

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	54.00	(0.60)	0.00	53.40	(0.60)	0.00	53.40	53.40
Personal Services	2,188,515	125,426	0	2,313,941	123,105	0	2,311,620	4,625,561
Operating Expenses	2,765,704	907,435	0	3,673,139	593,934	0	3,359,638	7,032,777
Transfers	0	0	0	0	0	0	0	0
Debt Service	32,631	0	0	32,631	0	0	32,631	65,262
Total Costs	\$4,986,850	\$1,032,861	\$0	\$6,019,711	\$717,039	\$0	\$5,703,889	\$11,723,600
General Fund	1,913,526	331,896	0	2,245,422	193,074	0	2,106,600	4,352,022
State/Other Special	281,425	74,787	0	356,212	68,369	0	349,794	706,006
Federal Special	2,791,899	626,178	0	3,418,077	455,596	0	3,247,495	6,665,572
Total Funds	\$4,986,850	\$1,032,861	\$0	\$6,019,711	\$717,039	\$0	\$5,703,889	\$11,723,600

Program Description

Fiscal Services Division (FSD) provides financial and accounting services including: development and implementation of accounting policies and procedures, cash management, preparation and filing of federal financial reports, payroll and accounts payable services, and purchasing of supplies and equipment for the department. These services are provided by 54.00 FTE.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92 and Subpart C92.2.

Program Highlights

Fiscal Services Division Major Budget Highlights
<ul style="list-style-type: none"> • When compared to the 2005 biennium, the 2007 biennium general fund support for the division increases about 7 percent and total funding increases about 13 percent • The increase in the FSD budget is due to statewide present law adjustments with the largest increase being a \$1.4 million increase (51 percent) in the costs of the Statewide Accounting Budgeting and Human Resources system. • The budget request includes no new proposals for the division • Reorganization resulted in the movement of 4.0 FTE and \$271,785 general fund and \$295,501 total funds for the 2005 biennium supporting payroll functions from the Director's Office to the Fiscal Services Division
Major LFD Issues
<ul style="list-style-type: none"> • None

Program Narrative

The Fiscal Services Division provides a number of services to the programs and employees of the department including accounting, payroll, accounts payable and purchasing services. Additionally, this division is responsible for agency cash management functions for all funding streams, establishing and implementing accounting policies and procedures and preparation and filing of federal financial reports. Past legislatures have been concerned with the findings of the financial compliance audits of the department. In fact, the 2001 Legislature included language in HB 2 regarding actions, such as exempting this division from vacancy savings and staff reductions that might be taken by the department in an effort to ensure that an unqualified audit opinion was achieved. The financial compliance audit for the two fiscal years ended June 30, 2001 (report dated December 2001) contained a number of significant audit findings. The department took a number of actions to implement corrective action and become compliant with recommendations made in this audit. The financial compliance audit for the two fiscal years ended June 30, 2003 (report dated December 2003), while having recommendations for continued improvement, recognizes that the department made significant improvements in financial management controls, processes and procedures.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 1,913,526	38.4%	\$ 2,245,422	37.3%	\$ 2,106,600	36.9%
02382 6901-02 Indret Actvty Prog 06	281,425	5.6%	356,212	5.9%	349,794	6.1%
03591 6901-03 Indret Actvty Prog 06	<u>2,791,899</u>	<u>56.0%</u>	<u>3,418,077</u>	<u>56.8%</u>	<u>3,247,495</u>	<u>56.9%</u>
Grand Total	<u>\$ 4,986,850</u>	<u>100.0%</u>	<u>\$ 6,019,711</u>	<u>100.0%</u>	<u>\$ 5,703,889</u>	<u>100.0%</u>

The division is funded with general fund, state special revenue and federal funds based upon a complex federally approved cost allocation plan. Approximately 37 percent of the division's budget is supported by the general fund with state special revenue (6 percent) and federal funds (57 percent) providing the remainder.

Biennial Budget Comparison

As illustrated in the Figure 33, total funding for the division increases almost 13 percent between the 2007 and 2005 biennia. This increase in funding is primarily in state special revenue and federal funds, which both increase about 17 percent. General fund support for the division increases about 7 percent.

The increase in the FSD budget is due to statewide present law adjustments, with increases in fixed costs comprising the majority of the increase. Fixed costs increase \$962,107 in FY 2006 and \$737,677 in FY 2007. The majority of the fixed costs increase is due to the Statewide Accounting Budgeting and Human Resources System (SABHRS), which increases \$1.4 million for the biennium or 51 percent, when compared to twice the FY 2004 costs. For discussion of the increase in SABHRS costs, please refer to the budget analysis of the Department of Administration, which may be found in Volume 3, Section A of the 2007 Biennium Budget Analysis Report. The executive budget for the FSD includes one present law adjustment that decreases costs by \$41,139 to reflect the across the board personal services funding reduction adopted by the legislature for the 2005 biennium and no new proposals.

	2005	2007	Change	Percent
	Biennium	Biennium		
FTE	54.0	53.4	-0.6	
Personal Services	\$4,421,486	\$4,625,561	\$204,075	4.6%
Operating Costs	5,880,816	7,032,777	1,151,961	19.6%
Debt Service	<u>77,216</u>	<u>65,262</u>	(11,954)	-15.5%
Total	<u>\$10,379,518</u>	<u>\$11,723,600</u>	<u>\$1,344,082</u>	<u>12.9%</u>
General Fund	\$4,074,967	\$4,352,022	\$277,055	6.8%
State Special Rev.	602,118	706,006	103,888	17.3%
Federal Funds	<u>5,702,433</u>	<u>6,665,572</u>	<u>963,139</u>	<u>16.9%</u>
Total	<u>\$10,379,518</u>	<u>\$11,723,600</u>	<u>\$1,344,082</u>	<u>12.9%</u>

Program Reorganization

Payroll functions were moved from the Director’s Office to the FSD at the beginning of the 2005 biennium. Four FTE and \$271,785 general fund (\$295,501 total funds) were moved.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					243,189					240,917
Vacancy Savings					(97,262)					(97,174)
Inflation/Deflation					(54,672)					(54,671)
Fixed Costs					962,107					648,605
Total Statewide Present Law Adjustments					\$1,053,362					\$737,677
DP 9999 - Statewide FTE Reduction	(0.60)	(20,501)	0	0	(20,501)	(0.60)	(20,638)	0	0	(20,638)
Total Other Present Law Adjustments	(0.60)	(\$20,501)	\$0	\$0	(\$20,501)	(0.60)	(\$20,638)	\$0	\$0	(\$20,638)
Grand Total All Present Law Adjustments					\$1,032,861					\$717,039

DP 9999 - Statewide FTE Reduction - This decision package reduces general fund support for personal services by \$41,139 for the biennium to reflect the across-the-board personal services funding reduction that was made by the legislature for the 2005 biennium.

LFD COMMENT	Please refer to the <u>Statewide Perspectives, Volume 1</u> for a discussion of this reduction.
--------------------	---