

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	155.12	155.12	151.63	151.63	155.12	151.63	(3.49)	(2.25%)
Personal Services	9,395,163	10,127,479	10,177,343	10,219,023	19,522,642	20,396,366	873,724	4.48%
Operating Expenses	9,553,673	9,009,538	9,664,543	9,451,432	18,563,211	19,115,975	552,764	2.98%
Equipment & Intangible Assets	42,077	42,077	42,077	42,077	84,154	84,154	0	0.00%
Local Assistance	39,206	37,633	43,206	42,206	76,839	85,412	8,573	11.16%
Grants	838,563	1,483,576	838,563	838,563	2,322,139	1,677,126	(645,013)	(27.78%)
Transfers	0	75,000	0	0	75,000	0	(75,000)	(100.00%)
Debt Service	32,050	32,050	176,275	0	64,100	176,275	112,175	175.00%
Total Costs	\$19,900,732	\$20,807,353	\$20,942,007	\$20,593,301	\$40,708,085	\$41,535,308	\$827,223	2.03%
General Fund	6,054,826	6,212,547	6,424,353	6,182,434	12,267,373	12,606,787	339,414	2.77%
State Special	6,508,794	7,884,856	6,887,774	6,881,774	14,393,650	13,769,548	(624,102)	(4.34%)
Federal Special	42,043	48,739	42,043	42,043	90,782	84,086	(6,696)	(7.38%)
Other	7,295,069	6,661,211	7,587,837	7,487,050	13,956,280	15,074,887	1,118,607	8.02%
Total Funds	\$19,900,732	\$20,807,353	\$20,942,007	\$20,593,301	\$40,708,085	\$41,535,308	\$827,223	2.03%

Agency Description

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

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

- Accounting, financial reporting, and warrant writing
- Audit review, enforcement and technical assistance for local governments
- State treasury services
- State-bonded indebtedness administration
- Capitol complex grounds and 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, and public safety radio communications
- Human resource management, workforce development and labor relations
- State financial institution oversight and regulation
- Insurance coverage and risk management programs
- Tort Claims Act administration
- Long-Range Building Program
- State employee group benefits
- Workers compensation management

The following boards and commissions are attached to the department for administrative purposes only:

- Board of Examiners
- Burial Preservation Board
- Information Technology Board
- Public Employees' Retirement Board
- State Banking Board
- State Board of County Printing
- State Compensation Insurance Fund Board
- State Tax Appeal Board

The department is comprised of the following programs that are each discussed separately in their individual sections:

- Director's Office
- Governor Elect
- State Accounting
- Architecture and Engineering
- General Services
- Information Technology Services
- Banking and Financial
- Montana State Lottery
- Health Care and Benefits
- State Human Resources
- Risk Management and Tort Defense
- State Tax Appeals Board

Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund increases nearly \$340,000, or 2.8% compared to the 2011 biennium due to funding for: <ul style="list-style-type: none"> • Statewide present law adjustments • The final lease payment and option to buy on the building that houses the Office of Public Instruction • Costs to prepare and sell the state-owned building that previously housed the headquarters for the Department of Corrections • Governor-elect startup costs • Costs for workload impacts on county tax appeal boards due to the property reappraisal • Burial board travel and meeting costs

Summary of Legislative Action

The Department of Administration budget grows 2.0% in total funds compared to the 2011 biennium. The agency growth is comprised mostly of a 2.8% increase in general fund and an 8.0% increase in proprietary funds.

General fund grows because of on-going funding for travel and meeting costs of the burial board. One-time funding for the following also contributes to the growth:

- The purchase of the building that currently houses staff of the Office of Public Instruction through a final balloon payment of a long-term lease with an option to buy
- Costs to ready for sale and sell the building that formerly housed the headquarters of the Department of Corrections
- Costs for anticipated work of county tax appeal boards due to the 2009 property reappraisal
- Governor-elect program costs between the 2012 general election and when the Governor-elect takes office
- Costs to send presidential electors to represent the state

Budgeted proprietary funds grow to fund increases in vendor payments for operation of the state lottery point of sale system that are linked to growth in lottery ticket sales.

Agency HB 2 funded staffing declines by 3.49 FTE due to a funding switch for 1.00 FTE existing staff where general fund was replaced with non- budgeted proprietary funds and an additional 2.49 FTE were eliminated when the legislature accepted the agency proposed 5% plan reductions.

Agency Discussion

The Department of Administration sets statewide policies for and provides services to state agencies for accounting, treasury, human resources, group health insurance benefits, procurement, state tort and property insurance pool, and information technology. For most agencies in Helena, the agency serves as the landlord for state-owned buildings in exchange for rental fees. Generally, the statewide policy functions are supported by general fund while the service functions are supported by proprietary funds derived by charging fees for services. The department also administers the following functions that are not associated with statewide policies or services:

- State Lottery
- Banking and Financial Institution oversight and regulation
- State Tax Appeals Board
- Architecture and Engineering and administration of the state Long-range Building Program

The functions of the department funded in HB 2 were generally funded at the adjusted base level less 5%, with little growth and no new programs added.

The majority of funding for the department is via non-budgeted proprietary funds. For the 2013 biennium, \$524.7 million of the funding is non-budgeted proprietary funds compared to \$41.5 million appropriated in HB 2.

Funding

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

Total Agency Funding 2013 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Director'S Office	\$ 235,628	\$ 1,154	\$ 74,266	\$ -	\$ 311,048	0.75%
02 Governor Elect Program	50,000	-	-	-	50,000	0.12%
03 State Accounting Division	2,528,604	-	9,820	97,520	2,635,944	6.35%
04 Architecture & Engineering Pgm	-	3,760,205	-	-	3,760,205	9.05%
06 General Services Program	4,124,830	106,226	-	-	4,231,056	10.19%
07 State Information Technology Division	842,044	3,047,493	-	-	3,889,537	9.36%
14 Banking And Financial Division	-	6,854,470	-	-	6,854,470	16.50%
15 Montana State Lottery	-	-	-	14,977,367	14,977,367	36.06%
21 Health Care & Benefits Division	-	-	-	-	-	0.00%
23 State Human Resources Division	3,693,454	-	-	-	3,693,454	8.89%
37 State Tax Appeal Board	1,132,227	-	-	-	1,132,227	2.73%
Grand Total	<u>\$ 12,606,787</u>	<u>\$ 13,769,548</u>	<u>\$ 84,086</u>	<u>\$ 15,074,887</u>	<u>\$ 41,535,308</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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	6,054,826	6,054,826	12,109,652	96.06%	19,900,732	19,900,732	39,801,464	95.83%
Statewide PL Adjustments	448,316	376,367	824,683	6.54%	1,103,212	924,635	2,027,847	4.88%
Other PL Adjustments	51,230	63,500	114,730	0.91%	234,916	247,186	482,102	1.16%
New Proposals	(130,019)	(312,259)	(442,278)	(3.51%)	(296,853)	(479,252)	(776,105)	(1.87%)
Total Budget	\$6,424,353	\$6,182,434	\$12,606,787		\$20,942,007	\$20,593,301	\$41,535,308	

Other Legislation

SJ 26 – This bill documents programs or functions the legislature recommends for interim monitoring by legislative administrative and interim committees. For the department the following functions were recommended for interim monitoring:

- The impact of the Patient Protection and Affordable Care Act on the state employee group plan with respect to:

- Annual evaluation of whether to maintain grandfathered plan status
- Receipt and use of early retiree reimbursements
- Constraints on benefit design and premium and cost share decisions
- Efforts to reduce postage, printing, and warrant costs by encouraging vendors and state employees to use electronic funds transfers and advices

HB 53 – This bill raises the age from 25 to 26 that dependents may remain covered under their parents state employee group health insurance. The change was made to comply with the federal Patient Protection and Affordable Care Act of 2010. If the federal law is changed to no longer require dependent coverage up to 26, the state requirement will revert back to age 25.

HB 90 – This bill requires the licensure and regulation of residential mortgage loan servicers. The legislature did not add funding for the estimated \$17,860 state special revenue for the 2013 biennium to implement administrative rules and train staff for the impacts of the bill.

HB 444 – This bill creates a budget database website for taxpayer right to know. The legislature did not add funding of \$395,407 general fund for the 2013 biennium to develop the Internet database and add 1.00 FTE to administer it.

Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg – Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg – Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	155.12	153.63	151.63	(2.00)	153.63	151.63	(2.00)	
Personal Services	9,395,163	10,287,859	10,177,343	(110,516)	10,329,268	10,219,023	(110,245)	(220,761)
Operating Expenses	9,553,673	9,786,024	9,664,543	(121,481)	9,587,457	9,451,432	(136,025)	(257,506)
Equipment & Intangible Assets	42,077	42,077	42,077	0	42,077	42,077	0	0
Local Assistance	39,206	43,206	43,206	0	42,206	42,206	0	0
Grants	838,563	838,563	838,563	0	838,563	838,563	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	32,050	176,275	176,275	0	0	0	0	0
Total Costs	\$19,900,732	\$21,174,004	\$20,942,007	(\$231,997)	\$20,839,571	\$20,593,301	(\$246,270)	(\$478,267)
General Fund	6,054,826	6,426,155	6,424,353	(1,802)	6,198,509	6,182,434	(16,075)	(17,877)
State/Other Special	6,508,794	7,117,969	6,887,774	(230,195)	7,111,969	6,881,774	(230,195)	(460,390)
Federal Special	42,043	42,043	42,043	0	42,043	42,043	0	0
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	7,295,069	7,587,837	7,587,837	0	7,487,050	7,487,050	0	0
Total Funds	\$19,900,732	\$21,174,004	\$20,942,007	(\$231,997)	\$20,839,571	\$20,593,301	(\$246,270)	(\$478,267)

The most significant revisions from the executive budget are summarized below:

- General fund requested for both years of the biennium to prepare and sell the building that formerly housed the Department of Corrections was approved only for FY 2012
- The legislature approved 5% plan reductions that were not included in the executive budget that reduced state special revenue by \$416,500

Language and Statutory Authority

The legislature included the following language in HB2.

"State Accounting Division includes a reduction in general fund money of \$1,802 in FY 2012 and \$1,795 in FY 2013. The agency may allocate this reduction in funding among programs when developing 2013 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	1.17	1.17	1.17	1.17	1.17	1.17	0.00	0.00%
Personal Services	56,835	59,937	62,158	62,852	116,772	125,010	8,238	7.05%
Operating Expenses	65,611	23,177	89,562	22,210	88,788	111,772	22,984	25.89%
Local Assistance	37,133	37,133	37,133	37,133	74,266	74,266	0	0.00%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$159,579	\$120,247	\$188,853	\$122,195	\$279,826	\$311,048	\$31,222	11.16%
General Fund	121,869	81,527	151,143	84,485	203,396	235,628	32,232	15.85%
State Special	577	1,587	577	577	2,164	1,154	(1,010)	(46.67%)
Federal Special	37,133	37,133	37,133	37,133	74,266	74,266	0	0.00%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$159,579	\$120,247	\$188,853	\$122,195	\$279,826	\$311,048	\$31,222	11.16%

Program Description

The Director's Office provides the overall supervision and coordination of agency programs and administratively attached boards and agencies. The office provides legal services to agency and administratively attached programs and it provides IT management, financial, budgeting, accounting, personnel services, and payroll functions for the department.

Program Highlights

Director's Office Major Budget Highlights	
◆	General fund is \$32,232, or 15.9%, higher than in the 2011 biennium due primarily to: <ul style="list-style-type: none"> • Funding for travel costs of the Burial Preservation Board • One-time funding for compensation and travel costs of presidential electors in 2012

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table Director's Office						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 121,869	76.4%	\$ 151,143	80.0%	\$ 84,485	69.1%
01100 General Fund	121,869	76.4%	151,143	80.0%	84,485	69.1%
02000 Total State Special Funds	577	0.4%	577	0.3%	577	0.5%
02317 Financial Advisor Fees	577	0.4%	577	0.3%	577	0.5%
03000 Total Federal Special Funds	37,133	23.3%	37,133	19.7%	37,133	30.4%
03369 Flood Control Payments	37,133	23.3%	37,133	19.7%	37,133	30.4%
06000 Total Proprietary Funds	-	-	-	-	-	-
06534 Management Services	-	-	-	-	-	-
Grand Total	\$ 159,579	100.0%	\$ 188,853	100.0%	\$ 122,195	100.0%

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 Board of County Printing, Burial Preservation Board, 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.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	121,869	121,869	243,738	103.44%	159,579	159,579	319,158	102.61%
Statewide PL Adjustments	17,274	(50,884)	(33,610)	(14.26%)	17,274	(50,884)	(33,610)	(10.81%)
Other PL Adjustments	12,000	13,500	25,500	10.82%	12,000	13,500	25,500	8.20%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$151,143	\$84,485	\$235,628		\$188,853	\$122,195	\$311,048	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					7,913					8,010
Vacancy Savings					(2,590)					(2,593)
Inflation/Deflation					1					1
Fixed Costs					11,950					(56,302)
Total Statewide Present Law Adjustments		\$17,274	\$0	\$0	\$17,274		(\$50,884)	\$0	\$0	(\$50,884)
DP 101 - Presidential Electors	0.00	0	0	0	0	0.00	1,500	0	0	1,500
DP 1003 - Burial Board	0.00	12,000	0	0	12,000	0.00	12,000	0	0	12,000
Total Other Present Law Adjustments	0.00	\$12,000	\$0	\$0	\$12,000	0.00	\$13,500	\$0	\$0	\$13,500
Grand Total All Present Law Adjustments	0.00	\$29,274	\$0	\$0	\$29,274	0.00	(\$37,384)	\$0	\$0	(\$37,384)

DP 101 - Presidential Electors - The legislature increased general fund in FY 2013 to fund compensation and travel costs for presidential electors in 2012. The funding was designated as one time only.

DP 1003 - Burial Board - This legislature increased general fund for the Burial Preservation Board to hold two face-to-face meetings per year and two conference call meetings, along with reimbursement for member travel associated with reburial/repatriation of human remains. The funding was designated as restricted only to this purpose.

Proprietary Rates

Proprietary Program Description

The Director's Office provides services in the areas of legal, human resources, and financial management to other divisions of the agency and agencies and boards attached to the agency for administrative purposes. The Office of Legal Services advises the divisions on legal matters. The Office of Human Resources processes payroll; assists with recruitment, selection, and orientation of new employees; classifies positions; and develops human resources policies for the department. The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance. The Director's Office also provides information technology management and project management services.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 14.33 FTE, about \$2.2 million or 87.6% of total biennium funding
- Operating costs, \$305,838 with more than half of these costs due to:
 - Office space rent, \$66,471
 - Payments to the Information Technology Services Division, \$86,158
 - Building and grounds maintenance, \$18,030

All divisions of the agency and other agencies and boards designated in statute as being administratively attached to the agency use all or a portion of the services provided by the programs. Administratively attached agencies or boards with staff to perform the provided functions do not use some of the services and are not charged a fee.

The revenues for this program are allocated in three ways: 1) for the human resources function an annual amount is charged per FTE served; 2) the legal unit costs are allocated based on a time-use study; and 3) the remaining portion is based on the proportional size of the division, board, or agency's budget to the total of all served.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the rates approved for the Director's Office are:

- Human resources portion of program (annually per FTE)
 - \$574 (FY 2012)
 - \$570 (FY 2013)
- Remaining portion of the program (fixed amount for allocation)
 - \$903,354 (FY 2012)
 - \$902,951 (FY 2013)

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change	
Personal Services	0	0	0	44,000	0	44,000	44,000		n/a
Operating Expenses	0	0	0	6,000	0	6,000	6,000		n/a
Total Costs	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000		n/a
General Fund	0	0	0	50,000	0	50,000	50,000		n/a
Total Funds	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000		n/a

Program Description

The Governor Elect Program pays start-up costs for the incoming Governor, as required by 2-15-221, MCA.

Program Highlights

Governor Elect Program Major Budget Highlights	
◆	The only funding is for FY 2013 of \$50,000 general fund for Governor Elect costs prior to inauguration

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table Governor Elect Program							
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013	
01000 Total General Fund	\$ -	-	\$ -	-	\$ 50,000	100.0%	
01100 General Fund	-	-	-	-	50,000	100.0%	
Grand Total	-	-	-	-	\$ 50,000	100.0%	

The Governor Elect Program is fully funded with general fund.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	0	0	0	0.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	50,000	50,000	100.00%	0	50,000	50,000	100.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$50,000	\$50,000		\$0	\$50,000	\$50,000	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Governor Elect	0.00	0	0	0	0	0.00	50,000	0	0	50,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$50,000	\$0	\$0	\$50,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$50,000	\$0	\$0	\$50,000

DP 201 - Governor Elect - The legislature approved \$50,000 general fund in FY 2013 for startup costs of a Governor-elect and staff from the general election to the inauguration. This funding was designated as one time only and restricted for this purpose only.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	18.67	18.67	17.67	17.67	18.67	17.67	(1.00)	(5.36%)
Personal Services	1,043,760	1,103,048	1,043,021	1,044,089	2,146,808	2,087,110	(59,698)	(2.78%)
Operating Expenses	267,682	276,019	275,262	273,572	543,701	548,834	5,133	0.94%
Total Costs	\$1,311,442	\$1,379,067	\$1,318,283	\$1,317,661	\$2,690,509	\$2,635,944	(\$54,565)	(2.03%)
General Fund	1,257,772	1,317,847	1,264,613	1,263,991	2,575,619	2,528,604	(47,015)	(1.83%)
Federal Special	4,910	11,606	4,910	4,910	16,516	9,820	(6,696)	(40.54%)
Other	48,760	49,614	48,760	48,760	98,374	97,520	(854)	(0.87%)
Total Funds	\$1,311,442	\$1,379,067	\$1,318,283	\$1,317,661	\$2,690,509	\$2,635,944	(\$54,565)	(2.03%)

Program Description

The State Accounting Division provides the statewide functions of the state treasury and accounting policies. Treasury functions include the performance of the central banking function for state agencies, reconciliation of state bank accounts, and oversight of bank account collateralization. The 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 also administers the warrant writer program, which provides check writing and automatic-deposit services for most agencies. It provides technical assistance and training to local government accounting and financial personnel and the audit review function for local governments.

Program Highlights

State Accounting Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The majority of the funding in this program is from non-budgeted proprietary funds that do not show on the HB 2 tables ◆ General fund decreases \$47,015, or 1.8% from the 2011 biennium, due primarily to: <ul style="list-style-type: none"> • A 5% reduction plan item for a funding switch for 1.00 FTE that reduced general fund and refunded the position with proprietary funds • Reduced funding for agency worker's compensation premiums that are anticipated to result from passage and approval of HB 334

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding	Base		% of Base		Budget		% of Budget	
	FY 2010	FY 2010	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 1,257,772	95.9%	\$ 1,264,613	95.9%	\$ 1,263,991	95.9%		
01100 General Fund	1,257,772	95.9%	1,264,613	95.9%	1,263,991	95.9%		
03000 Total Federal Special Funds	4,910	0.4%	4,910	0.4%	4,910	0.4%		
03320 Cmia Funds	4,910	0.4%	4,910	0.4%	4,910	0.4%		
06000 Total Proprietary Funds	48,760	3.7%	48,760	3.7%	48,760	3.7%		
06527 Investment Division	48,760	3.7%	48,760	3.7%	48,760	3.7%		
Grand Total	<u>\$ 1,311,442</u>	<u>100.0%</u>	<u>\$ 1,318,283</u>	<u>100.0%</u>	<u>\$ 1,317,661</u>	<u>100.0%</u>		

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. 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. The reduction in federal funds from the 2011 biennium is due to Cash Management Improvement Act funding in FY 2011 that is not continued at that level in the 2013 biennium.

Most operations of the division are funded with non-budgeted proprietary funds, which are discussed in the "Proprietary Rates" section. Non-budgeted proprietary funds total \$10.1 million for the 2013 biennium, or 3.8 times the amount of funding in HB 2.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,257,772	1,257,772	2,515,544	99.48%	1,311,442	1,311,442	2,622,884	99.50%
Statewide PL Adjustments	85,304	84,476	169,780	6.71%	85,304	84,476	169,780	6.44%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(78,463)	(78,257)	(156,720)	(6.20%)	(78,463)	(78,257)	(156,720)	(5.95%)
Total Budget	\$1,264,613	\$1,263,991	\$2,528,604		\$1,318,283	\$1,317,661	\$2,635,944	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					124,453					125,352
Vacancy Savings					(46,729)					(46,766)
Inflation/Deflation					(234)					(206)
Fixed Costs					7,814					6,096
Total Statewide Present Law Adjustments		\$85,304	\$0	\$0	\$85,304		\$84,476	\$0	\$0	\$84,476
Grand Total All Present Law Adjustments	0.00	\$85,304	\$0	\$0	\$85,304	0.00	\$84,476	\$0	\$0	\$84,476

New Proposals

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% Personal Services Reduction											
03	(1.00)	(76,661)	0	0	(76,661)	(1.00)	(76,462)	0	0	(76,462)	
DP 97100 - Reduction in Worker's Compensation Costs											
03	0.00	(1,802)	0	0	(1,802)	0.00	(1,795)	0	0	(1,795)	
Total	(1.00)	(\$78,463)	\$0	\$0	(\$78,463)	(1.00)	(\$78,257)	\$0	\$0	(\$78,257)	

DP 55400 - 4% Personal Services Reduction - The legislature approved a funding switch for 1.00 FTE that reduced general fund and funded the Local Government Services Bureau Chief position with the Local Government Services enterprise fund.

DP 97100 - Reduction in Worker's Compensation Costs - The legislature reduced general fund support for worker's compensation costs based upon the anticipated impact of HB 334. The agency may allocate this reduction in funding among programs.

Proprietary Rates*Proprietary Programs in the Division*

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

- Statewide Accounting, Budgeting and Human Resources Program
- Warrant Writer Program
- Local Government Audit and Reporting Program

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

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

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 18.00 FTE, \$2.7 million or 36.7% of total biennium funding
- Operating costs, \$4.7 million with 84.6% due to:
 - Payments to the Information Technology Services Division for services purchased that are not for telephones and email, \$1.6 million
 - Computer system maintenance costs, \$2.6 million

Operating costs increased in this program because of the following budget actions the legislature concurred in when it approved the rates for this program:

- One-time-only Oracle/PeopleSoft portal license and maintenance fee, \$236,773 in FY 2012
- One-time-only Oracle/PeopleSoft portal fee, \$76,250 in FY 2012
- Oracle/PeopleSoft 5% annual fee increase, \$78,925 for the biennium
- Return funding for programming of the Montana Budget and Reporting System to the funding level approved by the 2009 legislature, \$100,000 for the biennium
- Licensing and maintenance increase for the purchasing module, \$64,924 for the biennium

All state agencies are required to use this program. Revenues are based on costs to operate the program and maintain a reasonable working capital balance, which then factor into a maximum allocation of costs rate that is approved by the legislature. The program costs are allocated based on the following:

- An agency's proportionate share of financial system journal lines to total journal lines (a journal line is line of data on the statewide accounting system that describes the details of one accounting transaction and includes such data as the transaction date, amount, purpose, and impacted expenditure, revenue, or balance sheet accounts) for all agencies (92%)
- An agency's proportionate share of MBARS journal lines to total MBARS journal lines for all agencies (8%)

Budget authority to pay the SABHRS allocation is a fixed cost item in agencies' budgets. The statewide fixed cost in agency budgets for SABHRS is \$1.5 million lower for the 2013 biennium than the funding approved by the 2009 Legislature.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the legislature approved \$3,554,526 for FY 2012 and \$3,795,313 for FY 2013 as the total amount of costs that may be allocated to users.

Warrant Writer Program (Warrant Writing - 06564)

Proprietary Program Description

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, stop payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 5.83 FTE, \$437,394 or 23.1% of total biennium funding
- Operating costs, \$1.4 million with 81.0% due to:
 - Postage and mailing, \$860,252
 - Printing, \$279,956

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. Revenues are derived from monthly billings based on actual warrants issued.

Budget authority to pay the warrant writer costs is a fixed cost item in agencies' budgets. The statewide fixed cost for warrant writer is \$275,729 lower for the 2013 biennium than the funding approved by the 2009 Legislature because the rates approved for the 2011 biennium were higher than needed to fund program costs. As such, the fund balance grew. Despite expenditure increases via factors in the statewide present law adjustments the rates approved for the 2013 biennium are lower than those approved by the 2009 Legislature to reduce excess liquid fund balance.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the approved rates are:

- Mailer
 - \$0.74392 (FY 2012)

- \$0.74464 (FY 2013)
- Non-Mailer
 - \$0.2839 (FY 2012)
 - \$0.2846 (FY 2013)
- Emergency
 - \$14.1129 (FY 2012)
 - \$14.1136 (FY 2013)
- Duplicates
 - \$3.35417 (FY 2012)
 - \$3.35489 (FY 2013)
- Externals – Payroll
 - \$0.20512 (FY 2012)
 - \$0.21239 (FY 2013)
- Externals - Universities
 - \$0.13859 (FY 2012)
 - \$0.13907 (FY 2013)
- Direct Deposit - Mailer
 - \$0.81859 (FY 2012)
 - \$0.82907 (FY 2013)
- Direct Deposit - No Advice Printed
 - \$0.13859 (FY 2012)
 - \$0.13907 (FY 2013)
- Unemployment Insurance- Mailer - Print Only
 - \$0.14533 (FY 2012)
 - \$0.14557 (FY 2013)
- Unemployment Insurance- Direct Deposit - No Advice Printed
 - \$0.04769 (FY 2012)
 - \$0.04785 (FY 2013)

Local Government Audit and Reporting Program (Fund 06042)

Proprietary Program Description

The Local Government Audit and Reporting 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 Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 5.00 FTE, \$217,917 or 72.2% of total biennium funding
- Operating costs, \$83,873 with 54.2% due to:
 - Office rent, \$28,916
 - Indirect/administrative cost paid to the Management Services Program in the Director's Office, \$16,564

Personal services increase by \$153,123 after a 1.00 FTE Local Government Services Bureau Chief position was switched from being funded by general fund to this proprietary fund. This personal services cost increase will be ongoing for this fund. DP 55400 in the HB 2 portion of this program discusses the general fund reduction associated with this funding switch.

All local government entities that are required to submit audits pay a filing fee. The fee schedule has been adopted as ARM 2.4.402. A fee is also collected from local governments that are required to submit financial reviews. The fee has been adopted in ARM 2.4.410 and is currently set at \$75. A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana. The annual auditor roster fee has been adopted as ARM 2.4.406 and is currently set at \$100 per year. The program also may receive reimbursement from audited entities for costs to contract for special audits as requested.

Proprietary Rate Explanation

Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for this proprietary funded program. Fees are adopted in the Administrative Rules of 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	17.00	17.00	17.00	17.00	17.00	17.00	0.00	0.00%
Personal Services	1,283,732	1,247,129	1,302,775	1,305,035	2,530,861	2,607,810	76,949	3.04%
Operating Expenses	659,066	724,159	576,304	576,091	1,383,225	1,152,395	(230,830)	(16.69%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,942,798	\$1,971,288	\$1,879,079	\$1,881,126	\$3,914,086	\$3,760,205	(\$153,881)	(3.93%)
State Special	1,942,798	1,971,288	1,879,079	1,881,126	3,914,086	3,760,205	(153,881)	(3.93%)
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$1,942,798	\$1,971,288	\$1,879,079	\$1,881,126	\$3,914,086	\$3,760,205	(\$153,881)	(3.93%)

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.

Program Highlights

Architecture and Engineering Major Program Highlights	
◆	State special revenue is reduced by \$153,881, or 3.9%, through: <ul style="list-style-type: none"> • Statewide present law adjustments • A 5% plan reduction that reduced consultant and professional services by 26%

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table							
Architecture & Engineering Pgm							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013	
02000 Total State Special Funds	\$ 1,942,798	100.0%	\$ 1,879,079	100.0%	\$ 1,881,126	100.0%	
02030 Arch & Engin Construction	1,942,798	100.0%	1,879,079	100.0%	1,881,126	100.0%	
05000 Total	-	-	-	-	-	-	
05007 Long Range Building Program	-	-	-	-	-	-	
Grand Total	<u>\$ 1,942,798</u>	<u>100.0%</u>	<u>\$ 1,879,079</u>	<u>100.0%</u>	<u>\$ 1,881,126</u>	<u>100.0%</u>	

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 in support of the state Long-range Building Program.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	1,942,798	1,942,798	3,885,596	103.33%
Statewide PL Adjustments	0	0	0	0.00%	24,994	27,041	52,035	1.38%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	(88,713)	(88,713)	(177,426)	(4.72%)
Total Budget	\$0	\$0	\$0		\$1,879,079	\$1,881,126	\$3,760,205	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					73,327					75,679
Vacancy Savings					(54,284)					(54,376)
Inflation/Deflation					(5,942)					(5,804)
Fixed Costs					11,893					11,542
Total Statewide Present Law Adjustments		\$0	\$24,994	\$0	\$24,994		\$0	\$27,041	\$0	\$27,041
Grand Total All Present Law Adjustments	0.00	\$0	\$24,994	\$0	\$24,994	0.00	\$0	\$27,041	\$0	\$27,041

New Proposals

New Proposals	Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
	DP 95104 - 5% Plan - Reduce Consultant Services	04	0.00	0	(88,713)	0	(88,713)	0.00	0	(88,713)	0	(88,713)
	Total	0.00	\$0	(\$88,713)	\$0	(\$88,713)	0.00	\$0	(\$88,713)	\$0	(\$88,713)	

DP 95104 - 5% Plan - Reduce Consultant Services - The legislature reduced consultant and professional services by 26%. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain special revenue funds by 5%.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	11.25	11.25	11.25	11.25	11.25	11.25	0.00	0.00%
Personal Services	637,187	647,206	669,576	668,685	1,284,393	1,338,261	53,868	4.19%
Operating Expenses	1,461,448	1,517,323	1,378,614	1,337,906	2,978,771	2,716,520	(262,251)	(8.80%)
Grants	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	176,275	0	64,100	176,275	112,175	175.00%
Total Costs	\$2,130,685	\$2,196,579	\$2,224,465	\$2,006,591	\$4,327,264	\$4,231,056	(\$96,208)	(2.22%)
General Fund	2,084,174	2,142,509	2,171,272	1,953,558	4,226,683	4,124,830	(101,853)	(2.41%)
State Special	46,511	54,070	53,193	53,033	100,581	106,226	5,645	5.61%
Federal Special	0	0	0	0	0	0	0	n/a
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$2,130,685	\$2,196,579	\$2,224,465	\$2,006,591	\$4,327,264	\$4,231,056	(\$96,208)	(2.22%)

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

General Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ One-time general fund of \$151,405 was approved to: <ul style="list-style-type: none"> • Make a balloon payment on the lease and exercise the option to buy the building in Helena that houses a portion of personnel for the Office of Public Instruction • Prepare and sell the former Department of Correction's headquarters building ◆ General fund was reduced by nearly \$275,000 for the biennium for general and deferred maintenance of state-owned buildings on the Capitol Complex 	

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table General Services Program						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 2,084,174	97.8%	\$ 2,171,272	97.6%	\$ 1,953,558	97.4%
01100 General Fund	2,084,174	97.8%	2,171,272	97.6%	1,953,558	97.4%
02000 Total State Special Funds	46,511	2.2%	53,193	2.4%	53,033	2.6%
02211 Procurement Special Revenue	46,511	2.2%	53,193	2.4%	53,033	2.6%
Grand Total	<u>\$ 2,130,685</u>	<u>100.0%</u>	<u>\$ 2,224,465</u>	<u>100.0%</u>	<u>\$ 2,006,591</u>	<u>100.0%</u>

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 facilities maintenance functions. 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 fund portions of procurement functions that serve the fueling and procurement card operations.

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
- Property and supply
- 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,084,174	2,084,174	4,168,348	101.06%	2,130,685	2,130,685	4,261,370	100.72%
Statewide PL Adjustments	40,999	38,790	79,789	1.93%	47,681	45,312	92,993	2.20%
Other PL Adjustments	39,230	0	39,230	0.95%	39,230	0	39,230	0.93%
New Proposals	6,869	(169,406)	(162,537)	(3.94%)	6,869	(169,406)	(162,537)	(3.84%)
Total Budget	\$2,171,272	\$1,953,558	\$4,124,830		\$2,224,465	\$2,006,591	\$4,231,056	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					60,287					59,359
Vacancy Savings					(27,898)					(27,861)
Inflation/Deflation					56					70
Fixed Costs					15,236					13,744
Total Statewide Present Law Adjustments		\$40,999	\$6,682	\$0	\$47,681		\$38,790	\$6,522	\$0	\$45,312
DP 6010 - Close and Sell Old Corrections Building OTO	0.00	39,230	0	0	39,230	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$39,230	\$0	\$0	\$39,230	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments	0.00	\$80,229	\$6,682	\$0	\$86,911	0.00	\$38,790	\$6,522	\$0	\$45,312

DP 6010 - Close and Sell Old Corrections Building OTO - The legislature approved an increase of general fund in FY 2012 to fund costs to get the building that formerly housed the main offices of the Department of Corrections ready to be sold. The funding was designated as one time only and is to board up the building, maintain the building until it is sold, and prepare an appraisal and environmental assessment.

New Proposals

New Proposals	Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 601 - Purchase of 1227 11th Ave - OPI Building OTO	06	0.00	144,225	0	0	144,225	0.00	(32,050)	0	0	(32,050)
DP 55140 - Make FY 2011 17-7-140, MCA, Reductions Permanent	06	0.00	(137,356)	0	0	(137,356)	0.00	(137,356)	0	0	(137,356)
Total		0.00	\$6,869	\$0	\$0	\$6,869	0.00	(\$169,406)	\$0	\$0	(\$169,406)

DP 601 - Purchase of 1227 11th Ave - OPI Building OTO - The legislature approved funding for the final payment on a lease-purchase agreement for the building at 1227 11th Avenue in Helena that houses the Office of Public Instruction (OPI). The funding was designated as one time only.

DP 55140 - Make FY 2011 17-7-140, MCA, Reductions Permanent - The legislature reduced general fund for deferred and general maintenance projects and for upkeep for the capitol complex.

Proprietary Rates

Proprietary Programs in the Division

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

- Facilities Management (Rent and Maintenance)
- Print Services
- Mail Services
- Surplus Property
- Central Stores

Facilities Management (Rent and Maintenance - 06528)

Proprietary Program Description

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 State Capitol area is the geographic area within a 10-mile radius of the State Capitol. 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.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 34.90 FTE, \$3.8 million or 20% of total biennium funding
- Operating costs, \$15.0 million with 73.8% of these costs due to:
 - Buildings and grounds repair, \$1.4 million
 - Electricity, \$2.6 million
 - Janitorial services, \$2.4 million
 - Caretaker services, \$2.3 million
 - Natural gas, \$1.0 million

The program pays for all utilities on the complex including water, sewer, electricity, natural gas, and garbage collection. It also pays for locksmith services, repair and maintenance, construction, construction management, grounds maintenance, leasing services, recycling, emergency response and management, and security. The bureau manages several service contracts that are provided by private sector employees including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, and fire sprinkler systems maintenance and access control.

All agencies occupying office space in state-owned buildings on the capitol complex pay rent to the program. Separate rental rates are established for office and storage space and for grounds. In addition to rent payments agencies pay a percentage of costs for non-routine maintenance projects. These fees are charged at different rates depending on whether bureau or contracted employees are used to complete the project. The revenues from fees are generated in the following percentages:

- Office and warehouse rental rates, 92%
- Grounds Maintenance, 5%
- Construction and handyman services, 2%
- Recycling, 1%

Budget authority to pay rent is a fixed cost item in agencies' budgets. The statewide fixed cost for capitol complex rent is \$1.1 million lower for the 2013 biennium than the funding approved by the 2009 Legislature, primarily due to a reduction in the 2011 biennium as part of the Governor's 17-7-140, MCA, reductions and their continuation in the 2013 biennium. The reductions were for general and deferred maintenance of state-owned buildings on the Capitol Complex.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For references the approved rates are:

- Office rent (per sq. ft.)
 - \$8.412 (FY 2012)
 - \$8.460 (FY 2013)
- Warehouse rent (per sq. ft.)
 - \$4.844 (FY 2012)
 - \$4.876 (FY 2013)
- Grounds maintenance (per sq. ft.)
 - \$0.494 (FY 2012)
 - \$0.494 (FY 2013)
- Project management - in-house
 - 15% (FY 2012)
 - 15% (FY 2013)
- Project management - contracted
 - 5% (FY 2012)
 - 5% (FY 2013)

Print and Mail Services Bureau (Print & Mail - 06530)

Proprietary Program Description

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.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 44.80 FTE, \$3.5 million or 13.7% of total biennium funding
- Operating costs, \$21.6 million with 89.8% of these costs due to:
 - Postage and mailing, \$9.4 million
 - Printing, \$7.4 million
 - Direct materials for printing (paper and ink), \$2.2 million
 - Building rent, \$0.4 million

All agencies in Helena use the services of this program depending upon their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency specified service frequency.

Revenue is received in the following percentages:

- Internal printing (printing, duplicating, desktop publishing, binding and quick copy services, variable data printing warrant writer and mainframe printing), 14.4%
- External printing (printing procured through commercial vendors), 31.2%
- Photocopy pool (photocopiers contracted through the private sector), 7.4%
- Mail preparation (preparing documents for mailing by tabbing, labeling, inkjet addressing, inserting, and bar coding), 5.5%.
- Central mail operations (pick-up and metering of out-going U.S. Mail and express small package services), 38.9%
- Inter-agency (sorting and delivery of incoming mail and pickup and delivery of deadhead mail), 2.3%
- Capitol building postal contract station (\$3,248.00 monthly from the U.S. Postal Service for operation of the Capitol Post Office), 0.3 %

Budget authority to pay inter-agency mail fees is a fixed cost item in agencies' budgets. The statewide fixed cost for inter-agency mail (fixed cost item messenger services) is \$41,354, or 6.6%, higher for the 2013 biennium than the funding approved by the 2009 Legislature.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Central Stores Program (Central Stores - 06531)

Proprietary Program Description

The Central Stores Program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program develops standard specifications and 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.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 11.55 FTE, \$1.1 million or 10.3% of total biennium funding
- Operating costs, \$9.1 million with 89.4% of these costs due to the purchase of supplies such as office supplies, computer paper, fine paper stock, course paper, and janitorial supplies

All agencies and units within state government and participating local governments purchase office supplies and paper products through this program. The customer pays for the products purchased plus a markup on the invoice of purchased products that funds the administration of this program.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. The legislature approved a 25% markup as the rate for Central Stores.

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

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.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 4.60 FTE, \$489,866 or 66.1% of total biennium funding
- Operating costs, \$250,873 with no single item driving operating expense
- The following two operating cost areas that make up 17.4% of operating costs are the most significant to the operation of the program:
 - Utilities such as electricity, natural gas, water and sewer, and garbage disposal, \$12,583
 - Rent, \$9,836

Revenues are derived from the following handling fees:

- Property is sold for less than \$500, the program retains the proceeds
- Property sold for \$500 or more the program retains \$500 plus unusual expenses
- Federal Surplus Property program fees are an allocation of freight expense and 14 percent of acquisition cost

Proprietary Rate Explanation

Funding for the program is with enterprise type proprietary funds. As such, the legislature does not approve rates or appropriate funds for this proprietary funded 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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	9.50	9.50	9.50	9.50	9.50	9.50	0.00	0.00%
Personal Services	775,175	716,257	751,550	751,889	1,491,432	1,503,439	12,007	0.81%
Operating Expenses	273,735	378,835	353,415	355,557	652,570	708,972	56,402	8.64%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	838,563	1,483,576	838,563	838,563	2,322,139	1,677,126	(645,013)	(27.78%)
Transfers	0	75,000	0	0	75,000	0	(75,000)	(100.00%)
Total Costs	\$1,887,473	\$2,653,668	\$1,943,528	\$1,946,009	\$4,541,141	\$3,889,537	(\$651,604)	(14.35%)
General Fund	508,363	539,317	419,613	422,431	1,047,680	842,044	(205,636)	(19.63%)
State Special	1,379,110	2,114,351	1,523,915	1,523,578	3,493,461	3,047,493	(445,968)	(12.77%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$1,887,473	\$2,653,668	\$1,943,528	\$1,946,009	\$4,541,141	\$3,889,537	(\$651,604)	(14.35%)

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 state's Internet presence mt.gov. ITSD also manages the security and continuity and information technology (IT) project management 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 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

Information Technology Services Division Major Budget Highlights	
◆	The majority of funding to sustain the daily operations of this program is proprietary funds, 92.7% compared to 7.3% funded in HB 2
◆	The general fund is reduced by \$205,636, or 19.6% compared to the 2011 biennium due primarily because a 5% reduction plan item shifts funding for 0.50 FTE from general fund to state special revenue
◆	A change in the methodology for allocating the costs of ITSD and reductions in spending for ITSD result in a statewide reduction in general fund being used to support ITSD services

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 508,363	26.9%	\$ 419,613	21.6%	\$ 422,431	21.7%
01100 General Fund	508,363	26.9%	419,613	21.6%	422,431	21.7%
02000 Total State Special Funds	1,379,110	73.1%	1,523,915	78.4%	1,523,578	78.3%
02594 Basic 911 Emerg Phone Program	300,498	15.9%	364,497	18.8%	363,019	18.7%
02779 Montana Land Information	1,078,612	57.1%	1,159,418	59.7%	1,160,559	59.6%
Grand Total	\$ 1,887,473	100.0%	\$ 1,943,528	100.0%	\$ 1,946,009	100.0%

Almost 93% of the funding for the division is provided by a proprietary fund that is not shown on the main budget tables, but is discussed in the "Proprietary Rates" section for this program. The HB 2 budgeted portion of the division is funded with general fund and state special revenue. The division receives general fund to administer the Public Safety Services Office. State special revenue funds the administration of the statewide 9-1-1 emergency telephone program and 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	508,363	508,363	1,016,726	120.74%	1,887,473	1,887,473	3,774,946	97.05%
Statewide PL Adjustments	(25,389)	(22,730)	(48,119)	(5.71%)	56,055	58,536	114,591	2.95%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(63,361)	(63,202)	(126,563)	(15.03%)	0	0	0	0.00%
Total Budget	\$419,613	\$422,431	\$842,044		\$1,943,528	\$1,946,009	\$3,889,537	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					7,690					8,042
Vacancy Savings					(31,315)					(31,328)
Inflation/Deflation					(1,358)					(1,338)
Fixed Costs					81,038					83,160
Total Statewide Present Law Adjustments		(\$25,389)	\$81,444	\$0	\$56,055		(\$22,730)	\$81,266	\$0	\$58,536
Grand Total All Present Law Adjustments	0.00	(\$25,389)	\$81,444	\$0	\$56,055	0.00	(\$22,730)	\$81,266	\$0	\$58,536

New Proposals

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55400 - 4% Person Services Reduction											
07	0.00	(63,361)	63,361	0	0	0.00	(63,202)	63,202	0	0	
Total	0.00	(\$63,361)	\$63,361	\$0	\$0	0.00	(\$63,202)	\$63,202	\$0	\$0	

DP 55400 - 4% Personal Services Reduction - The legislature approved a funding shift to reduce general fund and replace it with 9-1-1 state special revenue fund for the personal services costs of the 0.50 FTE bureau chief position of the Public Safety Services Bureau.

Proprietary Rates**Proprietary Program Description**

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

- Operation of the state data center and backup data center
- 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

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 174.50 FTE, \$27.4 million or 34.6% of total biennium funding
- Operating costs, \$39.7 million with 74.3% of these costs due to:
 - Contracting for IT vendor and professional services (\$3.2 million)
 - Local voice and data circuits (\$3.2 million)
 - Long distance voice and data circuits and charges (\$5.4 million)
 - Rent of software programs (\$10.5 million)
 - Maintenance of multi-user computers and terminals (\$3.7 million)
 - Procurement of computer equipment (non-capitalizable) (\$3.4 million)
- Equipment costs, \$11.4 million with 92.0% of these costs due to:
 - Procurement of computer equipment (capitalizable) (\$2.0 million)
 - Purchase of computer software (\$8.4 million)

Funding for ITSD is primarily from charges to state agencies for server and application hosting, and data/voice network services. A significant portion of ITSD's budget is Enterprise Services. Funding for Enterprise Services comes from agency charges based on a per-user allocation.

ITSD's rates are based on a full cost activity based budgeting model, the Financial Transparency Model. The program has defined nearly 200 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenses and staff time to each service. ITSD uses a staff time tracking system to refine the accuracy of staff time allocation. For a wide variety of services agencies will have the choice of using the service or altering the units consumed.

Rates and the billing bases that generate major portions of ITSD revenue are listed below:

- Hosting services
 - Storage hosting rates are based on space usage
- Server hosting
 - Mainframe rates are based on actual usage
 - Mid-tier server's rates are based on a formula that accounts for the size of server, space used, and ITSD staff time required
- Application hosting
 - Rates are based on space, backup, servers used, support required, and licensing usage
- Connectivity services
 - Data network rates are based on the number of connections with Active Directory accounts on the network
 - Video services are based on conference hours
- Voice services
 - Telephone desktop equipment rates are based on type of equipment
 - Local calls are based on a flat rate
 - Long distance and toll free services are based on minutes
- Enterprise Service
 - Rate is based on the number of users with Active Directory accounts on the network

The enterprise services listed below are statewide in nature and agencies are required to use these services unless granted an exception in statute or by the chief information officer (CIO) due to existence of an exceptional condition.

Enterprise Services:

- Statewide continuity planning
- Information system risk management
- Enterprise security and computing systems monitoring
- Montana Information Technology Act (MITA) oversight of IT activities
 - IT strategic planning and agency IT plan approval
 - IT policy, standards, and procedures
- Staff support for statutory IT councils
- State chief information officer (CIO) activities
- Enterprise-wide IT procurement and contract management
- Enterprise application hosting - Citrix and Oracle
- IT training coordination
- MINE portal and mt.gov development and website hosting
- Maintenance of an active directory of computer users
- State telephone operators

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the approved rates are:

- Enterprise services
 - \$6,166,189 (FY 2012)
 - \$6,195,048 (FY 2013)
- Web content management - sharp content – primary domain – initial setup one-time charge
 - \$600 (FY 2012)
 - \$600 (FY 2013)
- Web content management – sharp content – sub-site – initial setup one-time per setup per sub-site domain
 - \$100 (FY 2012)
 - \$100 (FY 2013)
- GIS services – GIS data services – BMSC SSITSD managed per service per application per year
 - \$350 (FY 2012)
 - \$350 (FY 2013)
- GIS services – GIS data services – customer managed per service per year
 - \$800 (FY 2012)
 - \$800 (FY 2013)
- GIS services – direct connectivity per connection
 - \$3,600 (FY 2012)
 - \$3,600 (FY 2013)
- Voice services – dial tone per phone
 - \$13.37 per year or \$1.11 per month (FY 2012)
 - \$13.19 per year or \$1.10 per month (FY 2013)
- Voice services – installation fee to add a new phone or move an existing phone per phone
 - \$132.64 (FY 2012)
 - \$44.16 (FY 2013)
- Email – email mailbox (per email box)
 - \$46.28 per year or \$3.86 per month (FY 2012)
 - \$46.14 per year or \$3.84 per month (FY 2013)
- Operations for the remaining portion of the division with rates maintained and based upon the financial transparency model
 - 30-Day Working Capital Reserve (FY 2012)
 - 30-Day Working Capital Reserve (FY 2013)

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	39.00	39.00	37.00	37.00	39.00	37.00	(2.00)	(5.13%)
Personal Services	2,310,011	2,910,454	2,706,558	2,704,811	5,220,465	5,411,369	190,904	3.66%
Operating Expenses	788,473	789,990	724,452	718,649	1,578,463	1,443,101	(135,362)	(8.58%)
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Total Costs	\$3,098,484	\$3,700,444	\$3,431,010	\$3,423,460	\$6,798,928	\$6,854,470	\$55,542	0.82%
State Special	3,098,484	3,700,444	3,431,010	3,423,460	6,798,928	6,854,470	55,542	0.82%
Total Funds	\$3,098,484	\$3,700,444	\$3,431,010	\$3,423,460	\$6,798,928	\$6,854,470	\$55,542	0.82%

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

Banking and Financial Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The 2013 biennium funding for this division is \$55,600, or 0.8%, higher than the 2011 biennium due to: <ul style="list-style-type: none"> ● Increases from statewide present law adjustments ● 5% plan reductions that eliminated 2.00 FTE bank examiners and reduced operating expenses that support licensing of mortgage brokers, lenders, and loan originators

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table						
Banking And Financial Division						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 3,098,484	100.0%	\$ 3,431,010	100.0%	\$ 3,423,460	100.0%
02077 Financial Institutions Div	<u>3,098,484</u>	<u>100.0%</u>	<u>3,431,010</u>	<u>100.0%</u>	<u>3,423,460</u>	<u>100.0%</u>
Grand Total	<u>\$ 3,098,484</u>	<u>100.0%</u>	<u>\$ 3,431,010</u>	<u>100.0%</u>	<u>\$ 3,423,460</u>	<u>100.0%</u>

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	3,098,484	3,098,484	6,196,968	90.41%
Statewide PL Adjustments	0	0	0	0.00%	474,008	466,458	940,466	13.72%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	(141,482)	(141,482)	(282,964)	(4.13%)
Total Budget	\$0	\$0	\$0		\$3,431,010	\$3,423,460	\$6,854,470	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					622,563					620,466
Vacancy Savings					(117,302)					(117,216)
Inflation/Deflation					(10,387)					(10,143)
Fixed Costs					(20,866)					(26,649)
Total Statewide Present Law Adjustments		\$0	\$474,008	\$0	\$474,008		\$0	\$466,458	\$0	\$466,458
Grand Total All Present Law Adjustments	0.00	\$0	\$474,008	\$0	\$474,008	0.00	\$0	\$466,458	\$0	\$466,458

New Proposals

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 95102 - 5% Plan - Reduce SB 351 Operating Expenses											
14	0.00	0	(26,100)	0	(26,100)	0.00	0	(26,100)	0	(26,100)	
DP 95103 - 5% Plan - Eliminate 2.00 FTE Bank Examiners											
14	(2.00)	0	(115,382)	0	(115,382)	(2.00)	0	(115,382)	0	(115,382)	
Total	(2.00)	\$0	(\$141,482)	\$0	(\$141,482)	(2.00)	\$0	(\$141,482)	\$0	(\$141,482)	

DP 95102 - 5% Plan - Reduce SB 351 Operating Expenses - The legislature reduced funding for operating costs associated with implementation of the Montana Mortgage Broker, Mortgage Lender, and Mortgage Loan Originator Licensing Act passed by the 2009 Legislature in SB 351. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 95103 - 5% Plan - Eliminate 2.00 FTE Bank Examiners - The legislature reduced funding to eliminate 2.00 FTE bank examiner positions. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	31.50	31.50	31.50	31.50	31.50	31.50	0.00	0.00%
Personal Services	1,753,693	1,752,431	1,800,101	1,800,905	3,506,124	3,601,006	94,882	2.71%
Operating Expenses	5,450,539	4,817,089	5,696,899	5,595,308	10,267,628	11,292,207	1,024,579	9.98%
Equipment & Intangible Assets	42,077	42,077	42,077	42,077	84,154	84,154	0	0.00%
Total Costs	\$7,246,309	\$6,611,597	\$7,539,077	\$7,438,290	\$13,857,906	\$14,977,367	\$1,119,461	8.08%
State Special	0	0	0	0	0	0	0	n/a
Other	7,246,309	6,611,597	7,539,077	7,438,290	13,857,906	14,977,367	1,119,461	8.08%
Total Funds	\$7,246,309	\$6,611,597	\$7,539,077	\$7,438,290	\$13,857,906	\$14,977,367	\$1,119,461	8.08%

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.

The Montana Lottery is attached to the Department of Administration for administrative purposes only.

Program Highlights

Montana State Lottery Major Budget Highlights
<ul style="list-style-type: none"> ◆ Program funding increases \$1.1 million, or 8.1% for the 2013 biennium compared to the 2011 biennium due to: <ul style="list-style-type: none"> ● Statewide present law adjustments ● Increased funding for payments to the lottery system vendor that are tied to increased lottery sales

Program Narrative

The legislature approved a supplemental appropriation to increase FY 2011 appropriations by \$950,000. This funding increase followed approval in FY 2010 by the executive of a budget change that moved \$650,000 funding from FY 2011 to FY 2010 to pay for the following items the State Lottery had insufficient legislative funding to cover:

- Increased vendor fees due to additional lottery ticket sales, \$225,000
- Purchase and installation of 30 lottery vending machines installed in grocery stores across the state, \$425,000

Related to the supplemental appropriation, the legislature approved funding via present law DP 7701 to address 2013 biennium funding for the ongoing vendor payment increase that resulted from the increased lottery sales.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
06000 Total Proprietary Funds	\$ 7,246,309	100.0%	\$ 7,539,077	100.0%	\$ 7,438,290	100.0%
06001 State Lottery Fund	<u>7,246,309</u>	<u>100.0%</u>	<u>7,539,077</u>	<u>100.0%</u>	<u>7,438,290</u>	<u>100.0%</u>
Grand Total	<u>\$ 7,246,309</u>	<u>100.0%</u>	<u>\$ 7,539,077</u>	<u>100.0%</u>	<u>\$ 7,438,290</u>	<u>100.0%</u>

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 its funding must be appropriated by 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	7,246,309	7,246,309	14,492,618	96.76%
Statewide PL Adjustments	0	0	0	0.00%	67,768	(33,019)	34,749	0.23%
Other PL Adjustments	0	0	0	0.00%	225,000	225,000	450,000	3.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$7,539,077	\$7,438,290	\$14,977,367	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					121,361					122,202
Vacancy Savings					(74,953)					(74,990)
Inflation/Deflation					3,106					4,618
Fixed Costs					18,254					(84,849)
Total Statewide Present Law Adjustments		\$0	\$0	\$0	\$67,768*		\$0	\$0	\$0	(\$33,019)*
DP 7701 - Vendor Fee Increase	0.00	0	0	0	225,000*	0.00	0	0	0	225,000*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$225,000*	0.00	\$0	\$0	\$0	\$225,000*
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$292,768*	0.00	\$0	\$0	\$0	\$191,981*

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

DP 7701 - Vendor Fee Increase - The legislature approved funding for additional vendor fees the State Lottery pays as a result of increased sales.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Operating Expenses	41,314	43,116	0	0	84,430	0	(84,430)	(100.00%)
Total Costs	\$41,314	\$43,116	\$0	\$0	\$84,430	\$0	(\$84,430)	(100.00%)
State Special	41,314	43,116	0	0	84,430	0	(84,430)	(100.00%)
Total Funds	\$41,314	\$43,116	\$0	\$0	\$84,430	\$0	(\$84,430)	(100.00%)

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 in an efficient manner and at an affordable cost by administering a solvent, prudent benefits program. The division administers benefits plans 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. 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., 2-18-1301 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.

The division consists of two bureaus with the following functions:

Health Care Administration (13.87 FTE) provides oversight and administrative functions for the state employee group benefit plan including administration of health, life insurance, and flexible spending accounts.

The Workers' Compensation Management Program (3.00 FTE) is the central resource for agencies in working to enhance safety, loss-prevention, and return to work programs and in working with the workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues.

Program Highlights

Health Care and Benefits Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The 2013 biennium appropriation maintains the state share for employee group benefits at \$733 per month ◆ Group health plan medical, dental, and pharmacy costs are estimated to increase 8% to 11% per year from a base level of \$116.3 million in plan (calendar) year 2009 ◆ The state daycare program was discontinued by the executive beginning in FY 2011, eliminating the need for an appropriation in HB 2

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table					
Health Care & Benefits Division					
		Base	% of Base	Budget	Budget
Program Funding		FY 2010	FY 2010	FY 2012	FY 2013
02000	Total State Special Funds	\$ 41,314	100.0%	\$ -	\$ -
	02518 State Daycare Program	41,314	100.0%	-	-
Grand	Total	\$ 41,314	100.0%	-	-

This division is funded with proprietary funds. The single appropriation in the 2011 biennium funded the state daycare program supported by state special revenue, which was discontinued at the beginning of FY 2011.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	41,314	41,314	82,628	0.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	(41,314)	(41,314)	(82,628)	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55213 - Elimination of the Daycare Program	0.00	0	(41,314)	0	(41,314)	0.00	0	(41,314)	0	(41,314)
Total Other Present Law Adjustments	0.00	\$0	(\$41,314)	\$0	(\$41,314)	0.00	\$0	(\$41,314)	\$0	(\$41,314)
Grand Total All Present Law Adjustments	0.00	\$0	(\$41,314)	\$0	(\$41,314)	0.00	\$0	(\$41,314)	\$0	(\$41,314)

DP 55213 - Elimination of the Daycare Program - The legislature removed \$82,628 in state special revenue because the daycare program was discontinued at the beginning of FY 2011. The program provided funding for rent payments to the school district for space within the Ray Bjork building. In return, the daycare provider guaranteed a certain number of slots to state employee children and grandchildren. The state was not able to renew the contract with the school district as this space was needed by the district. The state was not able to find an alternative space to continue the program. Therefore the program was eliminated.

Proprietary Rates

Proprietary Programs in the Division

The 2013 biennium budget for the three proprietary funded programs administered by this division are shown in Figure 1. The Health Care Benefits program is 95% of the FY 2013 budget and the majority of costs are medical and prescription services for plan members. The flexible spending account program is about 5% of the total and represents reimbursements to participants for allowable medical and childcare costs and payments for contracted program administration. The Workers' Compensation Management program is the central resource in working with the state workers' compensation insurer, Montana State Fund, to coordinate state agency workers' compensation coverage and policy management issues.

Figure 1

Health Care and Benefits Division - Proprietary Program Costs					
Program/Costs	Actual FY10	Budgeted FY11	Budgeted FY12	Budgeted FY13	% of Total
Health Care Benefits					
Personal Services	\$914,125	\$988,127	\$964,689	\$964,753	0.5%
Operating/Other Expenses*	22,640,773	24,066,712	25,446,673	27,563,066	15.2%
Medical Services Benefits**	89,823,384	96,861,726	106,160,018	116,326,122	64.1%
Prescription Benefits**	<u>21,585,470</u>	<u>22,289,042</u>	<u>24,881,049</u>	<u>27,768,567</u>	<u>15.3%</u>
Subtotal Health Care Expenses	134,963,751	144,205,606	157,452,428	172,622,507	95.1%
Flexible Spending Accounts					
Personal Services	0	0	0	0	0.0%
Operating Expenses	153,927	153,925	155,258	175,482	0.1%
Reimbursements to Plan Members	<u>7,364,992</u>	<u>7,364,903</u>	<u>7,428,677</u>	<u>8,396,323</u>	<u>4.6%</u>
Subtotal Flex Account Expenses	7,518,919	7,518,828	7,583,935	8,571,805	4.7%
Workers' Compensation Management					
Personal Services	194,314	251,150	213,579	213,899	0.1%
Operating Expenses	<u>192,990</u>	<u>144,021</u>	<u>200,697</u>	<u>200,697</u>	<u>0.1%</u>
Subtotal Work Comp Management	<u>387,304</u>	<u>395,171</u>	<u>414,276</u>	<u>414,596</u>	<u>0.2%</u>
Total Operating Expenses	<u>\$142,869,974</u>	<u>\$152,119,605</u>	<u>\$165,450,639</u>	<u>\$181,608,908</u>	100.0%
*Operating/other costs includes dental, health screenings, life insurance, and wellness services as well as administrative costs.					
**Medical services and prescription drug benefit costs interpolated from the low inflation actuarial projection 6-30-10.					

Health Care Benefits Program – (06559)

Proprietary Program Description

The Health Care Benefits program manages:

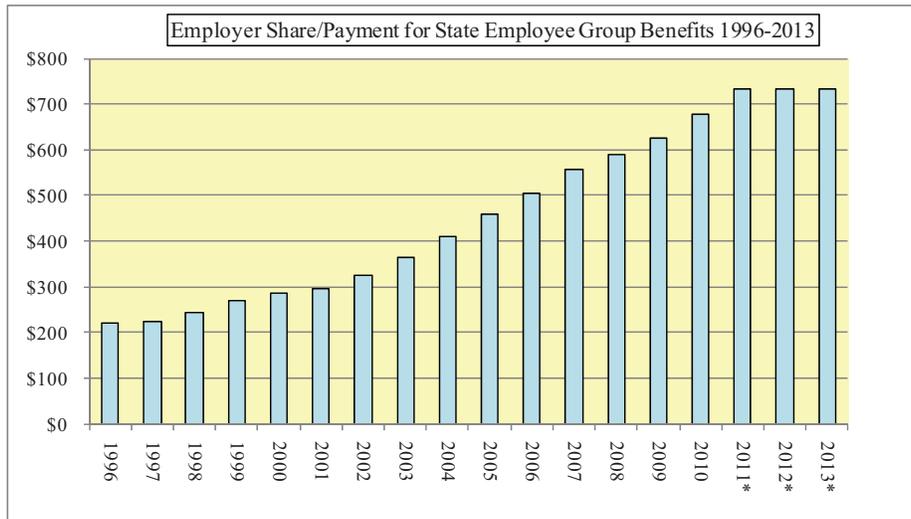
- The state employee group health plan
- A state employee sick leave fund
- Employee assistance services
- Health promotion
- A voluntary employee benefit health care expense trust

Proprietary Revenues and Expenses

The 2013 biennium budget is shown in Figure 1. The most significant expenditure for the program is for employee group health benefits. The primary cost drivers for state employee group benefits in the 2013 biennium are projected cost and service utilization. The proprietary budget anticipates cost increases of up to \$57.8 million over the biennium for medical and prescription drug cost and utilization increases compared to a base budget of \$101.4 million.

The state group plan is self insured, meaning that the plan is at full risk for all medical costs. The health plan is funded by the state (employer share) and premium payments by members. The state share is \$733 per month and is established in 2-18-703(2), MCA. Figure 2 shows the employer share for group benefits from FY 1996 through FY 2013.

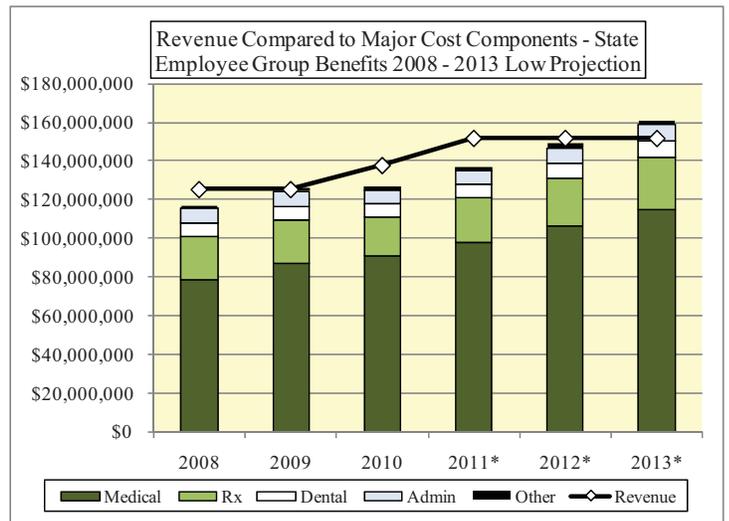
Figure 2



The monthly employer contribution toward state employee group benefits is estimated to be \$118.4 million in plan year 2013 (calendar year) or 77% of the \$153.4 million total. General fund supports about 40% of the employer share. Premium payments are projected to be \$33.0 million and interest income about \$2.0 million.

Figure 3

Figure 3 shows the March 31, 2011 actuarial analysis and low growth scenario projection for the state employee group health plan for plan (calendar) years 2008 through 2010 and the estimated costs for plan years 2011 through 2013. Revenue exceeded costs by about \$11.2 million in 2010, raising plan reserves, and is estimated to exceed projected costs by \$15.0 million in 2011. The contribution to reserves would be significantly depleted in 2013 when costs are projected to exceed revenues by \$9.3 million



The low growth scenario is based on medical cost increases of 8% and prescription cost increases of 10% annually. The high cost scenario projects medical cost growth at 11% annually and prescription cost growth at 13% annually. Under the high cost scenario, costs exceed revenue by \$3.6 million in 2012 and by \$20.7 million in 2013.

Significant Present Law Adjustments

Anticipated health care cost increases due to service utilization and medical inflation are the most significant adjustment to the 2013 biennium budget for the Health Care Benefits program. Compared to base year costs of \$135.0 million for health care services, the 2013 biennium includes increases of:

- o \$21.3 million in FY 2012
- o \$36.5 million in FY 2013

Proprietary Rate Explanation

The legislature adopts any changes in the employer share for state employee group benefits in the pay plan bill. The rate (\$733 per month for the 2013 biennium) is in 2-18-703(2), MCA. The employer share remained unchanged from the FY 2011 level.

The state group plan also receives revenue from premiums paid by participating group members. However, the premium payments and cost sharing amounts are established by the Department of Administration and are not usually considered by the legislature when it establishes the employer share.

Flexible Spending Account Program - (06027)*Proprietary Program Description*

The flexible spending account program allows employees to defer part of their gross pay into an account for reimbursement of qualified:

- Medical expenses
- Childcare expenses

Proprietary Revenues and Expenses

The 2013 biennium budget is shown in Figure 1. The most significant expenditure for the flexible spending account program is reimbursement of medical and child care expenses to employees. The program is funded by a monthly administrative fee (\$2.26) paid by each participant for each type of flexible spending account. The revenue generated from the monthly administrative fee is expected to be slightly greater than the contracted service cost to administer the program during the 2013 biennium.

Significant Present Law Adjustments

Base year costs were \$7.5 million for reimbursements to plan participants and for account administrative functions. The 2013 biennium includes increases for reimbursements to employees of:

- \$1.1 million in FY 2012
- \$1.8 million in FY 2013

Proprietary Rate Explanation

The program is funded from a monthly charge set to be \$2.26 per month in the 2013 biennium.

Workers' Compensation Management Program – (06575)*Proprietary Program Description*

The Workers' Compensation Management program is the central resource in working with the state workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues. The program assists employees and agencies in ensuring a safe working environment and, reducing on-the-job injuries and accidents in the workplace, and assists employees who are injured in returning to meaningful and productive work as possible, even if it is in a different position than was originally held.

Proprietary Revenues and Expenses

The 2013 biennium budget is shown in Figure 1. Plan revenues and expenditures are expected to be nearly equal.

Proprietary Rate Explanation

The program is supported by a charge for each payroll warrant issued by a state agency. The rate adopted in HB 2 is \$1.09 for each payroll warrant in FY 2012 and \$1.08 for each payroll warrant in FY 2013. General fund supported about 37% of the total revenue collected through the proprietary rate in the base budget year.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	19.53	19.53	19.04	19.04	19.53	19.04	(0.49)	(2.51%)
Personal Services	1,142,900	1,265,850	1,375,637	1,375,186	2,408,750	2,750,823	342,073	14.20%
Operating Expenses	445,307	364,585	472,420	470,211	809,892	942,631	132,739	16.39%
Total Costs	\$1,588,207	\$1,630,435	\$1,848,057	\$1,845,397	\$3,218,642	\$3,693,454	\$474,812	14.75%
General Fund	1,588,207	1,630,435	1,848,057	1,845,397	3,218,642	3,693,454	474,812	14.75%
Total Funds	\$1,588,207	\$1,630,435	\$1,848,057	\$1,845,397	\$3,218,642	\$3,693,454	\$474,812	14.75%

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

State Human Resources Division	
Major Budget Highlights	
◆	The majority of the funding in this program is from non-budgeted proprietary funds that do not show on the HB 2 tables
◆	General fund increases \$474,812, or 14.8% for the 2013 biennium compared to the 2011 biennium, primarily for statewide present law adjustments

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table						
State Human Resources Division						
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000 Total General Fund	\$ 1,588,207	100.0%	\$ 1,848,057	100.0%	\$ 1,845,397	100.0%
01100 General Fund	<u>1,588,207</u>	<u>100.0%</u>	<u>1,848,057</u>	<u>100.0%</u>	<u>1,845,397</u>	<u>100.0%</u>
Grand Total	<u>\$ 1,588,207</u>	<u>100.0%</u>	<u>\$ 1,848,057</u>	<u>100.0%</u>	<u>\$ 1,845,397</u>	<u>100.0%</u>

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" 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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,588,207	1,588,207	3,176,414	86.00%	1,588,207	1,588,207	3,176,414	86.00%
Statewide PL Adjustments	278,914	276,584	555,498	15.04%	278,914	276,584	555,498	15.04%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(19,064)	(19,394)	(38,458)	(1.04%)	(19,064)	(19,394)	(38,458)	(1.04%)
Total Budget	\$1,848,057	\$1,845,397	\$3,693,454		\$1,848,057	\$1,845,397	\$3,693,454	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					309,915					309,787
Vacancy Savings					(58,114)					(58,107)
Inflation/Deflation					(515)					(429)
Fixed Costs					27,628					25,333
Total Statewide Present Law Adjustments		\$278,914	\$0	\$0	\$278,914		\$276,584	\$0	\$0	\$276,584
Grand Total All Present Law Adjustments	0.00	\$278,914	\$0	\$0	\$278,914	0.00	\$276,584	\$0	\$0	\$276,584

New Proposals

New Proposals	Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
	DP 55400 - 4% Personal Services reduction	23	(0.49)	(19,064)	0	0	(19,064)	(0.49)	(19,394)	0	0	(19,394)
	Total	(0.49)	(\$19,064)	\$0	\$0	(\$19,064)	(0.49)	(\$19,394)	\$0	\$0	(\$19,394)	

DP 55400 - 4% Personal Services reduction - The legislature reduced personal services funding for 0.49 FTE of a 1.00 FTE position for a public relations specialist.

Proprietary Rates

Proprietary Programs in the Division

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

- Professional Development Center (PDC)
- Human Resources Information Services (HRIS) Bureau

Professional Development Center/Training Program (Intergovernmental Training - 06525)

Proprietary Program Description

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 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.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 3.00 FTE, \$409,378 or 60.4% of total biennium funding
- Operating costs, \$268,676 with 71.2% of these costs due to:
 - Food, \$49,174
 - Rent, \$42,206
 - Consultant contracting, \$39,752
 - Travel, \$27,678
 - Printing and publications, \$23,262

Operating costs increased in this program because of the following budget actions the legislature concurred in when it approved the rates for this program:

- One-time-only Oracle/PeopleSoft portal fee, \$76,250 in FY 2012
- Oracle/PeopleSoft 3% annual fee increase, \$27,565 for the biennium
- Web-based state employee application and job listings, \$116,000 for the biennium
- Electronic data and disk storage increase, \$211,200 for the biennium
- Mid tier cost increase, \$47,146 for the biennium

The PDC provides training services for a fee according to the following practices:

- Open enrollment trainings in which the PDC schedules, promotes, and conducts courses that are open to students from all state agencies, and other public entities. PDC charges a set fee per student for attendance depending upon the scheduled length of the training
- Contract courses in which the PDC contracts with individual agencies to provide training for its staff. The agency schedules, promotes, and provides the facility for training. PDC provides the instruction and class materials. PDC charges a flat fee, depending on the length of the training and the number of events the agency has contracted and offers a discount for multiple training events
- Facilitation, mediation, consulting, and curriculum development. PDC charges on an hourly rate basis
- Publications and meeting rooms. PCD charges on a fixed schedule

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the rates approved for the program are:

Open Enrollment Courses

- Two-day course (per participant)
 - \$188 (FY 2012)
 - \$190 (FY 2013)
- One-day course (per participant)
 - \$120 (FY 2012)
 - \$123 (FY 2013)
- Half-day course (per participant)
 - \$93 (FY 2012)
 - \$95 (FY 2013)
- Eight-day management series (per participant)
 - \$565 (FY 2012)
 - \$570 (FY 2013)
- Six-day management series (per participant)
 - \$435 (FY 2012)
 - \$440 (FY 2013)
- Four-day administrative assistant series (per participant)
 - \$330 (FY 2012)
 - \$333 (FY 2013)

Contract Courses

- Full-day training (flat fee)
 - \$825 (FY 2012)
 - \$830 (FY 2013)
- Half-day training (flat fee)
 - \$565 (FY 2012)
 - \$570 (FY 2013)

Human Resources Information Systems Bureau (Human Resources Information System – 06563)*Proprietary Program Description*

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.

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 27.97 FTE, \$3.7 million or 50.9% of total costs
- Operating costs, nearly \$3.6 million with 90% of these costs due to:
 - ITSD server and application hosting and storage, \$2.3 million
 - Repair for multi-user computers and terminals, \$867,687

Revenues are derived from charges to all agencies for processing payroll and charged per employee processed per pay period.

Budget authority to pay the HRIS fee is a fixed cost item in agencies' budgets. The statewide fixed cost in the agency budgets for the Human Resources Management System is \$298,975 lower for the 2013 biennium than the funding approved by the 2009 Legislature.

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the approved rates are:

- HRIS fees (per employee processed per pay period)
 - \$8.06 (FY 2012)
 - \$8.10 (FY 2013)

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.

Risk Management and Tort Defense Major Budget Highlights
◆ Insurance rates approved for the 2013 biennium are the same as approved for the 2011 biennium

Proprietary Revenues and Expenses

The major expenses of the program for the two years of the 2013 biennium are budgeted to be for:

- Personal services for 16.00 FTE, \$2.2 million or 10.6% of total biennium funding
- Operating costs, \$11.9 million with 77.4% of these costs due to:
 - Insurance and bond payments for commercial insurance purchased, \$5.5 million
 - Legal fees and court costs, \$3.7 million
- Benefits and claims, \$6.6 million with 72.7% of these costs due to:
 - Insurance claims paid for comprehensive general liability, \$2.8 million
 - Insurance claims paid for self insurance property deductibles, \$2.0 million

Montana self insures its property via this program so all state agencies pay insurance premiums to the Risk Management and Tort Defense Division. Depending upon the type of property owned and the agency's claims history, insurance premiums paid by agencies can vary.

Budget authority to pay insurance premiums is a fixed cost item in agencies' budgets. The statewide fixed cost in the 2013 biennium is the same as for the 2011 biennium for insurance.

Premiums for the 2013 biennium are apportioned to agencies based upon exposure and uniform reductions in loss experience as follows:

- Automobile - comprised of two separate components: 1) comprehensive and collision, based upon total values of reported vehicles; and 2) liability, based upon agency losses and the number of vehicles reported
- Aviation - allocated to those agencies that have aircraft based upon charges from commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft, and airport premium based upon the number of airports
- General Liability - comprised of commercial coverage, which is based on commercial coverage negotiated with commercial insurance carriers and self-insured coverage
- Property - allocated to each agency based on its percentage of reported exposures (e.g. building replacement cost values, boilers & machinery, etc.)

Proprietary Rate Explanation

For the 2013 biennium the rates approved by the legislature are listed in Section R of HB 2. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge. For reference, the rates approved for the program are:

- Auto/Comp/Collision
 - \$1,135,000 (FY 2012)
 - \$1,135,000 (FY 2013)
- Aviation
 - \$212,451 (FY 2012)
 - \$212,451 (FY 2013)
- General Liability
 - \$6,750,000 (FY 2012)
 - \$6,750,000 (FY 2013)
- Property/Miscellaneous
 - \$4,200,000 (FY 2012)
 - \$4,200,000 (FY 2013)

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	7.50	7.50	7.50	7.50	7.50	7.50	0.00	0.00%
Personal Services	391,870	425,167	465,967	461,571	817,037	927,538	110,501	13.52%
Operating Expenses	100,498	75,245	97,615	95,928	175,743	193,543	17,800	10.13%
Local Assistance	2,073	500	6,073	5,073	2,573	11,146	8,573	333.19%
Total Costs	\$494,441	\$500,912	\$569,655	\$562,572	\$995,353	\$1,132,227	\$136,874	13.75%
General Fund	494,441	500,912	569,655	562,572	995,353	1,132,227	136,874	13.75%
Total Funds	\$494,441	\$500,912	\$569,655	\$562,572	\$995,353	\$1,132,227	\$136,874	13.75%

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

State Tax Appeal Board Major Budget Highlights
<ul style="list-style-type: none"> ◆ Funding increases by 13.8% over the previous biennium for two main reasons: <ul style="list-style-type: none"> • A 2.25 FTE position that funds county tax appeals boards had high vacancy rates in the 2011 biennium and was funded at 96% for the 2013 biennium • One time funding to address workload impacts of the most recent property reappraisal of \$57,400 for the 2011 biennium does not appear in the base but was approved at \$42,000, or 73% of the 2011 biennium level, for the 2013 biennium

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table State Tax Appeal Board						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 494,441	100.0%	\$ 569,655	100.0%	\$ 562,572	100.0%
01100 General Fund	494,441	100.0%	569,655	100.0%	562,572	100.0%
Grand Total	<u>\$ 494,441</u>	<u>100.0%</u>	<u>\$ 569,655</u>	<u>100.0%</u>	<u>\$ 562,572</u>	<u>100.0%</u>

The State Tax Appeal Board is fully funded with general fund. General fund also funds travel expenses, compensation of \$45 per day, and all other incidental expenses for the county tax appeal boards, except that counties fund office and equipment expenses of their respective county boards.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	494,441	494,441	988,882	87.34%	494,441	494,441	988,882	87.34%
Statewide PL Adjustments	51,214	50,131	101,345	8.95%	51,214	50,131	101,345	8.95%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	24,000	18,000	42,000	3.71%	24,000	18,000	42,000	3.71%
Total Budget	\$569,655	\$562,572	\$1,132,227		\$569,655	\$562,572	\$1,132,227	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					78,533					78,119
Vacancy Savings					(18,436)					(18,418)
Inflation/Deflation					138					152
Fixed Costs					(9,021)					(9,722)
Total Statewide Present Law Adjustments		\$51,214	\$0	\$0	\$51,214		\$50,131	\$0	\$0	\$50,131
Grand Total All Present Law Adjustments	0.00	\$51,214	\$0	\$0	\$51,214	0.00	\$50,131	\$0	\$0	\$50,131

New Proposals

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	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 OTO											
37	0.00	24,000	0		0	24,000	0.00	18,000	0	0	18,000
Total	0.00	\$24,000	\$0	\$0	\$0	\$24,000	0.00	\$18,000	\$0	\$0	\$18,000

DP 3701 - STAB 2009 Statewide Reappraisal of Property OTO - The legislature approved an increase in general fund for an anticipated increase in tax appeals due to the 2009 statewide reappraisal of property. The funding was designated as one time only.