



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: September 25, 2013
TO: Legislative Finance Committee
FROM: Taryn Purdy
RE: Required Reports

The purpose of this memo is to provide a quick overview of required reports, including:

- o Issues identified by staff
- o Concerns identified by staff (such as a significant change in the use of an appropriation)
- o Other highlights, such as an area of legislative discussion, particular concern of one or more LFC members during the session, etc.)

As the interim progresses, these short highlights memos will be presented at each meeting. Individual committee members will likely have other items of interest or concern that will also be discussed.

ESTABLISHMENT OF FY 2014 OPERATING PLANS

Staff reviewed the establishment of FY 2014 operating plans. Statute requires that agencies' initial operating plans reflect legislative intent as recorded in the LFD Fiscal Report¹. With the exception of a transfer, staff did not find any significant differences.

Energy Promotion and Development Transfer

The 2013 Legislature eliminated funding for the Energy Promotion and Development Division in the Department of Commerce. The division was to conduct energy research and attempt to resolve conflicts and find options to issues that could delay or prevent energy development projects. The division had 5.00 FTE (1.00 of which was vacant during the legislative session). The legislature then added funding for 2.00 of the FTE to the Office of Economic Development in the Governor's Office to consolidate economic development related to energy in a single agency.

¹“**17-7-138. Operating budget.** (1) (a) Expenditures by a state agency must be made in substantial compliance with the budget approved by the legislature. Substantial compliance may be determined by conformity to the conditions contained in the general appropriations act and to legislative intent as established in the narrative accompanying the general appropriations act.”

On June 26th, the Office of Program Planning processed documents that transferred the 2.00 FTE to the Business Resources Division of the Department of Commerce. The transfer is allowed under statute. However, the move is highlighted for the committee's information as it is contrary to legislative intent for the location of the FTE.

OPERATING PLANS AND PROGRAM TRANSFERS

The Governor's Office submitted one program transfer for committee review prior to approval. The executive already approved 13 operating plan changes, five program transfers, and three other adjustments. Staff didn't note any legal issues. A listing is attached. Please note that the list will be updated for the LFC meeting to include amounts for each change.

BUDGET AMENDMENTS

As of September 17, 2013 the Legislative Finance Division received notification of 55 budget amendments certified by the Governor since the June 2013 LFC meeting totaling \$1.7 million in FY 2013, \$12.2 million in FY 2014, and \$3.3 million in FY 2015. An additional 1.50 FTE in FY 2013, 26.77 FTE in FY2014, and 6.00 FTE in FY 2015 have also been added. No issues were raised by staff. The report by Christina Butler with the full listing is included in this section.

REPORTS ON EXTENDED ENCUMBRANCES

Encumbrances are a means of establishing appropriations for expenditures that are obligated but not yet paid at fiscal yearend. For example, if the agency has entered into a purchase agreement for equipment in FY 2013 but the bill is not received until FY 2014, the FY 2013 appropriation can be used even though the department doesn't pay the obligation until after FY 2013 has ended. Another example is estimated Medicaid payments for a given year. The department must use FY 2013 funds for a service provided in FY 2013, even though the actual claim may not be received until months or even years later.

The Department of Administration will extend an encumbrance when the time during which the encumbrance can be expended is longer than originally determined. For example, if an agency enters into a contract to write software, the encumbrance for the contract can be extended as long as the contractor is still writing the software.

At the end of fiscal year 2013 the Department of Administration extended \$5.4 million in general fund encumbrances from previous years. The extensions were mainly in two departments, Commerce and Public Health and Human Services (DPHHS). The majority of the extensions in Commerce are related to the New Worker Training Grant Program. In FY 2011 the legislature appropriated \$1.9 million in general fund for the program, as of FYE 2013 \$440,599 or 23.5% of the funds are not yet spent. In FY 2012 the legislature appropriated \$1.0 million of general fund for the program, as of FYE 2013 none of the funding had yet been spent. The majority of the funding for DPHHS is encumbered for system development and other information technology needs including \$313,463 in FY 2011 and \$1,647,002 in FY 2012 for the Medicaid Management Information System (MMIS).

LOANS AND LOAN EXTENSIONS

Short term loans from the general fund to the either state or federal accounting entities for two years in a row totaled \$118.1 million. Three amounts and agencies stand out in the report and together make up 77% of the total:

- o Department of Natural Resources and Conservation - \$13.9 million for federal reimbursement of fires in calendar year 2012
- o Department of Transportation - \$55.6 million for federal funding of the highway trust
- o Department of Public Health and Human Services - \$21.5 million for Medicaid federal medical assistance percentages (FMAP)

The university system had \$16.1 million in extensions, primarily due to the timing of grants and contracts reimbursements.

CASH BALANCES IN EXCESS OF STATUTORY LIMIT

Statute requires that OBPP report on any fund that has a fund balance that is in excess of statutory limitation of greater than twice the annual appropriation or of the biennial appropriation, and why the excess exists or existed.² OBPP reports that 21 funds were in excess of the statutory limit. This report is attached.

NEW ENTERPRISE AND INTERNAL SERVICES FUNDS

The Department of Administration established two new internal services funds: 1) mortgage loan servicing to address federal requirements; and 2) an internal service fund in the State Information Technology Services Division to comply with requirements of HB 10. This account will be used to transfer funds to other accounts as appropriate as agencies receive permission to continue working on their IT projects.

ENVIRONMENTAL CONTINGENCY ACCOUNT

The environmental contingency account is funded from interest income on the Resource Indemnity Trust and used for various types of environmental related emergencies. In the 2013 biennium, there were five instances for which a total of \$101,598 was expended, including fire rehabilitation and canal water users line repair.

² 17-2-302, MCA for the full requirements of the report.

Compliance with 17-2-302, MCA

<u>Agency Name</u>	<u>Fund</u>	<u>Fund Name</u>	<u>Approp</u> <u>Authority</u>	<u>7/1/13</u> <u>Balance</u>	<u>Excess</u>		<u>Certified Exception/Explanation</u>
					<u>Cash</u> <u>Balance</u>		
Hist. Soc.	02045	Original Governor's Mansion	6,350	7,724	1,374		Excess to be used for interior repairs outlined in <i>Historic Structure Report</i> , and promotion of original Governor's mansion.
DEQ	02054	UST-Installer Lic & Permit Acc	98,292	119,663	21,371		Vacancies led to excess. Positions now filled and cash anticipated to be drawn down
FWP	02056	FAS Maintenance	-	74,316	74,316		Program associated with this fund has terminated and excess cash will be transferred to originating fund.
FWP	02064	Parks Maintenance	-	175,482	175,482		Program associated with this fund has terminated and excess cash will be transferred to originating fund.
DEQ	02075	UST Leak Prevention Program	710,196	792,201	82,005		Other funding sources leveraged in FY 12 and FY 13. Excess to be drawn down in FY 14.
DLI	02079	Fire Protection & Permitting	137,271	152,591	15,320		Vacant positions have been filled which should draw down excess cash.
FWP	02084	Fish WL Forest Management	36,000	37,862	1,862		Authority to spend cash was transferred to HB 5 in 2013 session. Cash will be drawn down accordingly.
DMA	02180	Emergency Preparedness Summit	20,018	34,936	14,918		Excess to be used on Governor's Conference on Emergency Management in February, 2014.
Commerce	02181	Board of Horse Racing Debt S	-	7,374	7,374		Excess to be used to service general fund loan.
DNRC	02216	Water Storage St Sp Rev Acct	-	272,645	272,645		Funds intended to be used on Ruby Dam repairs. Unused funds will carry over and be used on other critical infrastructure needs.
Commerce	02229	MT SSBCI Servicing Fees	-	35,783	35,783		Servicing fee implemented with intent of requesting appropriation authority in 2017 biennium.
DEQ	02278	MPDES Permit Program	5,117,410	5,263,988	146,578		Cyclical revenue and vacancies led to excess. Positions now filled. New database design will also draw down cash.
FWP	02330	Parks Snomo Fuel Tax Sfty/Educ	69,496	171,123	101,627		Vacancy left unspent funds. Position now filled and excess cash will be drawn down.
DOJ	02390	Spec Motorcycle Lic Plates	-	67,730	67,730		Montana Admin Register 23-3-233 now provides guidelines on utilization of funds. Grant funds to be made available to draw down excess.
DEQ	02420	Bd of Cert For W&WW OP	292,350	309,845	17,495		Timing of annual renewals and leveraging of other funding led to excess. Other funding has ended and cash should be drawn down.
DNRC	02449	Forest Resources-Forest Improv	2,269,601	2,513,713	244,112		Excess to be used to pay outstanding A-Accruals and implement new sustainable yield determination.
DLI	02813	Bd Of Nursing Home Admin	63,174	71,560	8,386		Board had fewer meetings and expenses in FY 13. Board plans to resume typical meeting schedule and will draw down cash.
DLI	02820	Board Of Architects	183,420	201,687	18,267		Board is examining possibility of fee abatement for their next renewal cycle.
DLI	02832	Board Of Pharmacy	1,647,218	1,746,227	99,009		Database savings and vacant executive director position led to excess. Board fees abated by 50% in FY 13. Excess planned to be drawn down.
DLI	02833	Board Of Nursing	2,605,585	2,989,887	384,302		Board voted to create new educational initiative which is anticipated to draw down excess.
Hist. Soc.	02986	Lewis & Clark License Plates	4,044	110,157	106,113		Historical Society will continue to explore ways to use funds as defined in 2-15-151, MCA. Excess balance expected to wane.

Budget Change Documents that Trigger						
Information submitted for the September 2013 LFC meeting						
Agency #	Agency Name	Doc #	Brief Explanation	Fiscal Year	LFD Provided	Amounts from BCD
Documents Being Held for Comment						
69010	Public Health & Human Services	PT139	This BCD is a continuation of action taken in FY13 on BCD's PT015 and PT058 transferring the Children's Trust Fund and the Tribal Relations Program and position from 03 (CFSD) to Program 04 (DO).	2014	\$529,896 and 1.50 FTE in FY 14 and \$530,016 and 1.50 FTE in FY 15	
Documents Processed as Time-Sensitive						
11040	Legislative Branch	001 OP079	Establishing 68000 transfer authority in Program 20 for fiscal years 2014 and 2015, to record internal services (quasi-external) expenditure. REF: MOU with Dept of Admin, Capitol Complex Security.	2013	\$80k from ops to transfers in FY 14/15	
21100	Judiciary	040 OP094	This BCD is adjusting first level org authority to 67XXX, Benefits and Claims. This adjustment is necessary to comply with a recent LAD audit finding where expenditures related to rehabilitating drug treatment court clients were recorded in the operating category (62XXX), but should be recorded as Benefits and Claims (67XXX). This adjustment will allow the Branch to correctly state expenditures for FY2013. This BCD is also adjusting 61XXX authority for FYE processing.	2013	\$43,750 from PS and \$253,250 from ops to benefits (\$25k from state special, remainder general fund)	
21100	Judiciary	040 OP111	This BCD is adjusting first level org authority to 67XXX, Benefits and Claims. This adjustment is necessary to comply with a recent LAD audit finding where expenditures related to rehabilitating drug treatment court clients were recorded in the operating category (62XXX), but should be recorded as Benefits and Claims (67XXX). These adjustments are estimated based on actual FY13 expenditures.	2014	For FY 14 \$398,400 from ops to benefits, for FY 15 \$416,800 from ops to benefits (\$29k each year state special remainder general fund)	
35010	Office of Public Instruction	160 OP212	Move authority from account level 66000 into account level 68000 to comply with GASBE	2013	\$285k federal from grants to transfers	
41100	Department of Justice	180 OP303	Move authority from accounts 61000 and 62000 to 68000 for an MOU with DOR.	2013	\$83 k from P/S and \$167k from ops to transfers (\$132k state special \$118k proprietary)	
51020	Commissioner of Higher Education	270 OP021	The FY2013 appropriation in fund 03411-GEAR UP Federal Schol was established as a transfer (68000) when the proper accounting treatment should be scholarship expense (62828).	2013	\$600,000 federal funds from transfers to ops	
51140	Montana Arts Council	320 HA054	Transfer activity between account levels for continuing authority at FYE. Higher levels of expenditure than originally budgeted for Personal Services and Operating, offset by lower levels in Grants.	2013	\$100k from grants, \$68k to ops and \$32k to P/S	
51150	Library Commission	325 OP403	Bringing up Base Map Service Center modified FTE for FY 14	2013	\$283,140 from grants to P/S in FY 2014.	
54010	Department of Transportation	445 OP106	Move authority from Operating (62000) to Equipment (63000). More computer hardware costs exceeded \$5,000 per unit than originally planned, resulting in a shift from operating expense to equipment.	2013	\$148,563 from ops to equipment	

	<u>Agency #</u>	<u>Agency Name</u>	<u>Doc #</u>	<u>Brief Explanation</u>	<u>Fiscal Year</u>	<u>Amounts from BCD</u>
	54010	Department of Transportation	450 OP121	Move budget authority from 62000 to 63000 to accommodate FYE needs.	2013	\$650k from ops to equipment
	54010	Department of Transportation	470 HA120	Due to a change in accounting procedures budget authority needs to be moved from 02422 to 02294 and from 62000 to 63000.	2013	\$1,423,265 from ops to equipment
	56030	Department of Livestock	485 OP125	Op plan adjustment moving \$82,863 from operations to transfers in order to pay the 2% per capita fee collection bill to the Department of Revenue.	2013	\$82,863 per capita fee (SSR)
	61010	Department of Administration	605 OP714	Department of Administration (DOA)/State Information Technology Services Division (SITSD) requests to move \$52,300 authority in fund 01100 from operations (62000) to transfers out (68000) and \$33,000 authority in fund 02594 from personal services (61000 @ \$3,000) and from operations (62000 @ \$30,000) to transfers out (68000). The total of \$85,300 will be transferred to fund 02994.	2013	\$52,300 general fund from ops to transfers and \$33,000 SSR from PS to ops and transfers.
	62010	MT Dept of Agriculture	680 HA708	Move base authority between first level accounts and funds in program 50 state special revenue accounts.	2013	Move \$171,300 among various accounts and SSR funding sources
	66020	Labor & Industry	810 OP742	This request is to transfer federal authority among account types within the Department of Labor & Industry, Office of Community Services Division (OCS).	2014	\$150,000 each year federal from local assistance to transfers
	51020	Commissioner of Higher Education	OP022	Adjustments to clean up negative first level budgets.	2013	\$200,000 from grants to PS, ops, and transfers
	69010	Public Health & Human Services	PT079	Transfer General Fund, State Special Revenue, and Federal authority between Program 11- Health Resources Division and Program 12- Medicaid & Health Services Management to perform CMS Requirements and cost allocation adjustments.	2013	\$0.2 million GF; \$0.05 million SSR; \$1.97 million federal
	51020	Commissioner of Higher Education	PT125	PT from Workforce to Imp Teach Quality	2013	\$268,062 from Workforce Dev. To Improve Teacher Quality
	69010	Public Health & Human Services	PT132	Program transfer of federal authority from Program 11, HRD to Program 10, DSD	2013	\$4.5 million federal funds
	69010	Public Health & Human Services	PT152	Program transfer of authority from program 05, CSED, and 11, HRD, to program 03, CFSD.	2013	Total \$3.1 million: \$2.0 million general fund; \$0.9 million SSR; \$0.20 million federal
	69010	Public Health & Human Services	PT191	Program transfer from program 11, HRD, to program 09, TSD, for Medicaid Modernization and Eligibility System Enhancements.	2013	\$10.1 million federal authority for mandated ACA changes and general upgrades for CHIMES
		#N/A				