.62	156.12	1.50	0.97%
Personal Services	8,709,460	10,110,458	10,020,242	10,202,652	18,819,918	20,222,894	1,402,976	7.45%
Operating Expenses	10,010,416	11,131,712	10,369,988	9,674,538	21,142,128	20,044,526	(1,097,602)	(5.19%)
Equipment & Intangible Assets	42,077	42,256	42,077	42,077	84,333	84,154	(179)	(0.21%)
Local Assistance	22,633	22,944	44,033	40,633	45,577	84,666	39,089	85.76%
Grants	608,576	860,530	1,558,576	1,558,576	1,469,106	3,117,152	1,648,046	112.18%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	32,050	32,050	32,050	32,050	64,100	64,100	0	0.00%
<b>Total Costs</b>	<b>\$19,425,212</b>	<b>\$22,199,950</b>	<b>\$22,066,966</b>	<b>\$21,550,526</b>	<b>\$41,625,162</b>	<b>\$43,617,492</b>	<b>\$1,992,330</b>	<b>4.79%</b>
General Fund	6,341,405	6,740,525	6,274,931	6,299,720	13,081,930	12,574,651	(507,279)	(3.88%)
State Special	5,545,483	7,123,851	7,817,482	7,890,856	12,669,334	15,708,338	3,039,004	23.99%
Federal Special	296,871	624,201	575,003	48,739	921,072	623,742	(297,330)	(32.28%)
Other	0	0	0	0	0	0	0	n/a
Other	7,241,453	7,711,373	7,399,550	7,311,211	14,952,826	14,710,761	(242,065)	(1.62%)
<b>Total Funds</b>	<b>\$19,425,212</b>	<b>\$22,199,950</b>	<b>\$22,066,966</b>	<b>\$21,550,526</b>	<b>\$41,625,162</b>	<b>\$43,617,492</b>	<b>\$1,992,330</b>	<b>4.79%</b>

### Agency Description

Agency Mission: The Department of Administration's mission is to serve and satisfy our customers.

The Department of Administration provides support services for state agencies in the following areas:

- Accounting and financial reporting
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- State bonded indebtedness administration
- State treasury services
- Capitol complex building maintenance and security
- Duplicating, mail and messenger services
- Procurement and surplus property administration
- Information systems development, telecommunications, geographic information services, 9-1-1 program management, data processing, public safety radio communications, and strategic planning
- Continuity of operations planning
- Human resource management, workforce development and labor relations
- State financial institution oversight and regulation
- Insurance coverage and Tort Claims Act administration
- Long Range Building Program
- State employee group benefits
- Workers compensation management

The Board of Examiners, the State Tax Appeal Board, Office of the Public Defender, the Public Employees' Retirement Board, the Teachers' Retirement Board, and the Montana Lottery are attached to the department for administrative purposes only.

## Agency Highlights

<b>Department of Administration HB 2 Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The combined HB 2 and HB 13 total fund budget for the department increases \$2.0 million, or 4.8 percent, from the 2009 to the 2011 biennium</li> <li>◆ The pay plan for the 2011 biennium (HB 13) adds \$248,700, of which \$210,200 is ongoing</li> <li>◆ General fund decreases \$507,300, or 3.9 percent               <ul style="list-style-type: none"> <li>• Statewide present law adjustments mainly for personal services and fixed costs contribute the most to ongoing budget growth of general fund, contributing \$1.5 million</li> <li>• An unspecified reduction of \$1.2 million offsets a portion of the general fund growth</li> <li>• Moving the 9-1-1 administration fund to state special revenue reduced general fund an additional \$552,200</li> <li>• Imposition of an additional 3 percent vacancy savings further reduced general fund by \$238,000</li> </ul> </li> <li>◆ State special revenue increases \$3.0 million, or 24.0 percent               <ul style="list-style-type: none"> <li>• Additional Montana Land Information grants added \$1.9 million</li> <li>• Statewide present law adjustments added \$1.8 million</li> <li>• Moving 9-1-1 funds from general fund adds \$552,200</li> <li>• Funding for a career ladder for bank examiners adds \$312,500</li> </ul> </li> </ul>
<b>HB 645 Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ There are no interactions between HB 2 and HB 645, the only HB 645 funding for the department is in the long-range planning section of HB 645 for two information technology projects</li> </ul>

## Summary of Legislative Action

The legislative budget for total funds is \$2.0 million higher than the 2009 biennium and includes funding for HB 2 and HB 13. HB 13 funds the pay plan increases for the 2011 biennium. Significant items in the legislative budget include:

- Additional funding for Montana Land Information Act grants (\$1.9 million)
- Funding for a professional career ladder program for banking examiners (\$312,500)
- HB 13 pay plan funding (\$248,700, of which \$210,200 is ongoing)
- A temporary funding switch from proprietary to general fund to develop a broad workforce development model for Montana's executive branch (\$103,000)
- An unspecified agency reduction of general fund (\$1.2 million)
- A reduction from full personal services funding equivalent to 7 percent vacancy savings

## Agency Discussion

### *Recommendations to the LFC*

The legislature recommends that the Legislative Finance Committee monitor the following in the 2011 biennium:

- Progress toward statewide retirement of old legacy computer systems and statewide standardization of software

The legislature also recommends that the Legislative Finance Committee review policy issues related to pricing of state group health insurance in conjunction with the Interim Committee on State Administration and Veterans' Affairs. Specific objectives could include review of:

- Other state government health plans and subsidy of retiree participation in those plans, including the Montana University System
- Legal requirements to provide a subsidy to retirees
- Optional pricing strategies

### Funding

The following table summarizes funding for the agency, by program and source, approved by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Director'S Office	\$ 220,985	\$ 3,174	\$ 74,266	\$ -	\$ 298,425	0.68%
03 State Accounting Division	2,624,915	-	23,212	99,228	2,747,355	6.30%
04 Architecture & Engineering Pgm	-	3,957,161	-	-	3,957,161	9.07%
06 General Services Program	4,249,470	107,921	-	-	4,357,391	9.99%
07 Information Tech Serv Division	1,074,011	4,233,836	526,264	-	5,834,111	13.38%
14 Banking And Financial Division	-	7,320,014	-	-	7,320,014	16.78%
15 Montana State Lottery	-	-	-	14,611,533	14,611,533	33.50%
21 Health Care & Benefits Division	-	86,232	-	-	86,232	0.20%
23 State Human Resources Division	3,349,870	-	-	-	3,349,870	7.68%
37 State Tax Appeal Board	1,055,400	-	-	-	1,055,400	2.42%
Grand Total	<u>\$ 12,574,651</u>	<u>\$ 15,708,338</u>	<u>\$ 623,742</u>	<u>\$ 14,710,761</u>	<u>\$ 43,617,492</u>	<u>100.00%</u>

### 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	6,341,405	6,341,405	12,682,810	100.86%	19,425,212	19,425,212	38,850,424	89.07%
Statewide PL Adjustments	779,453	761,174	1,540,627	12.25%	1,815,494	1,708,055	3,523,549	8.08%
Other PL Adjustments	14,942	16,599	31,541	0.25%	1,175,535	1,257,810	2,433,345	5.58%
New Proposals	(860,869)	(819,458)	(1,680,327)	(13.36%)	(349,275)	(840,551)	(1,189,826)	(2.73%)
<b>Total Budget</b>	<b>\$6,274,931</b>	<b>\$6,299,720</b>	<b>\$12,574,651</b>		<b>\$22,066,966</b>	<b>\$21,550,526</b>	<b>\$43,617,492</b>	

### Other Legislation

**HB 645** – In the long-range planning section of HB 645, the department is provided \$4.5 million in general fund for two information technology projects: 1) \$3.5 million for enterprise system center equipment; and 2) \$1.0 million for interoperability Montana. The appropriations for these projects are from general fund that was freed up due to receipt of federal stimulus funds.

**SB 57** - This bill revises laws for special districts and allows for the creation of special districts by local governments working individually or jointly. The fiscal note for the bill indicated a cost of \$77,850 for the biennium including funding for 0.50 FTE to create separate databases for each district. DP 7020 in the Information Technology Services Division was approved to fund the implementation costs of SB 57.

**SB 351** - This bill revised mortgage lending laws by expanding the mortgage broker and loan originator act to include mortgage lenders. The fiscal note for the bill indicated a biennium cost of \$68,882 to implement the bill. DP 1420 in the Banking and Financial Division funds the SB 351 implementation costs.

**HB 4** – This bill appropriates funds approved in the 2009 biennium via budget amendment authority into the 2011 biennium. For the department, three appropriations were approved in HB 4: 1) federal budget amendment authority for the purchase of enhanced technology for tribal and urban E911 phone systems was authorized to continue into FY 2010; 2) federal budget amendment authority for the interoperability Montana project was authorized to continue into federal

FY 2010; and 3) federal budget amendment authority for the grant to establish a control database containing public land survey system corner control information was authorized to continue into federal FY 2011.

**HB 5** – This bill appropriates funds for long-range building projects. The bill includes appropriations for capital projects that are administered by the department via the long-range building program and benefit various agencies statewide. These appropriations are discussed in the Long-range Planning section of this narrative.

**HB 82** - This bill reduces and redirects the portion of 9-1-1 fees collected by the state and used to fund costs to administer the fees for basic, enhanced, and wireless enhanced 9-1-1 services. DP 6102 in the Information Technology Services Division aligns the HB 2 funding for the administration costs as they are impacted by HB 82.

**HB 213** – This bill provides guidance on the selection of a location for establishment of a veteran's home in southwestern Montana. The fiscal note for the bill indicated a \$32,253 fiscal impact for site selection costs of the Architecture and Engineering Program of the department. HB 2 contains funding for these costs in DP 4010 that is discussed in the narrative for that program.

### Executive Budget Comparison

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg – Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg – Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	154.62	155.12	155.62	0.50	155.62	156.12	0.50	
Personal Services	8,709,460	9,763,023	10,020,242	257,219	9,803,539	10,202,652	399,113	656,332
Operating Expenses	10,010,416	12,712,308	10,369,988	(2,342,320)	10,510,280	9,674,538	(835,742)	(3,178,062)
Equipment & Intangible Assets	42,077	42,077	42,077	0	42,077	42,077	0	0
Local Assistance	22,633	44,033	44,033	0	40,633	40,633	0	0
Grants	608,576	1,558,576	1,558,576	0	1,558,576	1,558,576	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	32,050	32,050	32,050	0	32,050	32,050	0	0
<b>Total Costs</b>	<b>\$19,425,212</b>	<b>\$24,152,067</b>	<b>\$22,066,966</b>	<b>(\$2,085,101)</b>	<b>\$21,987,155</b>	<b>\$21,550,526</b>	<b>(\$436,629)</b>	<b>(\$2,521,730)</b>
General Fund	6,341,405	8,877,281	6,274,931	(2,602,350)	6,824,452	6,299,720	(524,732)	(3,127,082)
State/Other Special	5,545,483	7,585,316	7,817,482	232,166	7,571,404	7,890,856	319,452	551,618
Federal Special	296,871	311,871	575,003	263,132	311,871	48,739	(263,132)	0
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	7,241,453	7,377,599	7,399,550	21,951	7,279,428	7,311,211	31,783	53,734
<b>Total Funds</b>	<b>\$19,425,212</b>	<b>\$24,152,067</b>	<b>\$22,066,966</b>	<b>(\$2,085,101)</b>	<b>\$21,987,155</b>	<b>\$21,550,526</b>	<b>(\$436,629)</b>	<b>(\$2,521,730)</b>

The legislative budget is \$2.5 million in total funds and \$3.1 million in general fund lower than the executive budget. The most significant revisions from the executive budget are summarized below:

- Funding of \$2.0 million for operating costs to support the startup of a high performance computer was moved to the Department of Commerce and then funded with freed up general fund in the bill that implements the federal stimulus funding (HB 645)
- An unspecified reduction of \$1.2 million general fund was approved along with accompanying language that allows the department flexibility in allocating the reduction when it establishes its operating plan for the 2011 biennium
- The legislature added funding for a career ladder for bank examiners in the Banking and Financial Division, which resulted in a \$312,500 increase in state special revenue
- Funding to provide assistance to agencies in addressing workplace accommodations for disabled employees was not approved and resulted in a \$50,000 general fund reduction

- Funding for per diem of the Board of County Printing, Burial Board, Interagency Disabilities Advisory Council, and Lottery Commission was not approved and resulted in reductions of \$36,800 general fund and \$2,500 lottery proprietary fund
- A rent subsidy for the state employees' daycare was not approved, resulting in a \$12,400 state special revenue reduction

**Language and Statutory Authority**

The legislature approved the following language for the agency in HB 2:

"General Services Program includes unspecified reductions in general fund money of \$580,071 in fiscal year 2010 and \$580,071 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	1.17	1.17	1.17	1.17	1.17	1.17	0.00	0.00%
Personal Services	52,249	63,765	60,667	59,937	116,014	120,604	4,590	3.96%
Operating Expenses	40,086	29,849	80,378	23,177	69,935	103,555	33,620	48.07%
Local Assistance	22,133	22,133	37,133	37,133	44,266	74,266	30,000	67.77%
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$114,468</b>	<b>\$115,747</b>	<b>\$178,178</b>	<b>\$120,247</b>	<b>\$230,215</b>	<b>\$298,425</b>	<b>\$68,210</b>	<b>29.63%</b>
General Fund	90,748	90,169	139,458	81,527	180,917	220,985	40,068	22.15%
State Special	1,587	1,587	1,587	1,587	3,174	3,174	0	0.00%
Federal Special	22,133	23,991	37,133	37,133	46,124	74,266	28,142	61.01%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$114,468</b>	<b>\$115,747</b>	<b>\$178,178</b>	<b>\$120,247</b>	<b>\$230,215</b>	<b>\$298,425</b>	<b>\$68,210</b>	<b>29.63%</b>

### Program Description

The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Office of Legal Services provides legal services to agency and administratively attached programs. The Office of Finance and Budget provides financial, budgeting, and accounting functions for the department. The Office of Human Resources provides personnel and payroll functions for the department.

### Program Highlights

<b>Director's Office HB 2 Budget Highlights</b>	
◆	Total funds increase \$68,000, or 29.6 percent, from the 2009 to the 2011 biennium due primarily to: <ul style="list-style-type: none"> <li>• Statewide present law adjustments</li> <li>• Federal flood control funds, which were previously budgeted in a different division</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Director'S Office						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 90,748	79.3%	\$ 139,458	78.3%	\$ 81,527	67.8%
01100 General Fund	90,748	79.3%	139,458	78.3%	81,527	67.8%
02000 Total State Special Funds	1,587	1.4%	1,587	0.9%	1,587	1.3%
02317 Financial Advisor Fees	1,587	1.4%	1,587	0.9%	1,587	1.3%
03000 Total Federal Special Funds	22,133	19.3%	37,133	20.8%	37,133	30.9%
03369 Flood Control Payments	\$ 22,133	19.3%	\$ 37,133	20.8%	\$ 37,133	30.9%
<b>Grand Total</b>	<b>114,468</b>	<b>100.0%</b>	<b>178,178</b>	<b>100.0%</b>	<b>120,247</b>	<b>100.0%</b>

The Director’s Office is funded with a combination of general fund, state and federal special revenues, and proprietary funds. General fund provides funding for the office’s support of the allocations of police retirement funds, and general management and legal support for statewide functions of the department. State special revenue funds the office’s functions in support of the Capital Financial Advisory Council. Federal special revenue funds administrative functions that support allocation of federal flood control payments.

Most operations of the office are funded with non-budgeted proprietary funds, which 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	90,748	90,748	181,496	82.13%	114,468	114,468	228,936	76.71%
Statewide PL Adjustments	47,901	(9,286)	38,615	17.47%	47,901	(9,286)	38,615	12.94%
Other PL Adjustments	0	0	0	0.00%	15,000	15,000	30,000	10.05%
New Proposals	809	65	874	0.40%	809	65	874	0.29%
<b>Total Budget</b>	<b>\$139,458</b>	<b>\$81,527</b>	<b>\$220,985</b>		<b>\$178,178</b>	<b>\$120,247</b>	<b>\$298,425</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					10,103					10,118
Vacancy Savings					(2,494)					(2,495)
Inflation/Deflation					3					4
Fixed Costs					40,289					(16,913)
<b>Total Statewide Present Law Adjustments</b>		<b>\$47,901</b>	<b>\$0</b>	<b>\$0</b>	<b>\$47,901</b>		<b>(\$9,286)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$9,286)</b>
DP 105 - Flood Control	0.00	0	0	15,000	15,000	0.00	0	0	15,000	15,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$15,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$47,901</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$62,901</b>	<b>0.00</b>	<b>(\$9,286)</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$5,714</b>

DP 105 - Flood Control - A biennium increase of \$30,000 federal special revenue funds distribution of federal flood control payments to designated counties.

## New Proposals

New Proposals	-----Fiscal 2010-----					-----Fiscal 2011-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13											
01	0.00	640	0	0	640	0.00	1,936	0	0	1,936	
DP 6014 - Pay Plan Lump Sum Payment OTO											
01	0.00	2,040	0	0	2,040	0.00	0	0	0	0	
DP 8101 - Increase 4% Vacancy Savings to 7%											
01	0.00	(1,871)	0	0	(1,871)	0.00	(1,871)	0	0	(1,871)	
<b>Total</b>	<b>0.00</b>	<b>\$809</b>	<b>\$0</b>	<b>\$0</b>	<b>\$809</b>	<b>0.00</b>	<b>\$65</b>	<b>\$0</b>	<b>\$0</b>	<b>\$65</b>	

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

## Proprietary Rates

### Proprietary Program Description - Management Services Unit (06534)

The Management Services Unit consists of the Director's Office, the Office of Legal Services, the Office of Human Resources, and the Office of Finance and Budget. The Management Services Unit coordinates preparation and presentation of the department's biennial budget, monitors approved budgets for compliance with state law and legislative intent, provides accounting assistance to divisions within the department, processes payroll and provides new employee orientation for all divisions within the department, including attached-to agencies, assists with recruitment and selection, classifies positions, develops personnel policies and procedures, and advises all divisions within the department on legal matters.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

### Proprietary Present Law Adjustments

DP 0106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

### Proprietary New Proposals

DP 0101 - Program Manager - A biennium increase of \$179,400 funds the addition of 1.00 FTE Program Manager to assist with department-wide projects. This FTE is being transferred from the Surplus Property Program in the General Services Division under new proposal DP 618 - Transfer FTE to Director's Office. The estimated impact of this decision package is a 13 percent increase in the Management Services rate.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

**Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	18.67	18.67	18.67	18.67	18.67	18.67	0.00	0.00%
Personal Services	1,049,614	1,127,015	1,092,489	1,103,048	2,176,629	2,195,537	18,908	0.87%
Operating Expenses	239,981	268,855	275,799	276,019	508,836	551,818	42,982	8.45%
Local Assistance	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,289,595</b>	<b>\$1,395,870</b>	<b>\$1,368,288</b>	<b>\$1,379,067</b>	<b>\$2,685,465</b>	<b>\$2,747,355</b>	<b>\$61,890</b>	<b>2.30%</b>
General Fund	1,228,375	1,282,859	1,307,068	1,317,847	2,511,234	2,624,915	113,681	4.53%
Federal Special	11,606	63,342	11,606	11,606	74,948	23,212	(51,736)	(69.03%)
Other	49,614	49,669	49,614	49,614	99,283	99,228	(55)	(0.06%)
<b>Total Funds</b>	<b>\$1,289,595</b>	<b>\$1,395,870</b>	<b>\$1,368,288</b>	<b>\$1,379,067</b>	<b>\$2,685,465</b>	<b>\$2,747,355</b>	<b>\$61,890</b>	<b>2.30%</b>

### Program Description

The State Accounting Division is the process owner of the financial portion of the Statewide Budgeting, Accounting, and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, prepares and negotiates the Statewide Cost Allocation Plan (SWCAP), and prepares the state Comprehensive Annual Financial Report (CAFR). The division provides accounting assistance and training to state agencies and provides technical assistance and training to local government accounting and financial personnel. The division also provides the central banking function for state agencies, reconciles the state bank accounts held in approximately 60 banks, and insures the collateralization of these banks accounts is maintained at the proper level. The division maintains and publishes the local government Budgetary, Accounting, and Reporting System (BARS) chart of accounts and the county collection and accounting manuals.

Functions discussed later in the proprietary rates section include the Statewide Accounting, Budgeting and Human Resources Program, the warrant writer activities, and the audit review function for local governments.

### Program Highlights

State Accounting Division HB 2 Budget Highlights	
◆	Total funds increase \$61,900, or 2.3 percent, from the 2009 to the 2011 biennium due primarily to statewide present law adjustments

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 1,228,375	95.3%	\$ 1,307,068	95.5%	\$ 1,317,847	95.6%
01100 General Fund	1,228,375	95.3%	1,307,068	95.5%	1,317,847	95.6%
03000 Total Federal Special Funds	11,606	0.9%	11,606	0.8%	11,606	0.8%
03320 Cmia Funds	11,606	0.9%	11,606	0.8%	11,606	0.8%
06000 Total Proprietary Funds	49,614	3.8%	49,614	3.6%	49,614	3.6%
06527 Investment Division	49,614	3.8%	49,614	3.6%	49,614	3.6%
<b>Grand Total</b>	<b>\$ 1,289,595</b>	<b>100.0%</b>	<b>\$ 1,368,288</b>	<b>100.0%</b>	<b>\$ 1,379,067</b>	<b>100.0%</b>

The State Accounting Division is funded with general fund, federal special revenues, and proprietary funds. General fund provides funding for the statewide accounting standards, treasury, and accounting assistance for local government. Federal special revenue provides funding for activities associated with the federal Cash Management Improvement Act funds and the federal portion of State Fund dividends. The division is also funded with a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board.

Most operations of the division are funded with non-budgeted proprietary funds, which 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,228,375	1,228,375	2,456,750	93.59%	1,289,595	1,289,595	2,579,190	93.88%
Statewide PL Adjustments	97,059	100,245	197,304	7.52%	97,059	100,245	197,304	7.18%
Other PL Adjustments	3,898	4,321	8,219	0.31%	3,898	4,321	8,219	0.30%
New Proposals	(22,264)	(15,094)	(37,358)	(1.42%)	(22,264)	(15,094)	(37,358)	(1.36%)
<b>Total Budget</b>	<b>\$1,307,068</b>	<b>\$1,317,847</b>	<b>\$2,624,915</b>		<b>\$1,368,288</b>	<b>\$1,379,067</b>	<b>\$2,747,355</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					112,192					115,639
Vacancy Savings					(46,472)					(46,608)
Inflation/Deflation					692					867
Fixed Costs					30,647					30,347
<b>Total Statewide Present Law Adjustments</b>					<b>\$97,059</b>		<b>\$100,245</b>		<b>\$0</b>	<b>\$0</b>
DP 106 - Allocate department indirect/admin costs	0.00	3,898	0	0	3,898	0.00	4,321	0	0	4,321
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,898</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,898</b>	<b>0.00</b>	<b>\$4,321</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,321</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$100,957</b>	<b>\$0</b>	<b>\$0</b>	<b>\$100,957</b>	<b>0.00</b>	<b>\$104,566</b>	<b>\$0</b>	<b>\$0</b>	<b>\$104,566</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

### New Proposals

New Proposals											
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6013 - 2011 Biennium Pay Plan - HB 13											
03	0.00	6,400	0	0	6,400	0.00	19,360	0	0	19,360	
DP 6014 - Pay Plan Lump Sum Payment OTO											
03	0.00	5,610	0	0	5,610	0.00	0	0	0	0	
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation											
03	0.00	581	0	0	581	0.00	503	0	0	503	
DP 8101 - Increase 4% Vacancy Savings to 7%											
03	0.00	(34,855)	0	0	(34,855)	0.00	(34,957)	0	0	(34,957)	
<b>Total</b>	<b>0.00</b>	<b>(\$22,264)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$22,264)</b>	<b>0.00</b>	<b>(\$15,094)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$15,094)</b>	

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### Proprietary Rates

The State Accounting Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Statewide Accounting, Budgeting and Human Resources Program
- Warrant Writer Program
- Audit Review Program

### Proprietary Program Description - Statewide Accounting, Budgeting and Human Resources Program (06511)

The Statewide Accounting, Budgeting and Human Resource (SABHRS) Finance and Budget Bureau (SFAB) is responsible for operational support and maintenance for the financial portion of SABHRS and Montana Budget, Analysis, and Reporting System (MBARS).

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

**Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 0302 - SABHRS Maintenance – A biennium increase of \$309,960 funds increased maintenance resulting from a new SABHRS finance module added during the 2009 biennium. This funding will increase the base rate by 3.3 percent in FY 2010 and by 3.6 percent in FY 2011.

DP 0303 - SABHRS Training Costs – A biennium increase of \$200,000 in FY 2010 funds increased training for bureau staff. This funding will increase the base rate by 4 percent in FY 2010 rates as compared to the base rate.

DP 0305 - Inc. License/Maint. Costs and Contracted Services – A biennium increase of \$481,000 funds increases in the license, maintenance, and contract services to support SABHRS. This funding will increase the base rate by 5.2 percent in FY 2010 and by 5.6 percent in FY 2011.

**Proprietary New Proposals**

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

**Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

**Proprietary Program Description - Warrant Writer Program (06564)**

The department provides the services of the Warrant Writer Program to state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. Because the service is mandated in statute, no alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

**Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

**Proprietary New Proposals**

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### **Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

### **Proprietary Program Description - Audit Review Program (06042)**

The Audit Review Program is responsible for administering the provisions of the Montana Single Audit Act (MSAA), which specifies the audit requirements for all Montana local government entities (2-7-5, MCA). The program performs the following services:

- Mails out to and receives annual financial reports from approximately 900 local governments
- Enters selected financial data from the reports into a database
- Obtains and enters into the database information regarding school district revenues
- Determines which local government entities are subject to audit under the act and notifies them of the audit requirements
- Accepts applications from and maintains a roster of independent auditors authorized to conduct local government audits
- Prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits
- Receives and approves audit contracts for local government audits
- Verifies that all local governments required to have audits do so
- Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards
- Notifies state agencies of audit findings related to financial assistance programs that they administer
- Receives and reviews each local government's response to the audit report findings and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report
- Maintains copies of all local government entity audit reports and the local government's responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public
- Provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits
- Investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline
- Provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public
- Requests for special audits and arranges for such audits if determined to be necessary

### **Proprietary Rates**

The legislature does not approve rates or appropriate funds for the Audit Review Program. The legislature reviewed the financial report for the enterprise fund and identified no concerns with the financial position of the fund. Rates for the Audit Review Program are set by administrative rule and published in:

- ARM 2.4.402 for the audit report filing fee
- ARM 2.4.406 for the roster fee collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,014,799	1,121,134	1,264,586	1,247,129	2,135,933	2,511,715	375,782	17.59%
Operating Expenses	665,155	673,907	721,287	724,159	1,339,062	1,445,446	106,384	7.94%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$1,679,954</b>	<b>\$1,795,041</b>	<b>\$1,985,873</b>	<b>\$1,971,288</b>	<b>\$3,474,995</b>	<b>\$3,957,161</b>	<b>\$482,166</b>	<b>13.88%</b>
State Special	1,679,954	1,795,041	1,985,873	1,971,288	3,474,995	3,957,161	482,166	13.88%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$1,679,954</b>	<b>\$1,795,041</b>	<b>\$1,985,873</b>	<b>\$1,971,288</b>	<b>\$3,474,995</b>	<b>\$3,957,161</b>	<b>\$482,166</b>	<b>13.88%</b>

### Program Description

The Architecture & Engineering Program manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The program also formulates a long-range building plan for legislative consideration each session. In addition, the division is developing and implementing a condition and needs assessment of K-12 public school facilities.

### Program Highlights

Architecture and Engineering Program HB 2 Budget Highlights	
◆	State special revenue increases \$482,200, or 13.9 percent, from the 2009 to the 2011 biennium due to statewide present law adjustments

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Architecture & Engineering Pgm						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 1,679,954	100.0%	\$ 1,985,873	100.0%	\$ 1,971,288	100.0%
02030 Arch & Engin Construction	1,679,954	100.0%	1,985,873	100.0%	1,971,288	100.0%
Grand Total	\$ 1,679,954	100.0%	\$ 1,985,873	100.0%	\$ 1,971,288	100.0%

The Architecture & 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.

**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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	1,679,954	1,679,954	3,359,908	84.91%
Statewide PL Adjustments	0	0	0	0.00%	308,956	317,360	626,316	15.83%
Other PL Adjustments	0	0	0	0.00%	(3,806)	(3,327)	(7,133)	(0.18%)
New Proposals	0	0	0	0.00%	769	(22,699)	(21,930)	(0.55%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,985,873</b>	<b>\$1,971,288</b>	<b>\$3,957,161</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					304,519					308,417
Vacancy Savings					(52,772)					(52,930)
Inflation/Deflation					4,871					5,437
Fixed Costs					52,338					56,436
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$308,956</b>	<b>\$0</b>	<b>\$308,956</b>		<b>\$0</b>	<b>\$317,360</b>	<b>\$0</b>	<b>\$317,360</b>
DP 106 - Allocate department indirect/admin costs	0.00	0	(3,550)	0	(3,550)	0.00	0	(3,033)	0	(3,033)
DP 7101 - Fuel Inflation Reduction	0.00	0	(256)	0	(256)	0.00	0	(294)	0	(294)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,806)</b>	<b>\$0</b>	<b>(\$3,806)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$3,327)</b>	<b>\$0</b>	<b>(\$3,327)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$305,150</b>	<b>\$0</b>	<b>\$305,150</b>	<b>0.00</b>	<b>\$0</b>	<b>\$314,033</b>	<b>\$0</b>	<b>\$314,033</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

## New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4010 - HB 213 - Southwestern Montana Veterans' Home (OTO)										
04	0.00	0	32,253	0	32,253	0.00	0	0	0	0
DP 6013 - 2011 Biennium Pay Plan - HB 13										
04	0.00	0	5,474	0	5,474	0.00	0	16,541	0	16,541
DP 6014 - Pay Plan Lump Sum Payment OTO										
04	0.00	0	2,092	0	2,092	0.00	0	0	0	0
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation										
04	0.00	0	529	0	529	0.00	0	458	0	458
DP 8101 - Increase 4% Vacancy Savings to 7%										
04	0.00	0	(39,579)	0	(39,579)	0.00	0	(39,698)	0	(39,698)
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$769</b>	<b>\$0</b>	<b>\$769</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$22,699)</b>	<b>\$0</b>	<b>(\$22,699)</b>

DP 4010 - HB 213 - Southwestern Montana Veterans' Home (OTO) - An increase of \$32,253 state special revenue in FY 2010 funds site selection costs associated with HB 213, a bill that establishes a southwestern Montana veterans' home. The legislature designated the funding as one time only.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	11.25	11.25	11.25	11.25	11.25	11.25	0.00	0.00%
Personal Services	597,183	646,375	640,376	647,206	1,243,558	1,287,582	44,024	3.54%
Operating Expenses	1,895,135	2,033,154	1,488,386	1,517,323	3,928,289	3,005,709	(922,580)	(23.49%)
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	32,050	32,050	32,050	32,050	64,100	64,100	0	0.00%
<b>Total Costs</b>	<b>\$2,524,368</b>	<b>\$2,711,579</b>	<b>\$2,160,812</b>	<b>\$2,196,579</b>	<b>\$5,235,947</b>	<b>\$4,357,391</b>	<b>(\$878,556)</b>	<b>(16.78%)</b>
General Fund	2,471,442	2,614,645	2,106,961	2,142,509	5,086,087	4,249,470	(836,617)	(16.45%)
State Special	52,926	96,934	53,851	54,070	149,860	107,921	(41,939)	(27.99%)
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$2,524,368</b>	<b>\$2,711,579</b>	<b>\$2,160,812</b>	<b>\$2,196,579</b>	<b>\$5,235,947</b>	<b>\$4,357,391</b>	<b>(\$878,556)</b>	<b>(16.78%)</b>

### Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's vehicle fueling, energy procurement, and procurement card programs.

The Print and Mail Services Bureau provides print and mail services to state agencies. Services include internal and external (contracted) printing, photocopy pool services, mail preparation, central mail operations, and inter-agency (deadhead) mail. The bureau also operates the United States post office in the Capitol and provides three quick copy locations on the Capitol Complex.

The Property and Supply Bureau manages the central stores program and the state and federal surplus property programs.

### Program Highlights

<b>General Services Program HB 2 Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ An unspecified reduction was applied to this program to reduce the agency's general fund by nearly \$1.2 million and language was approved to allow the agency to allocate the reduction to other programs when developing the operating plans for the 2011 biennium</li> <li>◆ Absent the agency unspecified reduction the total fund budget for the program grows by \$282,000 or 5.4 percent due largely to statewide present law adjustments</li> </ul>

## Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 2,471,442	97.9%	\$ 2,106,961	97.5%	\$ 2,142,509	97.5%
01100 General Fund	2,471,442	97.9%	2,106,961	97.5%	2,142,509	97.5%
02000 Total State Special Funds	52,926	2.1%	53,851	2.5%	54,070	2.5%
02211 Procurement Special Revenue	52,926	2.1%	53,851	2.5%	54,070	2.5%
<b>Grand Total</b>	<b>\$ 2,524,368</b>	<b>100.0%</b>	<b>\$ 2,160,812</b>	<b>100.0%</b>	<b>\$ 2,196,579</b>	<b>100.0%</b>

Base year funding for the General Services Division includes general fund, state special revenue, and proprietary funds. General fund provides funding for the Procurement Bureau and a portion of the funding for facilities maintenance. 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 revenue from procurement rebates funds portions of procurement functions.

The following programs are funded with proprietary funds and are not shown on the main budget tables but are discussed in the proprietary rates section for the division:

- Print and mail services
- Central stores
- Facilities management
- Surplus property

## 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,471,442	2,471,442	4,942,884	116.32%	2,524,368	2,524,368	5,048,736	115.87%
Statewide PL Adjustments	223,849	255,342	479,191	11.28%	224,331	255,737	480,068	11.02%
Other PL Adjustments	3,508	3,766	7,274	0.17%	4,836	5,115	9,951	0.23%
New Proposals	(591,838)	(588,041)	(1,179,879)	(27.77%)	(592,723)	(588,641)	(1,181,364)	(27.11%)
<b>Total Budget</b>	<b>\$2,106,961</b>	<b>\$2,142,509</b>	<b>\$4,249,470</b>		<b>\$2,160,812</b>	<b>\$2,196,579</b>	<b>\$4,357,391</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010					Fiscal 2011				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					83,420					86,231
Vacancy Savings					(27,225)					(27,335)
Inflation/Deflation					130					154
Fixed Costs					168,006					196,687
<b>Total Statewide Present Law Adjustments</b>		<b>\$223,849</b>	<b>\$482</b>	<b>\$0</b>	<b>\$224,331</b>		<b>\$255,342</b>	<b>\$395</b>	<b>\$0</b>	<b>\$255,737</b>
DP 106 - Allocate department indirect/admin costs	0.00	3,508	1,328	0	4,836	0.00	3,766	1,349	0	5,115
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,508</b>	<b>\$1,328</b>	<b>\$0</b>	<b>\$4,836</b>	<b>0.00</b>	<b>\$3,766</b>	<b>\$1,349</b>	<b>\$0</b>	<b>\$5,115</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$227,357</b>	<b>\$1,810</b>	<b>\$0</b>	<b>\$229,167</b>	<b>0.00</b>	<b>\$259,108</b>	<b>\$1,744</b>	<b>\$0</b>	<b>\$260,852</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

### New Proposals

New Proposals	Fiscal 2010					Fiscal 2011					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 620 - Unspecified Agency Reduction											
06	0.00	(580,071)	0	0	(580,071)	0.00	(580,071)	0	0	(580,071)	
DP 6013 - 2011 Biennium Pay Plan - HB 13											
06	0.00	3,576	264	0	3,840	0.00	10,812	816	0	11,628	
DP 6014 - Pay Plan Lump Sum Payment OTO											
06	0.00	3,318	259	0	3,577	0.00	0	0	0	0	
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation											
06	0.00	328	22	0	350	0.00	284	19	0	303	
DP 8101 - Increase 4% Vacancy Savings to 7%											
06	0.00	(18,989)	(1,430)	0	(20,419)	0.00	(19,066)	(1,435)	0	(20,501)	
<b>Total</b>	<b>0.00</b>	<b>(\$591,838)</b>	<b>(\$885)</b>	<b>\$0</b>	<b>(\$592,723)</b>	<b>0.00</b>	<b>(\$588,041)</b>	<b>(\$600)</b>	<b>\$0</b>	<b>(\$588,641)</b>	

DP 620 - Unspecified Agency Reduction - A biennium reduction of \$1.2 million general fund was approved. The legislature approved language that allows the agency to reallocate funding among the agency when it develops the operating plan for the biennium.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

## **Proprietary Rates**

### **Proprietary Program Description**

The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Facilities Management (Rent and Maintenance)
- Print and Mail Services
- Central Stores
- Surplus Property (enterprise fund, not included below)

### **Proprietary Program Description - Facilities Maintenance Bureau (Rent and Maintenance - 06528)**

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

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

### **Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 603 - FMB Contracted Services – A biennium increase of \$447,000 funds increases in janitorial, access control, and fire alarm contracts due to inflationary factors associated with prevailing wages and petroleum prices expected when the contracts are rebid. This funding increases the office space rate by \$0.215 per square foot in FY 2010 and \$0.232 per square foot in FY 2011.

DP 0604 - FMB Utility (Water and Sewer) Expenditures – A biennium increase of \$19,000 funds increases expected in water and sewer fees paid to the City of Helena. This funding increases the office space rate by \$0.009 per square foot in FY 2010 and \$0.01 per square foot in FY 2011.

DP 0606 - FMB Leasing Assistant – A biennium increase of \$117,000 funds the addition of 1.00 FTE leasing assistant to assist the state leasing officer in the daily management of 1.6 million square feet of leases, 1.2 million square feet of state office space and over 360 contracts. This funding increases the office space rate by \$0.052 per square foot in FY 2010 and by \$0.049 per square foot in FY 2011.

DP 0612 - FMB Wage Increase for Seasonal Workers – Grounds – A biennium increase of \$17,000 funds increases in pay for seasonal snow removal workers to address recruitment and retention issues due to current pay competition in the

private sector. This funding increases the grounds maintenance charge by \$0.009 per square foot in both FY 2010 and FY 2011.

DP 0615 - Assume Maintenance Responsibility-St Fnd Bldg – A biennium increase of \$226,000 funds the addition 1.00 FTE beginning in FY 2011 to address workload increases for the addition of the old State Fund building after the State Fund moves to a new building in September 2010. On-going funding is for personal services and operating costs (utilities, elevator maintenance, janitorial, mechanical, and sanitation services). One-time costs of \$50,000 fund new carpet and painting once the building is vacated. This funding increases the office space rate by \$0.189 per square foot in FY 2011.

DP 0616 - Maintenance of New ITSD Enterprises Center - 1 FTE – A biennium increase of \$449,000 in FY 2011 funds additional costs when the division assumes responsibilities for the facility management of the new enterprise data center building in the fall of 2010. Funding is for personal services to add 1.00 FTE and operating costs for electricity, natural gas, sewer and water, and contract costs for janitorial, mechanical, and sanitation services. This funding increases the office space rate by \$0.374 per square foot in FY 2011.

DP 7101 – Fuel Inflation Reduction – This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

#### **Proprietary New Proposals**

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

#### **Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

#### **Proprietary Program Description - Print & Mail Services Bureau (06530)**

The Print and Mail Services Bureau provides printing, mail services, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. The bureau has seven basic 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) postal contract station with locked mail boxes in the Capitol. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through print services, which determines the most cost effective method of project completion. Not all requests for printing are completed internally. Nearly 70 percent of printing expenditures are procured through commercial vendors. The Postal Contract Station provides mail services to the public.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

#### **Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 0605 - P/M Legislative Session costs and overtime – A biennium increase of \$311,700 funds overtime and operating costs to operate the legislative print shop in support of the 2011 legislative session. Funding also addresses mailings in support of the session. This funding has no impact on rates.

DP 0607 - PrintMail Equipment Replacement – A biennium increase of \$211,700 funds replacement of the following equipment:

- Quickmaster press in FY 2010, \$70,000
- Inserter in FY 2010, \$200,000
- Computer-to-plate plate maker in FY 2011, \$85,000
- Pressure sealer in FY 2011, \$55,000

DP 0608 - PrintMail High Speed Copier Lease – A biennium increase of \$70,000 funds a five year operating lease of a high speed copier. The copier replaces two obsolete duplicators.

DP 0613 – Print Mail replace mail sort system – A biennium increase of \$168,300 funds replacement of the mail sorting system. This funding will result in an increase in winsort and permit mailing rates of \$0.009 per mail piece in each year of the 2011 biennium.

DP 7101 – Fuel Inflation Reduction – This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

### **Proprietary New Proposals**

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### **Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

### **Proprietary Program Description - Central Stores Program (06531)**

The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Customers include all agencies and units within state government and participating local governments.

Section 18-4-302(3), MCA, mandates state agencies to use central stores unless the publicly advertised price of an alternate supplier, established catalog price, or discount price offered to the agency is less than the price offered by the stores program, as long as the office supply conforms in all material respects to the terms, conditions, and quality offered by the stores program. Local governments and university system employees are not mandated to use central stores.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

**Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 0614 - Central Stores Vehicle Replacement – A biennium increase of \$15,000 in FY 2010 funds replacement of a passenger car used to make daily deposits to the state treasurer's office and other trips to agency offices. This funding has no impact on the rates charged by the program.

DP 7101 – Fuel Inflation Reduction – This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

**Proprietary New Proposals**

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

**Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

**Proprietary Program Description - Surplus Property Program (06066)**

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. The federal surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs provide a mechanism to transfer surplus property between agencies and extend the life of state property. The program provides accountability in the disposal of surplus state property, provides agencies with a service to collect surplus equipment, and provides an in-state screening service to locate federal surplus property for state agencies and local governments.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

**Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 0609 - PSB replacement of equipment – A biennium increase of \$51,000 funds the purchase of the following replacement equipment in FY 2011 that are near the ends of their useful lives:

- Forklift (\$5,000)
- Flatbed trailer (\$6,000)
- Heavy duty truck to pickup surplus products (\$40,000)

**Proprietary New Proposals**

DP 0618 - Transfer FTE to Director's Office – A biennium reduction of \$144,000 moves 1.00 FTE to the Director's Office and 1.00 FTE to the Health Care and Benefits Division. Positions being moved are positions that have previously remained vacant.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

**Proprietary Rates**

The Surplus Property Program is funded with an enterprise type proprietary fund. As such the legislature does not approve rates or appropriate funds for the program. The legislature reviewed the financial report for the enterprise fund and identified a concern with the financial position of the fund. The legislature was concerned that the revenues of the program were not able to support its operation. The legislature directed the program to take steps to live within its means and adjust operations to reduce expenditures to remain commensurate with available revenues.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	9.00	9.00	9.50	9.50	9.00	9.50	0.50	5.56%
Personal Services	606,966	887,472	708,299	716,257	1,494,438	1,424,556	(69,882)	(4.68%)
Operating Expenses	613,832	955,527	913,568	378,835	1,569,359	1,292,403	(276,956)	(17.65%)
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	608,576	860,530	1,558,576	1,558,576	1,469,106	3,117,152	1,648,046	112.18%
<b>Total Costs</b>	<b>\$1,829,374</b>	<b>\$2,703,529</b>	<b>\$3,180,443</b>	<b>\$2,653,668</b>	<b>\$4,532,903</b>	<b>\$5,834,111</b>	<b>\$1,301,208</b>	<b>28.71%</b>
General Fund	734,366	759,830	534,694	539,317	1,494,196	1,074,011	(420,185)	(28.12%)
State Special	831,876	1,406,831	2,119,485	2,114,351	2,238,707	4,233,836	1,995,129	89.12%
Federal Special	263,132	536,868	526,264	0	800,000	526,264	(273,736)	(34.22%)
<b>Total Funds</b>	<b>\$1,829,374</b>	<b>\$2,703,529</b>	<b>\$3,180,443</b>	<b>\$2,653,668</b>	<b>\$4,532,903</b>	<b>\$5,834,111</b>	<b>\$1,301,208</b>	<b>28.71%</b>

### Program Description

Information Technology Services Division (ITSD) is a proprietary program that manages central computing and telecommunications services for state government. ITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies located throughout the state. ITSD provides local and long distance telephone network services used by all agencies, including the university system, and manages the state's video network. ITSD coordinates electronic government services for the state, and manages the states Internet presence mt.gov. ITSD also manages the Continuity of Operations (COOP), Security, Architecture and IT PM Enterprise Offices.

The division coordinates Geographic Information Systems (GIS) development, and manages the Public Safety Services Office that includes the state's 911 and public safety radio programs. These programs are funded by state special, federal special and general funds.

Through the office of the Chief Information Officer, the division develops the Statewide Strategic IT Plan, coordinates information technology (IT) for the state, and reviews and approves IT acquisitions. The division also provides statewide IT training, and establishes hardware, software, and consulting services contracts used by agencies.

### Program Highlights

<b>Information Technology Services Division HB 2 Budget Highlights</b>	
◆	Total funds increase \$1.3 million, or 28.7 percent, from the 2009 to the 2011 biennium due primarily to: <ul style="list-style-type: none"> <li>• Additional funding for Montana Land Information Act grants</li> <li>• Statewide present law adjustments</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
01000 Total General Fund	\$ 734,366	40.1%	\$ 534,694	16.8%	\$ 539,317	20.3%
01100 General Fund	734,366	40.1%	534,694	16.8%	539,317	20.3%
02000 Total State Special Funds	831,876	45.5%	2,119,485	66.6%	2,114,351	79.7%
02105 Basic 9-1-1 Emrgncy Phone Prog	-	-	268,640	8.4%	268,479	10.1%
02779 Montana Land Information	831,876	45.5%	1,850,845	58.2%	1,845,872	69.6%
03000 Total Federal Special Funds	263,132	14.4%	526,264	16.5%	-	-
03462 Gis-Homeland Security Grant	263,132	14.4%	526,264	16.5%	-	-
Grand Total	\$ 1,829,374	100.0%	\$ 3,180,443	100.0%	\$ 2,653,668	100.0%

Funding for the division is provided primarily with a proprietary fund that is not shown on the main budget tables, but is discussed in the proprietary rates section that follows the discussion of budget program activity. The HB 2 budgeted portion of the division is funded with general fund, state special revenue, and federal special revenue. The division receives general fund to administer the statewide 911 emergency telephone program and the Public Safety Services Office. Federal special revenue funds a portion of the GIS coordination work within the division and until the 2009 biennium a portion of the Public Safety Services Office. State special revenue funds the remaining portion of the GIS coordination work with funding derived from land transaction fees under the Montana Land Information Act.

### 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	734,366	734,366	1,468,732	136.75%	1,829,374	1,829,374	3,658,748	62.71%
Statewide PL Adjustments	84,778	84,306	169,084	15.74%	102,902	101,223	204,125	3.50%
Other PL Adjustments	(936)	(636)	(1,572)	(0.15%)	961,094	962,023	1,923,117	32.96%
New Proposals	(283,514)	(278,719)	(562,233)	(52.35%)	287,073	(238,952)	48,121	0.82%
<b>Total Budget</b>	<b>\$534,694</b>	<b>\$539,317</b>	<b>\$1,074,011</b>		<b>\$3,180,443</b>	<b>\$2,653,668</b>	<b>\$5,834,111</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					114,854					116,435
Vacancy Savings					(28,872)					(28,936)
Inflation/Deflation					1,453					1,636
Fixed Costs					15,467					12,088
<b>Total Statewide Present Law Adjustments</b>		<b>\$84,778</b>	<b>\$18,124</b>	<b>\$0</b>	<b>\$102,902</b>		<b>\$84,306</b>	<b>\$16,917</b>	<b>\$0</b>	<b>\$101,223</b>
DP 106 - Allocate department indirect/admin costs	0.00	(904)	12,030	0	11,126	0.00	(599)	12,659	0	12,060
DP 6110 - Additional MLIA Grants	0.00	0	950,000	0	950,000	0.00	0	950,000	0	950,000
DP 7101 - Fuel Inflation Reduction	0.00	(32)	0	0	(32)	0.00	(37)	0	0	(37)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$936)</b>	<b>\$962,030</b>	<b>\$0</b>	<b>\$961,094</b>	<b>0.00</b>	<b>(\$636)</b>	<b>\$962,659</b>	<b>\$0</b>	<b>\$962,023</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$83,842</b>	<b>\$980,154</b>	<b>\$0</b>	<b>\$1,063,996</b>	<b>0.00</b>	<b>\$83,670</b>	<b>\$979,576</b>	<b>\$0</b>	<b>\$1,063,246</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 6110 - Additional MLIA Grants - An increase of \$1.9 million state special revenue funds Montana Land Information Act grants for the 2011 biennium.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

## New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13										
07	0.00	2,240	966	0	3,206	0.00	6,776	2,919	0	9,695
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation										
07	0.00	150	240	0	390	0.00	130	208	0	338
DP 6102 - Move 911 Funds from General Fund to SSR (Requires Legislation)										
07	0.00	(276,240)	276,240	0	0	0.00	(275,927)	275,927	0	0
DP 7020 - SB 57 - Revise Laws Governing Special Districts										
07	0.50	0	42,000	0	42,000	0.50	0	35,850	0	35,850
DP 7030 - Federal Grant Reallocation										
07	0.00	0	0	263,132	263,132	0.00	0	0	(263,132)	(263,132)
DP 8101 - Increase 4% Vacancy Savings to 7%										
07	0.00	(9,664)	(11,991)	0	(21,655)	0.00	(9,698)	(12,005)	0	(21,703)
<b>Total</b>	<b>0.50</b>	<b>(\$283,514)</b>	<b>\$307,455</b>	<b>\$263,132</b>	<b>\$287,073</b>	<b>0.50</b>	<b>(\$278,719)</b>	<b>\$302,899</b>	<b>(\$263,132)</b>	<b>(\$238,952)</b>

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 6102 - Move 911 Funds from General Fund to SSR - A funding switch moves administrative 911 funds from general fund to state special revenue to distribute funds to Public Safety Answering Point (PSAP).

DP 7020 - SB 57 - Revise Laws Governing Special Districts - A biennium increase of \$77,850 state special revenue funds the addition of 0.50 FTE and associated costs to implement SB 57, a bill that revises laws governing special districts.

DP 7030 - Federal Grant Reallocation - The legislature moved base funding of \$263,132 federal special revenue from FY 2011 to FY 2010 to match the timing of a federal grant with the termination of the associated grant.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### **Proprietary Rates**

#### **Proprietary Program Description - Information Technology Services Division (06511)**

The Information Technology Services Division (ITSD) manages the following information technology (IT) services for state government:

- Shared statewide desktop and data network services
- Central mainframe computer processing
- Mid-tier access and production services
- Local and long-distance telephone networking
- IT planning, research, and coordination
- Design, development, and maintenance support of IT applications
- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging
- Geographic information systems (GIS) coordination
- Disaster recovery facilities for critical data processing applications
- IT training

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

#### **Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 6103 - Network Expansion On-going Transport Costs – A biennium increase of \$3.0 million funds additional communications costs as a result of the Network Expansion Project funded in HB 4 of the May 2007 Special Session. This funding increases the overall rates by approximately 4.37 percent.

DP 6104 - ESSC Operating Costs – A biennium increase of \$1.2 million funds new operating and maintenance costs associated with the new Helena and Miles City data centers. Included is funding for maintenance charges paid to the

General Services Division of the department for the Helena site and maintenance and utility costs for the Miles City site. This funding increases the overall rates by approximately 2.43 percent.

DP 6105 - Microsoft EA – A biennium increase of \$3.8 million funds increases associated with an enterprise license agreement for a volume licensing program of Microsoft Professional Plus software products. This funding increases the overall rates by approximately 5.47 percent.

DP 6107 - Attachmate Settlement – A biennium reduction of \$1.8 million removes base funding associated with funds paid in the Attachmate software settlement. This adjustment decreases the overall rates by approximately 2.69 percent.

DP 7101 – Fuel Inflation Reduction – This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

### **Proprietary New Proposals**

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### **Proprietary Rates**

The legislature approved allowing the division the ability to charge various rates in order to maintain a 30-day working capital.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	39.00	39.00	39.00	39.00	39.00	39.00	0.00	0.00%
Personal Services	2,246,830	2,895,305	2,779,068	2,910,454	5,142,135	5,689,522	547,387	10.65%
Operating Expenses	689,194	873,584	834,502	795,990	1,562,778	1,630,492	67,714	4.33%
<b>Total Costs</b>	<b>\$2,936,024</b>	<b>\$3,768,889</b>	<b>\$3,613,570</b>	<b>\$3,706,444</b>	<b>\$6,704,913</b>	<b>\$7,320,014</b>	<b>\$615,101</b>	<b>9.17%</b>
State Special	2,936,024	3,768,889	3,613,570	3,706,444	6,704,913	7,320,014	615,101	9.17%
<b>Total Funds</b>	<b>\$2,936,024</b>	<b>\$3,768,889</b>	<b>\$3,613,570</b>	<b>\$3,706,444</b>	<b>\$6,704,913</b>	<b>\$7,320,014</b>	<b>\$615,101</b>	<b>9.17%</b>

### Program Description

The Banking and Financial Institutions Division licenses, supervises, regulates, and examines a variety of financial institutions operating in and outside Montana such as:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Title loan companies
- Escrow companies
- Foreign capital depositories in accordance with Title 32, MCA
- Deferred deposit loan companies
- Mortgage brokers and loan originators

The purpose of the supervisory function is to investigate the methods of operation in order to determine whether these institutions are operating in a safe and sound fiscal manner. Supervision of regulated financial business is accomplished through on-site safety and soundness examinations conducted by division examiners. The division also provides a consumer complaint process to resolve matters with the regulated financial institutions.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and foreign capital depository charters; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute or otherwise to the department as the duties and powers relate to banking and to the regulation of foreign capital depositories.

### Program Highlights

<b>Banking and Financial Division HB 2 Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ State special revenue increases \$615,100, or 9.2 percent, from the 2009 to the 2011 biennium largely due to: <ul style="list-style-type: none"> <li>• Statewide present law adjustments mostly for personal services</li> <li>• Funding for a banking examiner career ladder</li> </ul> </li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 2,936,024	100.0%	\$ 3,613,570	100.0%	\$ 3,706,444	100.0%
02077 Financial Institutions Div	2,936,024	100.0%	3,613,570	100.0%	3,706,444	100.0%
<b>Grand Total</b>	<b>\$ 2,936,024</b>	<b>100.0%</b>	<b>\$ 3,613,570</b>	<b>100.0%</b>	<b>\$ 3,706,444</b>	<b>100.0%</b>

The division is funded solely by state special revenue through 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	2,936,024	2,936,024	5,872,048	80.22%
Statewide PL Adjustments	0	0	0	0.00%	540,052	545,636	1,085,688	14.83%
Other PL Adjustments	0	0	0	0.00%	165,245	240,761	406,006	5.55%
New Proposals	0	0	0	0.00%	(27,751)	(15,977)	(43,728)	(0.60%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$3,613,570</b>	<b>\$3,706,444</b>	<b>\$7,320,014</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					609,146					617,863
Vacancy Savings					(114,238)					(114,592)
Inflation/Deflation					8,845					9,819
Fixed Costs					36,299					32,546
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$540,052</b>	<b>\$0</b>	<b>\$540,052</b>		<b>\$0</b>	<b>\$545,636</b>	<b>\$0</b>	<b>\$545,636</b>
DP 106 - Allocate department indirect/admin costs	0.00	0	24,947	0	24,947	0.00	0	26,614	0	26,614
DP 1401 - Banking Professional Career Ladder Program	0.00	0	104,175	0	104,175	0.00	0	208,350	0	208,350
DP 1402 - Banking Replacement Computers - OTO	0.00	0	36,300	0	36,300	0.00	0	6,000	0	6,000
DP 7101 - Fuel Inflation Reduction	0.00	0	(177)	0	(177)	0.00	0	(203)	0	(203)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$165,245</b>	<b>\$0</b>	<b>\$165,245</b>	<b>0.00</b>	<b>\$0</b>	<b>\$240,761</b>	<b>\$0</b>	<b>\$240,761</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$705,297</b>	<b>\$0</b>	<b>\$705,297</b>	<b>0.00</b>	<b>\$0</b>	<b>\$786,397</b>	<b>\$0</b>	<b>\$786,397</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 1401 - Banking Professional Career Ladder Program - An increase of \$312,525 state special revenue funds the division's professional career ladder program for the 2011 biennium.

*The following information was utilized as part of the legislative decision making process and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

**Justification:** The Banking Professional Career Ladder Program is needed so the division can retain and recruit its bank examiners. During the next biennium, five senior examiners are eligible to retire. Montana banks and credit unions hold \$17.5 billion in assets. The safety and soundness of Montana's financial institutions is crucial during this economic period. Regulation of the mortgage industry for the benefit of Montana borrowers is also key to the strength of our economy. The supervision of banks, credit unions, and other financial institutions is highly specialized work, which requires extensive and continuous education as well as long-term on-the-job training. On average, it takes a minimum of five years to adequately train a bank examiner before they may attain the designation of a senior examiner. If the career ladder program is not adopted, the division will lose its examiners to federal financial regulators such as the Federal Deposit Insurance Corporation, Federal Reserve Bank, and the Office of the Comptroller of the Currency and financial institutions within the private sector. Without the experience and retention of staff, the ability of the division to supervise the safety and soundness of Montana's banks, credit unions, and other financial institutions will be jeopardized.

**Goal:** Three goals are identified for the professional career ladder program:

- To retain bank examiners who will achieve the skills and knowledge necessary to become senior examiners. In turn, these senior examiners would be integral as part of the division's management succession plan
- To use the career ladder program as an incentive to attract qualified applicants to fill vacancies within the division
- To assure the division's continued accreditation for meeting professional standards in bank supervision by the Conference of State Bank Supervisors

**Performance Criteria:** The progress of the professional career ladder program would be measured by the retention of existing bank examiners and the recruitment of qualified individuals to fill vacancies.

**Milestones:** The division is continuously putting its efforts into the retention and recruitment of its staff. This request represents an ongoing effort by the division to be competitive with the federal regulators and the private financial institution sector. The division will continue the professional career ladder until it has the ability to competitively recruit and retain bank examiners.

**FTE:** No new FTE are requested, only funding for existing FTE.

**Fees:** The request is to continue funding the professional career ladder program. It would be supported by the division's state special revenue fund, which is comprised of the licensing, examination, and assessment fees charged to its state chartered financial institutions and other licensees. The program would provide salary adjustments based upon an employee's performance and competency in fiscal years 2010 and 2011. The maximum potential salary adjustment for an employee during either fiscal year would be between \$1,500 and \$2,500.

**Obstacles:** The challenge to implementing this proposal is that although it provides additional funding, it does not match the higher salaries offered by federal financial regulators and financial institutions within the private sector. Therefore, even with having the career ladder program in place, the division bank examiners are offered positions with federal financial regulators and financial institutions within the private sector. However, the prospect of retaining staff by having the career ladder program in place is much better than if this funding was discontinued.

Risks: If the request is not adopted, the division expects difficulties retaining financial examiners. Without the experience and retention of bank examiners, the ability of the division to supervise the safety and soundness of Montana's banks, credit unions, and financial institutions will be jeopardized. The division needs experienced examiners in its mortgage broker and lender program to protect Montana borrowers and to address the affects of the ongoing national credit and liquidity crisis.

DP 1402 - Banking Replacement Computers - OTO - A biennium increase of \$42,300 state special revenue was approved to replace desktop computers and laptops. The legislature designated funding as one time only.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

### New Proposals

Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1420 - SB 351 - Revise Residential Mortgage Licensing Law										
14	0.00	0	37,912	0	37,912	0.00	0	30,970	0	30,970
DP 6013 - 2011 Biennium Pay Plan - HB 13										
14	0.00	0	12,558	0	12,558	0.00	0	37,947	0	37,947
DP 6014 - Pay Plan Lump Sum Payment OTO										
14	0.00	0	6,276	0	6,276	0.00	0	0	0	0
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation										
14	0.00	0	1,182	0	1,182	0.00	0	1,050	0	1,050
DP 8101 - Increase 4% Vacancy Savings to 7%										
14	0.00	0	(85,679)	0	(85,679)	0.00	0	(85,944)	0	(85,944)
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$27,751)</b>	<b>\$0</b>	<b>(\$27,751)</b>	<b>0.00</b>	<b>\$0</b>	<b>(\$15,977)</b>	<b>\$0</b>	<b>(\$15,977)</b>

DP 1420 - SB 351 - Revise Residential Mortgage Licensing Law - A biennium increase of \$68,882 state special revenue funds operating costs to implement SB 351, a bill to revise residential mortgage licensing laws.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00%
Personal Services	1,705,624	1,741,238	1,737,654	1,752,431	3,446,862	3,490,085	43,223	1.25%
Operating Expenses	5,444,138	5,878,210	5,570,205	5,467,089	11,322,348	11,037,294	(285,054)	(2.52%)
Equipment & Intangible Assets	42,077	42,256	42,077	42,077	84,333	84,154	(179)	(0.21%)
<b>Total Costs</b>	<b>\$7,191,839</b>	<b>\$7,661,704</b>	<b>\$7,349,936</b>	<b>\$7,261,597</b>	<b>\$14,853,543</b>	<b>\$14,611,533</b>	<b>(\$242,010)</b>	<b>(1.63%)</b>
Other	7,191,839	7,661,704	7,349,936	7,261,597	14,853,543	14,611,533	(242,010)	(1.63%)
<b>Total Funds</b>	<b>\$7,191,839</b>	<b>\$7,661,704</b>	<b>\$7,349,936</b>	<b>\$7,261,597</b>	<b>\$14,853,543</b>	<b>\$14,611,533</b>	<b>(\$242,010)</b>	<b>(1.63%)</b>

### Program Description

The Montana State Lottery designs and markets lottery games that allow players to purchase chances to win prizes. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. A five-member lottery commission, appointed by the Governor, sets policy and oversees program activities and procedures. The net revenue, after prizes, sales commissions and operating expenses, is deposited in the state general fund on a quarterly basis.

### Program Highlights

<b>Montana State Lottery HB 2 Budget Highlights</b>	
◆	2011 biennium funding is \$242,000 below 2009 biennium funding

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table							
Montana State Lottery							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
06000	Total Proprietary Funds	\$ 7,191,839	100.0%	\$ 7,349,936	100.0%	\$ 7,261,597	100.0%
	06001 State Lottery Fund	7,191,839	100.0%	7,349,936	100.0%	7,261,597	100.0%
Grand	Total	\$ 7,191,839	100.0%	\$ 7,349,936	100.0%	\$ 7,261,597	100.0%

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 may only make expenditures against appropriations of the legislature.

**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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	7,191,839	7,191,839	14,383,678	98.44%
Statewide PL Adjustments	0	0	0	0.00%	168,427	66,573	235,000	1.61%
Other PL Adjustments	0	0	0	0.00%	20,796	24,769	45,565	0.31%
New Proposals	0	0	0	0.00%	(31,126)	(21,584)	(52,710)	(0.36%)
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$7,349,936</b>	<b>\$7,261,597</b>	<b>\$14,611,533</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					137,879					143,192
Vacancy Savings					(73,743)					(73,953)
Inflation/Deflation					8,624					9,898
Fixed Costs					95,667					(12,564)
<b>Total Statewide Present Law Adjustments</b>					<b>\$168,427*</b>					<b>\$66,573*</b>
		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
DP 106 - Allocate department indirect/admin costs	0.00	0	0	0	13,824*	0.00	0	0	0	14,983*
DP 1502 - Lottery Rent	0.00	0	0	0	14,049*	0.00	0	0	0	17,909*
DP 7101 - Fuel Inflation Reduction	0.00	0	0	0	(7,077)*	0.00	0	0	0	(8,123)*
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,796*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,769*</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$189,223*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$91,342*</b>

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

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 1502 - Lottery Rent - A biennium increase of \$32,000 funds increases for rent of the lottery building in Helena.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

## New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13										
15	0.00	0	0	0	10,626*	0.00	0	0	0	33,033*
DP 6014 - Pay Plan Lump Sum Payment OTO										
15	0.00	0	0	0	12,575*	0.00	0	0	0	0
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation										
15	0.00	0	0	0	980*	0.00	0	0	0	848*
DP 8101 - Increase 4% Vacancy Savings to 7%										
15	0.00	0	0	0	(55,307)*	0.00	0	0	0	(55,465)*
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$31,126)*</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$21,584)*</b>

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

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

**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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n/a
Personal Services	0	1,979	0	0	1,979	0	(1,979)	(100.00%)
Operating Expenses	43,116	52,590	43,116	43,116	95,706	86,232	(9,474)	(9.90%)
<b>Total Costs</b>	<b>\$43,116</b>	<b>\$54,569</b>	<b>\$43,116</b>	<b>\$43,116</b>	<b>\$97,685</b>	<b>\$86,232</b>	<b>(\$11,453)</b>	<b>(11.72%)</b>
General Fund	0	0	0	0	0	0	0	n/a
State Special	43,116	54,569	43,116	43,116	97,685	86,232	(11,453)	(11.72%)
<b>Total Funds</b>	<b>\$43,116</b>	<b>\$54,569</b>	<b>\$43,116</b>	<b>\$43,116</b>	<b>\$97,685</b>	<b>\$86,232</b>	<b>(\$11,453)</b>	<b>(11.72%)</b>

**Program Description**

The Health Care and Benefits Division provides state employees, retirees, members of the legislature, judges and judicial branch employees, and their dependents with group benefits, including health, dental, prescription drug, life, long-term care, vision coverage, long-term disability, flexible spending accounts, a sick leave fund, employee assistance services, health promotion, and a voluntary employee benefit health care expense trust. The division administers a program to fund quality improvements for child care providers who set aside a certain number of slots for state workers. Finally, the division is responsible for the centralized oversight and management of workers' compensation related matters impacting the state as an employer.

Employee benefits are governed by 2-18-701 et seq., 2-18-801 et seq., 2-18-1101 et seq., 2-18-1301 et seq., and 33-2-712, MCA. The Montana Safety Culture Act as it applies to state government is found in 39-71-1501 et seq.

**Program Highlights**

<b>Health Care and Benefits Division</b>	
<b>HB 2 Budget Highlights</b>	
◆	The legislature approved the addition of a new fixed cost assessment to continue the Workers' Compensation Management Program funded from a one-time general fund appropriation in the 2009 biennium, including 3.00 FTE to manage the program <ul style="list-style-type: none"> <li>● During the 2009 biennium, the program saved an estimated \$10.6 million general fund</li> </ul>
◆	New proposals include 2.00 FTE for accounting system and legal support for the state employee group benefits functions, with no additional funding approved for the FTE
◆	Proprietary funding increases a net \$48.3 million over the biennium, with \$47.0 million to support higher health plan costs
◆	HB 13 – the pay plan bill – raised the monthly employer contribution to employee health benefits from \$626 in 2009 to \$679 in 2010 and \$733 in 2011 <ul style="list-style-type: none"> <li>● Despite the higher employer contribution funded in HB 13, premium increases or benefit reductions will be needed to maintain health plan solvency at the reserve benchmark established by HCBF</li> </ul>
◆	The legislature recommended that the Legislative Finance Committee review subsidies provided to retirees participating in the state employee group health plan

### Program Narrative

The Health Care and Benefits Division (HCBD) is funded from a small appropriation in HB 2 and from proprietary funds for employee group benefits, flexible spending accounts, and the workers' compensation management program. The state special revenue appropriated in HB 2 pays for quality improvements for child care providers who set aside a certain number of slots for state workers. The HB 2 appropriation for the 2011 biennium declined by about \$11,500 compared to the 2009 biennium. The legislature continued the base budget operating costs for the day care program without any expansion.

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	43,116	100.0%	43,116	100.0%	43,116	100.0%
02518 State Daycare Program	43,116	100.0%	43,116	100.0%	43,116	100.0%
Grand Total	\$ 43,116	100.0%	\$ 43,116	100.0%	\$ 43,116	100.0%

The HB 2 appropriation pays for quality improvements for child care providers who set aside a certain number of slots for state workers. The division receives contributions from state agencies through an annual memorandum of understanding between the division administrator and the director of each state agency. The allocation of these contributions is based upon the number of employees at each agency.

### 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	43,116	43,116	86,232	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
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>\$43,116</b>	<b>\$43,116</b>	<b>\$86,232</b>	

The HB 2 base budget state special revenue supports a day care program to support quality improvements in day care operations in exchange for slots for a number of state employees. The main sources of program funding are not appropriated in HB 2 so those funds are not reflected in the table. Those sources are proprietary revenue from health insurance premiums, administrative fees for flexible spending accounts, and fixed cost assessments for payroll warrants.

### Language and Statutory Authority

The legislature approved the following language for the agency in HB2.

“The department is appropriated up to \$500,000 of state special revenue each year of the biennium to assist agencies in reducing workers' compensation injuries and costs. These funds may not be expended for activities that duplicate other agency expenditures or programs.”

### Total Division Budget

Figure 1 shows the 2008 base budget compared to the 2011 biennium budget for all division functions. Proprietary funds support the majority of costs for the state employee group benefits plan, the workers' compensation management program, and flexible spending account administration. Proprietary rates are approved by the legislature, with the most significant decision being the statutory establishment of the monthly employer contribution to state employee health plan benefits. Proprietary rates approved by the legislature are expected to provide \$292.8 million in funds for the HCBD programs over the 2011 biennium.

Account Name/Funding	FY 2010		FY 2011		
	Actual Base	Adjustments	Total	Adjustments	Total
FTE	13.87	5.00	18.87	5.00	18.87
Personal Services	\$773,912	\$1,150,337	\$1,924,249	\$380,710	\$1,154,622
Operating Expenses	6,878,949	714,677	7,593,626	870,892	7,749,841
Benefits & Claims	<u>114,543,695</u>	<u>17,561,219</u>	<u>132,104,914</u>	<u>28,321,015</u>	<u>142,864,710</u>
Total Costs	\$122,196,556	\$19,426,233	\$141,622,789	\$29,572,617	\$151,769,173
State Special Revenue	\$43,116	\$0	\$43,116	\$0	\$43,116
Proprietary Funds	<u>122,153,440</u>	<u>18,794,855</u>	<u>140,948,295</u>	<u>29,572,617</u>	<u>151,726,057</u>
Total Funds	<u>\$122,196,556</u>	<u>\$18,794,855</u>	<u>\$140,991,411</u>	<u>\$29,572,617</u>	<u>\$151,769,173</u>

The 2011 biennium proprietary budget increases \$48.3 million over the 2008 base expenditures. Most of the growth is in present law adjustments and \$47.0 million of the increase supports anticipated cost growth for the state employee health plan. The cost growth is based on the assumption that health costs will increase 8 percent annually and that drug claims will increase 11 percent annually during the 2011 biennium.

FTE rise by five positions – three for the workers' compensation program, and an attorney and systems analyst for the group benefits function. The attorney and systems analyst were approved with no additional funding.

The single largest HCBD expenditure is the state employee group health plan. Most of the division budget pays benefits and claims for health and prescription drug services for active employees and retirees. About \$107.7 million of the \$114.5 million benefits and claims costs in FY 2008 supported state employee health insurance services. The remaining \$6.7 million reimbursed flexible spending account claims.

### Proprietary Rates

HCBD administers three programs funded by proprietary revenue:

- State employee group benefits - \$378.1 million over the 2011 biennium
- Flexible spending account payments - \$14.8 million over the 2011 biennium
- Workers' compensation management - \$0.8 million over the 2011 biennium

Each program will be discussed separately.

### State Employee Group Benefits (Group Benefits Claims A/C – 06559)

#### Proprietary Program Description

The employee group benefits program provides state employees, retirees, members of the legislature, judges and judicial branch employees, and their families with medical, dental, prescription drug, life, and other related group benefits. The program operates a self-insured health, prescription drug, and dental plan and members can also choose among three managed care plans. Life, long-term disability, vision, and long-term care insurance are purchased from private sector vendors on a fully-insured basis. The program contracts with private companies to provide claims processing services, health screenings, an employee assistance program, and wellness plan administration. At the end of FY 2008, there were about 15,700 plan participants and, counting dependents and spouses, over 32,000 people were covered by the state employee health plan.

The program is funded by the employer contribution for group benefits and by premiums and fees paid by plan members. FY 2008 expenditures for the health care benefits program were about \$112.3 million compared to proprietary revenues of \$118.7 million. Most of expenditures (\$107.7 million) paid medical and drug costs. Most of the revenue (\$87.1 million) was the employer share for insurance premium payments from the following sources:

- o General fund - \$35.2 million
- o State special revenue - \$30.2 million
- o Federal funds - \$13.5 million
- o Other funding sources such as capital project funds - \$8.9 million

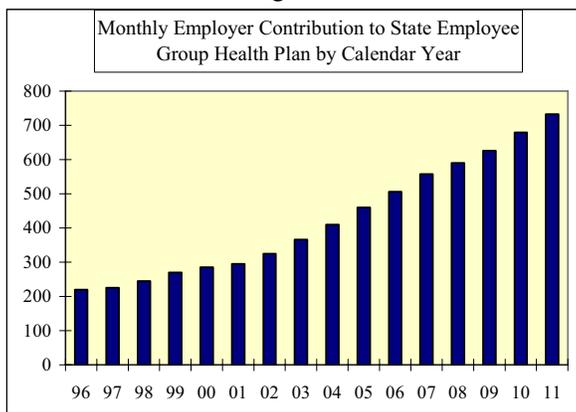
Proprietary income also included self payments from retirees (\$15.5 million), and legislators and persons continuing coverage through COBRA payments (\$0.7 million).

Another \$2.2 million was due to reimbursement for prescriptions for Medicare eligible retiree participants and volume discounts. A net \$1.9 million of the income was due to earnings on short and long term investments on cash reserves (\$41.5 million as of June 30, 2008).

*HB 13 – Pay Plan*

The legislature approved a pay plan that added \$53 per month to the employer contribution for employee health benefits beginning January 1, 2010 (\$679 monthly total) and \$54 per month beginning January 1, 2011 (\$733 monthly total). Pay plan appropriations for health insurance increases totaled \$20.2 million, including \$11.6 million general fund.

Figure 2



a high of 40.1 percent in FY 2008. The estimated FY 2009 funding mix is 42.8 percent general fund, 34.7 percent state special revenue fund, 21.8 percent federal funds, and 0.8 percent proprietary funding.

*Premium Payments*

Figure 4 shows the components of total proprietary revenues for the state employee group benefit plan from insurance premium payments. Employer contributions are the largest component contributing more than double other payment sources. Retiree premium payments are the next largest source.

Legislative appropriations in the 2005 biennium funded employer contributions in excess of what some employees could use, thereby generating a state share excess. This action helped offset a potential shortfall in the state health plan.

*Employer Contribution*

Figure 2 shows the monthly employer contribution for insurance coverage for each eligible employee, as well as historic and projected medical and pharmacy cost trends. The 2009 calendar year employer contribution was \$626 per month.

Figure 3 shows the fund source that has paid the employer contribution since FY 2001. General fund payments have ranged from a low of 38.4 percent in FY 2001 to

Figure 3

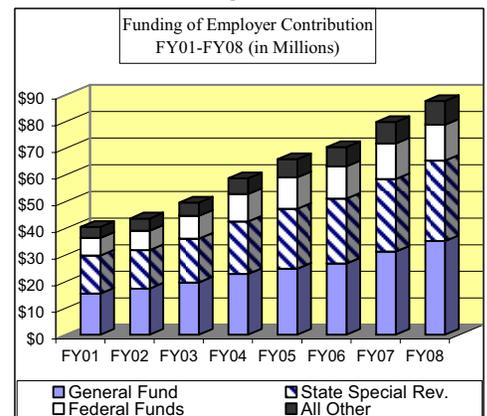
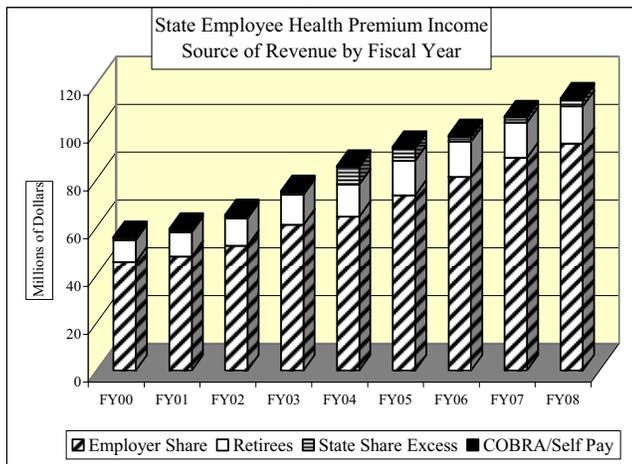


Figure 4



employee health plan costs by \$1.4 million in FY 2010 and \$1.5 million in FY 2011. The plan may raise the premium cost for dependent coverage or it could reduce other medical benefits. The average additional out-of-pocket dependent premium or cost savings needed per month for SB 324 requirements would be: \$12.56 (FY2010), \$13.69 (FY2011), \$14.92 (FY2012), and \$16.26 (FY2013).

### Impact of the American Recovery and Reinvestment Act of 2009

ARRA provides a 65 percent subsidy to continue employer insurance for workers who lose their jobs for reasons other than gross misconduct. These employees can opt to continue employer insurance an additional 9 months beyond regular COBRA coverage for 18 to 36 months. COBRA stands for the Consolidated Omnibus Budget Reconciliation Act of 1986, which enacted a provision applicable to certain employers and types of health plans. Employees and all covered dependents who lose eligibility for employer group insurance have the right to continue certain coverage by self paying the entire monthly group premium for up to 18 months and in certain situations up to 36 months. The ARRA subsidy is paid through a credit to the employer payroll tax.

Premiums for COBRA participants are limited to 102 percent of premium amounts charged to active employees by federal law. HCBBD establishes COBRA premiums at the maximum allowed by federal law.

The following budget adjustments were factored into the rate charged for this function.

### Proprietary Present Law Adjustments

DP 106 – Allocate Department Indirect Costs - This adjustment adds about \$130,000 proprietary funds over the biennium to pay for services provided by proprietary funded centralized service functions of the agency.

DP 2102 - HCBBD Insurance Claims/Admin Cost Trends – This adjustment adds \$47.0 million in proprietary funds, including \$44.7 million for inflationary and utilization increases in the state employee health plan. HCBBD estimates are based on an average annual increase of 8 percent in medical claims and 11 percent in prescription drug costs.

Claims administration and operating costs are also predicted to increase at a 5 percent annual rate and this adjustment adds \$2.0 million in proprietary authority to cover those increases.

HB 13 funds increases in the monthly employer contribution to health care benefits that will provide about \$20.2 million of the revenue.

DP 2110 – Correct Statewide Present Law Adjustments - This adjustment adds \$506,540 in proprietary funds each year of the biennium to correct an error that reduced base budget expenditures.

Finally, payments from persons who can elect to pay premiums and continue as part of the state plan for up to 18 months after leaving state employment – COBRA participants – make up a small portion of premium payments.

### Potential Premium Increases, Benefit Reductions

As noted in the LFD budget analysis, despite legislative appropriations to raise the employer contribution, the plan may impose premium increases or benefit reductions to maintain health plan solvency at the established level of reserves. SB 324 – insurance coverage of autism – also will impact plan solvency.

The department estimated in the fiscal note for SB 324 that expanding health care services for autism would raise state

**New Proposals**

New proposals reduce funding by about \$57,000 over the 2011 biennium. New proposals include 2.00 FTE – an attorney and a systems analyst – but no funding was added to support the positions. An increase in vacancy savings from 4 to 7 percent (\$58,000) is partially offset by the fixed cost appropriation of \$1,000 to support the new workers' compensation management program.

DP 2103 SABHRS Support Provided by HCBD – 1.00 FTE – This adjustment adds a computer systems analyst, but the legislature did not approve funding for the position. The position was approved as a modified FTE during the 2009 biennium and is responsible for providing production support for all users of the PeopleSoft Benefits Module within the State's PeopleSoft Human Resource Management System (HRMS).

These duties include ensuring that the division's benefit eligibility business processes interface with SABHRS and systems operated by multiple benefit contractors, resolving user problems, assisting with report development and determining business processes that maximize the utilization of functionality offered by the current and upcoming versions of PeopleSoft, planning and executing extensive testing of new queries, reports and overall business processes, and coordinating efforts between the State Human Resource Division (SHRD) and the HCBD on areas where system functionality impacts employee benefits. Organizationally, this position is within SHRD.

DP2108 – Attorney FTE – This adjustment adds 1.00 FTE for an attorney in HCBD, but no funds were approved for the position. Previously the division shared a portion of two attorneys within the department and provided funding for 0.50 FTE. The new FTE is added due to increases in work load within the department and added responsibilities for the division.

DP 0704 - Fixed Cost Workers' Comp Mgmt Program Allocation – About \$1,000 was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program.

DP 8101 – Increase 4% Vacancy Savings to 7% - The legislature accepted the executive budget proposal to increase vacancy savings from 4 to 7 percent each year. This adjustment reflects the additional 3 percent vacancy savings.

**Proprietary Rates**

The employer contribution toward health plan premiums is established in 2-18-703, MCA. HB 13 (the pay plan bill) establishes the employer share for a calendar year. The employer share in 2009 was \$626 per month and will rise to \$679 per month in 2010 and \$733 per month in 2011. The increase in the employer share is anticipated to offset some of the anticipated cost increases in the health plan. However, participants who insure dependents will most likely see out-of-pocket increases in each year of the biennium.

**Legislative Recommendation to the Legislative Finance Committee**

The legislature recommended that the Legislative Finance Committee (LFC) review the subsidy provided for retiree participation in the state employee health plan. The average premium paid by retirees under 65 was \$240 lower than average health plan cost per retiree in 2006 and \$229 lower in 2007. Monthly subsidies are lower for retirees over 65 who are Medicaid eligible - \$133 in 2006 and \$125 in 2007.

Specifically the legislature recommended that the LFC review policy issues related to pricing of state group health insurance in conjunction with the Interim Committee on State Administration and Veterans' Affairs. Study objectives could include review of:

- Other state government health plans and subsidy of retiree participation in those plans, including the Montana university system
- Legal requirements to provide a subsidy to retirees
- Optional pricing strategies

**Flexible Spending Account Administration - (Flexible Spending Funds – 06027)****Proprietary Program Description**

HCBD contracts to administer a flexible spending account program for state employees, who can elect to set aside a certain amount of their pay into accounts to pay dependent care and out-of-pocket medical costs. The “set aside” funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims to use funds deposited in the accounts for allowable expenses. Employees forfeit any unspent funds. Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. About 5,000 employees participate in the flex account spending program.

The following budget adjustment was factored into the rate charged for this function.

**Proprietary Present Law Adjustment**

DP 2107 Annual 5 Percent Increase in Flexible Spending – This adjustment adds \$1.0 million in proprietary spending authority over the 2011 biennium for an estimated annual 5 percent increase in the flexible spending account program. Participants contribute excess state contribution and personal funds to the program to be used for qualifying health and child care costs on a pre-tax basis. In addition, program participants pay a program administration fee to cover the costs of administering the program.

**Proprietary Rate**

The flexible spending account program is funded from an administrative fee of \$2.25 per month on each account.

**Workers’ Compensation Management Program (Workers’ Comp Management Program – 06575)****Proprietary Program Description**

The legislature approved the executive request to establish a new fixed cost assessment on each agency payroll warrant or advice to support a centralized management program for statewide oversight of workers' compensation containment efforts. The legislature funded 3.00 permanent FTE -- a bureau chief, an early-return-to-work specialist, and a safety specialist. The total authority approved is \$389,565 plus \$64,927 to provide for 60 days of working capital for FY 2010 and \$395,171 for FY 2011.

HB 126 requires DofA to manage workers' compensation insurance coverage for all state agencies, except the Judiciary may opt to manage workers' compensation. It also requires the State Fund to provide the department with all information regarding state agencies' coverage.

The program was initiated in the 2009 biennium with a one-time general fund appropriation of \$767,369 general fund for 3.00 FTE, a contract with a third party administrator for the early-return-to-work programs and loss prevention outreach campaigns and education. Initial program activities produced an estimated \$10.6 million general fund savings. Several milestones and related general fund savings were:

- Authorization to Act agreements were signed by state agencies, the Department of Administration and Montana State Fund. These authorizations allow the HCBD to manage all workers' compensation matters on behalf of all state agencies
- The rate negotiations for the 2008 policy year resulted in a 4.2 percent premium increase compared to a 21.5 percent premium increase over the previous five years. The 2009 negotiations resulted in a 2 percent rate decrease. General fund savings are estimated to be \$6.5 million annually (based on renewals)
- Oversight activities resulted in retention returns for the 2005 and 2006 policy years with general fund savings of \$2.5 million
- Safety program development and physical work environment reviews and mitigations were undertaken with an estimated general fund savings of \$1.4 million
- The payment schedule of workers' compensation premiums was changed from monthly to quarterly. General fund interest earnings increased \$0.1 million annually

- HCBD is accumulating and consolidating data to permit efficient management and accurate decision-making by stakeholders. The data required for basic management is being collected from Montana State Fund although it has not provided all the information requested. Additional computer programming and data site design is in progress

The following budget adjustment was factored into the rate charged for this function.

### **Proprietary New Proposals**

DP 2101 - Workers' Compensation Program 3.00 FTE - The legislature approved \$0.8 million in proprietary funds and 3.00 FTE to continue the workers' compensation management program.

### **Proprietary Rate**

The workers' compensation program will be funded by a fee assessed for each warrant or payroll advice issued by an agency. Section R of HB 2 establishes the rate. The FY 2010 rate is \$1.29, with \$0.18 of the rate funding the 60-day working capital balance, and the rate drops to \$1.12 in FY 2011. Each agency budget request includes a new proposal decision package numbered "NP 6101 – Fixed Cost Workers' Comp Management Program Allocation" for the new proprietary program.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	19.53	19.53	20.03	20.53	19.53	20.53	1.00	5.12%
Personal Services	1,085,933	1,268,479	1,289,515	1,332,023	2,354,412	2,621,538	267,126	11.35%
Operating Expenses	318,393	252,640	363,747	364,585	571,033	728,332	157,299	27.55%
<b>Total Costs</b>	<b>\$1,404,326</b>	<b>\$1,521,119</b>	<b>\$1,653,262</b>	<b>\$1,696,608</b>	<b>\$2,925,445</b>	<b>\$3,349,870</b>	<b>\$424,425</b>	<b>14.51%</b>
General Fund	1,404,326	1,521,119	1,653,262	1,696,608	2,925,445	3,349,870	424,425	14.51%
Other	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$1,404,326</b>	<b>\$1,521,119</b>	<b>\$1,653,262</b>	<b>\$1,696,608</b>	<b>\$2,925,445</b>	<b>\$3,349,870</b>	<b>\$424,425</b>	<b>14.51%</b>

### Program Description

The State Human Resources Division provides the following statewide human resource services and programs

- Human resource rules, policies and standards for Executive Branch agencies
- State labor relations, representing the Governor's office in all matters relating to collective bargaining
- Training and other professional development services to state agencies and other organizations.
- The human resources information services, supplying payroll and other human resource information systems for all branches of state government

### Program Highlights

<b>State Human Resources Division HB 2 Budget Highlights</b>	
◆	General fund increases \$424,400 million, or 14.5 percent due mostly to statewide present law adjustments

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table State Human Resources Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 1,404,326	100.0%	\$ 1,653,262	100.0%	\$ 1,696,608	100.0%
01100 General Fund	1,404,326	100.0%	1,653,262	100.0%	1,696,608	100.0%
Grand Total	\$ 1,404,326	100.0%	\$ 1,653,262	100.0%	\$ 1,696,608	100.0%

Funding for statewide human resources rules, policies, and standards and labor relations are from the general fund. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. Payroll and other human resources information systems are funded with proprietary fees charged to state agencies for payroll processing services. The proprietary funded portions of the division are not shown on the main budget tables, but are discussed in the proprietary rates at the end of the section for the division.

**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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,404,326	1,404,326	2,808,652	83.84%	1,404,326	1,404,326	2,808,652	83.84%
Statewide PL Adjustments	235,565	238,900	474,465	14.16%	235,565	238,900	474,465	14.16%
Other PL Adjustments	5,017	5,533	10,550	0.31%	5,017	5,533	10,550	0.31%
New Proposals	8,354	47,849	56,203	1.68%	8,354	47,849	56,203	1.68%
<b>Total Budget</b>	<b>\$1,653,262</b>	<b>\$1,696,608</b>	<b>\$3,349,870</b>		<b>\$1,653,262</b>	<b>\$1,696,608</b>	<b>\$3,349,870</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					249,240					252,295
Vacancy Savings					(53,405)					(53,528)
Inflation/Deflation					937					1,161
Fixed Costs					38,793					38,972
<b>Total Statewide Present Law Adjustments</b>		<b>\$235,565</b>	<b>\$0</b>	<b>\$0</b>	<b>\$235,565</b>		<b>\$238,900</b>	<b>\$0</b>	<b>\$0</b>	<b>\$238,900</b>
DP 106 - Allocate department indirect/admin costs	0.00	5,023	0	0	5,023	0.00	5,540	0	0	5,540
DP 7101 - Fuel Inflation Reduction	0.00	(6)	0	0	(6)	0.00	(7)	0	0	(7)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$5,017</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,017</b>	<b>0.00</b>	<b>\$5,533</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,533</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$240,582</b>	<b>\$0</b>	<b>\$0</b>	<b>\$240,582</b>	<b>0.00</b>	<b>\$244,433</b>	<b>\$0</b>	<b>\$0</b>	<b>\$244,433</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

## New Proposals

New Proposals	-----Fiscal 2010-----					-----Fiscal 2011-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2301 - Training Development Spec. FTE Funding Switch											
23	0.50	36,681	0	0	36,681	1.00	66,173	0	0	66,173	
DP 6013 - 2011 Biennium Pay Plan - HB 13											
23	0.00	7,040	0	0	7,040	0.00	21,296	0	0	21,296	
DP 6014 - Pay Plan Lump Sum Payment OTO											
23	0.00	4,080	0	0	4,080	0.00	0	0	0	0	
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation											
23	0.00	607	0	0	607	0.00	526	0	0	526	
DP 8101 - Increase 4% Vacancy Savings to 7%											
23	0.00	(40,054)	0	0	(40,054)	0.00	(40,146)	0	0	(40,146)	
<b>Total</b>	<b>0.50</b>	<b>\$8,354</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,354</b>	<b>1.00</b>	<b>\$47,849</b>	<b>\$0</b>	<b>\$0</b>	<b>\$47,849</b>	

DP 2301 - Training Development Spec. FTE Funding Switch - A biennium increase of \$102,900 general fund switches funding from proprietary funds to general fund for 0.50 FTE in FY 2010 and an additional 0.50 FTE in FY 2011. The funding switch is for the training manager position currently funded in the interagency training proprietary fund. A similar adjustment in the Professional Development Center proprietary program discussion provides for the other side of this funding switch. The legislature designated funding as one time only.

*The following information was utilized as part of the legislative decision making process and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

**Justification:** The State Human Resource Division (SHRD) is charged with developing a broad workforce development model for Montana's executive branch. The model will include long-term strategies for attracting, retaining and developing state government's workforce. The Human Resources Policy and Programs (HRPP) Bureau will lead the project. The Professional Development Center (PDC) will be responsible for developing the model's training components and helping HRPP consult with agencies. The PDC operates under a proprietary fund, charging its services to state agencies and other entities. Without a general fund appropriation, the PDC will not be able to develop these critical components.

**Goal:** The goal is to help agencies develop their workforces by developing and delivering relevant training. The HRPP Bureau's first objective of this goal is to pilot a statewide workforce development plan for information technology positions that can be used as a model for other occupations common to all state agencies (e.g. budgeting, accounting, human resources). The training manager will work with the HRPP Bureau staff to identify training needs, develop and update courses and course material, sponsor special interest events, and examine alternative methods of delivering training and other services.

**Performance Criteria:** The following plan was provided for the state workforce development model the FTE would work on:

- Begin six month trial of revised performance appraisal (PA) process, 1/1/09
  - Evaluate revised process, 6/15/2009
  - Develop and present PA training, 7/1/2010 - 9/30/2010
  - Use PA data to identify "A" players, levels of employee engagement
- New hire satisfaction survey process, 12/15/2008 - 2/15/2009
  - Begin a survey of employees hired in the last year
  - Repeat the survey for all employees 90 days after hire
  - Survey Managers and supervisors of the newly hired employees
  - Compile results

- Review for effects on: 1) recruitment and selection; 2) employee engagement; and 3) retention
- Professional Development Center (PDC) create and implement identified supervisory training, 7/1/2009 - 6/30/2011
  - Review existing on-line training software, 7/1/2009 - 12/31/2009
  - Select and install an on-line learning system, 1/1/2010 - 6/30/2010
  - Initial development and training - 1/1/2010 – 12/31/2010
  - Create on-line versions of existing training, 7/1/2010 – 12/31/2010
  - Develop new on-line courses as necessary, 1/1/2011 – 6/30/2011
- Develop a business case for an on-line learning management system
  - Review learning management systems (LMS), 7/1/2010 – 9/30/10
  - Develop a funding plan for an LMS, 10/1/11 – 12/31/2010
  - Propose possible purchase or development of an on-line LMS
  - Implement and test an LMS, if feasible, 1/1/11 – 7/1/11
- Develop and perform an employee engagement survey, 4/1/2009
  - Evaluate results for: 1) retention; 2) employee development needs; and 3) management or supervisory development needs
  - PDC develops training, 7/1/09 – 12/31/09
- Continue work on succession planning, Information Technology Services Division
  - Identified key employees
  - Begin identifying successors
  - Create development plans for those identified in succession plans, 2/28/2009
  - Publish process model, 4/1/2009
- Evaluate impact of training on employee productivity and morale
  - Develop a training evaluation process (PDC) focused on: 1) post training performance; and 2) employee's impact on work team and work environment

Milestones: The milestones are identified above under performance criteria and the model will be completed by June 30, 2011.

FTE: Existing staff in the HRPP Bureau will lead the project; the PDC training manager will develop the training component.

Obstacles: The requested general fund appropriation will pay 50 percent of the training manager's salary and benefits in FY 2010 and 100 percent in FY 2011. The training manager will devote that proportion of his or her time to workforce development. As a result, the PDC will see reduced proprietary revenue because of cutbacks in the manager providing fee-based training. The funding will be appropriated to the training bureau (PDC).

Fees: The model's success relies on the combined efforts of the HRPP Bureau, the PDC, and the affected state agencies.

Risks: Without a general fund appropriation, the PDC would not be able to develop these critical components. That responsibility would rest with individual state agencies. This would result in inefficiently duplicating efforts or, in the case of smaller agencies, no training.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### **Proprietary Rates**

The State Human Resources Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Professional Development Center
- Human Resources Information Systems Bureau

### **Proprietary Program Description - Professional Development Center (Intergovernmental Training Fund – 06525)**

The intergovernmental training fund supports the operation of the Professional Development Center (PDC). The PDC provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. The use of PDC training is not mandatory for agencies that could choose from several available alternatives, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

### **Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

### **Proprietary New Proposals**

DP 2301 - Training Development Spec. FTE Funding Switch – A biennium reduction of \$102,900 funds a switch in funding from proprietary funds to general fund for 0.50 FTE in FY 2010 and additional 0.50 FTE in FY 2011. The funding switch is for the training manager position currently funded in the interagency training proprietary fund. A similar adjustment in the HB 2 portion of this division discusses the other side of the funding switch and provides an expanded justification. This funding has no impacts on the PDC rates.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

### **Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

**Proprietary Program Description - Human Resources Information Systems Bureau (Payroll Fund - 06563)**

The Human Resources Information System (HRIS) Bureau operates payroll, benefits and human resources (HR) systems of the State Accounting Budgeting and Human Resources (SABHRS) 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.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

**Proprietary Present Law Adjustments**

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

**Proprietary Rates**

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

## Program Highlights

<b>Department of Administration</b> <b>Risk Management and Tort Division</b> <b>HB 2 Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Insurance premiums are slightly lower than premiums in the 2009 biennium</li> </ul>

## Proprietary Rates

### Proprietary Program Description

The Risk Management and Tort Defense Division administers a comprehensive plan of property and casualty insurance protection on behalf of state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles. State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers and machinery, bonds (various), crime, fine art, property, professional liability, and miscellaneous. The state self-insures most commercial insurance risks under \$250,000 per occurrence as well as auto, general liability, inland marine, mobile/specialized equipment, and foster care risks. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss. The division investigates, evaluates, and resolves tort claims, and coordinates the adjudication and settlement of other claims involving property damage.

The following budget adjustments factored into the change in rates from those charged in the base year to those approved by the legislature for the 2011 biennium.

### Proprietary Present Law Adjustments

DP 0106 - Allocate department indirect/admin costs – This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

### Proprietary New Proposals

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 – Increasing 4% Vacancy Savings To 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.

## Proprietary Rates

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

### 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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	7.50	7.50	7.50	7.50	7.50	7.50	0.00	0.00%
Personal Services	350,262	357,696	447,588	434,167	707,958	881,755	173,797	24.55%
Operating Expenses	61,386	63,396	79,000	84,245	124,782	163,245	38,463	30.82%
Local Assistance	500	811	6,900	3,500	1,311	10,400	9,089	693.29%
<b>Total Costs</b>	<b>\$412,148</b>	<b>\$421,903</b>	<b>\$533,488</b>	<b>\$521,912</b>	<b>\$834,051</b>	<b>\$1,055,400</b>	<b>\$221,349</b>	<b>26.54%</b>
General Fund	412,148	421,903	533,488	521,912	834,051	1,055,400	221,349	26.54%
<b>Total Funds</b>	<b>\$412,148</b>	<b>\$421,903</b>	<b>\$533,488</b>	<b>\$521,912</b>	<b>\$834,051</b>	<b>\$1,055,400</b>	<b>\$221,349</b>	<b>26.54%</b>

### Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

### Program Highlights

<b>Department of Administration</b> <b>State Tax Appeals Board</b> <b>HB 2 Budget Highlights</b>	
◆	General fund increases \$221,000, or 26.6 percent, from the 2009 to the 2011 biennium due to: <ul style="list-style-type: none"> <li>• Statewide present law adjustments</li> <li>• Funding to address workload impacts expected from the statewide reappraisal of property</li> </ul>

### Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature. The State Tax Appeals Board is funded entirely with general fund.

Program Funding Table						
State Tax Appeal Board						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 412,148	100.0%	\$ 533,488	100.0%	\$ 521,912	100.0%
01100 General Fund	<u>412,148</u>	<u>100.0%</u>	<u>533,488</u>	<u>100.0%</u>	<u>521,912</u>	<u>100.0%</u>
Grand Total	<u>\$ 412,148</u>	<u>100.0%</u>	<u>\$ 533,488</u>	<u>100.0%</u>	<u>\$ 521,912</u>	<u>100.0%</u>

### 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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	412,148	412,148	824,296	78.10%	412,148	412,148	824,296	78.10%
Statewide PL Adjustments	90,301	91,667	181,968	17.24%	90,301	91,667	181,968	17.24%
Other PL Adjustments	3,455	3,615	7,070	0.67%	3,455	3,615	7,070	0.67%
New Proposals	27,584	14,482	42,066	3.99%	27,584	14,482	42,066	3.99%
<b>Total Budget</b>	<b>\$533,488</b>	<b>\$521,912</b>	<b>\$1,055,400</b>		<b>\$533,488</b>	<b>\$521,912</b>	<b>\$1,055,400</b>	

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					98,319					99,621
Vacancy Savings					(17,943)					(17,996)
Inflation/Deflation					202					279
Fixed Costs					9,723					9,763
<b>Total Statewide Present Law Adjustments</b>		<b>\$90,301</b>	<b>\$0</b>	<b>\$0</b>	<b>\$90,301</b>		<b>\$91,667</b>	<b>\$0</b>	<b>\$0</b>	<b>\$91,667</b>
DP 106 - Allocate department indirect/admin costs	0.00	3,525	0	0	3,525	0.00	3,696	0	0	3,696
DP 7101 - Fuel Inflation Reduction	0.00	(70)	0	0	(70)	0.00	(81)	0	0	(81)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,455</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,455</b>	<b>0.00</b>	<b>\$3,615</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,615</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$93,756</b>	<b>\$0</b>	<b>\$0</b>	<b>\$93,756</b>	<b>0.00</b>	<b>\$95,282</b>	<b>\$0</b>	<b>\$0</b>	<b>\$95,282</b>

DP 106 - Allocate department indirect/admin costs - This adjustment funds changes that have occurred in the department's indirect/administrative costs for services received from other proprietary funded centralized functions of the agency.

DP 7101 - Fuel Inflation Reduction - This reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

## New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 3701 - STAB 2009 Statewide Reappraisal of Property	37	0.00	36,400	0	0	36,400	0.00	21,000	0	0	21,000
DP 6013 - 2011 Biennium Pay Plan - HB 13	37	0.00	2,241	0	0	2,241	0.00	6,777	0	0	6,777
DP 6014 - Pay Plan Lump Sum Payment OTO	37	0.00	2,166	0	0	2,166	0.00	0	0	0	0
DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation	37	0.00	234	0	0	234	0.00	202	0	0	202
DP 8101 - Increase 4% Vacancy Savings to 7%	37	0.00	(13,457)	0	0	(13,457)	0.00	(13,497)	0	0	(13,497)
<b>Total</b>	<b>0.00</b>	<b>\$27,584</b>	<b>\$0</b>	<b>\$0</b>	<b>\$27,584</b>	<b>0.00</b>	<b>\$14,482</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,482</b>	

DP 3701 - STAB 2009 Statewide Reappraisal of Property - A biennium increase of \$57,400 general fund funds county tax appeal board costs associated with anticipated increased workload issues after the property tax reappraisal that becomes effective in January 2009. Funding is for county tax appeal board per diem (\$35,000) and other costs associated with the increased workload. The legislature designated funding as one time only.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Work Comp Mgmt Pgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increase 4% Vacancy Savings to 7% - An additional 3 percent per year vacancy savings reduction was added to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment for a total reduction of 7 percent.