

APPROPRIATIONS BY AGENCY AND PROGRAM

This summary of the layout and composition of the "Appropriations by Agency and Program" section is designed to provide the reader with a "road map" for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

Agency Subcommittee Groupings

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

Legislative Branch
Consumer Counsel
Judiciary
Chiropractic Legal Panel
(No longer a state agency in the 2005
biennium)
Governor's Office
Secretary of State
Commissioner of Political Practices
State Auditor's Office
Transportation
Revenue
Administration
Appellate Defender Commission

HEALTH AND HUMAN SERVICES (Section B)

Public Health & Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

Fish, Wildlife and Parks
Environmental Quality
Livestock
Natural Resources and Conservation
Agriculture
Commerce

INSTITUTIONS AND PUBLIC SAFETY (Section D)

Board of Crime Control
Justice
Public Service Regulation
Corrections
Labor and Industry
Military Affairs

EDUCATION (Section E)

Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Montana Arts Council
State Library Commission
Montana Historical Society
Montana University System
Commissioner of Higher Education
Six University Units
Colleges of Technology
Community Colleges
Agricultural Experiment Station
Cooperative Extension Service
Forestry and Conservation Experiment
Station
Bureau of Mines
Fire Services Training School
Tribal Colleges Assistance

LONG-RANGE PLANNING (Section F)

Long-Range Building Program
Treasure State Endowment Program
State Building Energy Conservation
Resource Indemnity Trust Interest Grant
and Loan Program
Cultural and Aesthetic Grant Program
Libby Bond Program

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BUDGET PRESENTATIONS

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

- Base budget, which is defined as "that level of funding authorized by the previous legislature".
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- Present law budget, defined as "that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature..."
- New proposals, which are "requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding..."

The appropriations report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2005 biennium agency budget.

LEGISLATIVE APPROPRIATIONS

Legislative appropriations are made via two ways: 1) temporary appropriations bills, which are valid for a two-year period; and 2) statutory appropriations, which are appropriations authorized within substantive law and effective as long as the law remains in effect.

The legislature generally uses two vehicles to make temporary appropriations: 1) HB 2; and 2) other appropriations bills, generally referred to as "cat-and-dog" bills. HB 2 is the general appropriations bill, in which well over 80 percent of all general fund is appropriated in the 2005 biennium.

Statutory appropriations, while they represent an obligation on revenues and are included in any total expenditure tallies, do not require the passage of a bill to be effective. In addition, while the legislature estimates total statutory appropriations for the purpose of determining total available revenues for other appropriations, actual statutory appropriations will depend upon the underlying conditions controlling the appropriation, such as the level of debt service required, which is a function of not only the total debt undertaken but factors such as prevailing interest rates.

The tables in the narrative within the "Appropriations by Agency and Program" section contain HB 2 and HB 13 (pay plan) appropriations. As such:

- The tables do not include other appropriation bills. Consequently, in some instances it may be necessary for clarity to include extra tables to supplement the main narrative tables.
- No statutory appropriations that may be made to or administered by an individual agency are included.

For all multiple program agencies, the narrative is divided into two parts: 1) the agency narrative; and 2) the program narrative.

AGENCY NARRATIVE

The agency narrative provides an overview of the appropriations for that agency. Only a summary of legislative action for the agency, any agency-wide language, and a summary of other legislation having a significant fiscal impact on the agency are included at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative begins with a table detailing adjusted actual fiscal 2002 expenditures, and present law adjustments and new proposals added to derive the appropriation for each year of the 2005 biennium. The table is followed by a brief agency description.

A table listing major budget highlights is then provided. The table is designed to alert the reader to any broad themes or major initiatives undertaken by the legislature. However, it is not designed to summarize all action, and further discussion may follow. A table summarizing funding by program and funding source is then presented. Detailed funding discussions are included in the program narratives.

This section may be followed by a discussion of major issues pertaining to this agency and/or addressed by the legislature under the heading "Agency Narrative". It is also within this section that any action impacting more

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than one program within the agency might be detailed. For example, a discussion of the highways state special revenue account in the Department of Transportation is included in this section.

A table showing and a discussion detailing differences between legislative action and the Executive Budget (as published) are included.

Finally, any agency-wide language included in HB 2 concludes this section (if applicable). Because the appropriation report details HB 2 appropriations, any other legislation that either appropriates money to or has a fiscal or programmatic impact on the agency is discussed in the section that follows.

PROGRAM NARRATIVE

Narratives detailing each of the agency programs follow the agency narrative. The program narrative begins with a table showing the adjusted fiscal 2002 base used to derive the budget; followed by total present law adjustments, new proposals, and total appropriations, by fiscal year. A short program description follows.

A section detailing the program's funding follows the program description. This section may be followed by a "Program Narrative" section in which either a summary of action or discussion to highlight some aspect of the program budget is made.

This section is followed by the "Present Law Adjustments" discussion. This narrative provides detailed information on all present law adjustments made to the base budget. The writeup begins with a table delineating the major present law adjustments, by fiscal year and funding source (showing both general fund and total funds). The table is divided into two sections:

- Statewide present law adjustments, which include most personal services adjustments (including vacancy savings), and adjustments due to fixed costs and inflation/deflation (see discussion below).
- Other present law adjustments specific to the program.

The table is followed by a narrative, in which each significant adjustment is discussed in more detail.

The "Present Law Adjustments" narrative is followed by the "New Proposals" narrative, which begins with a table listing each of the new proposals included by the legislature, by year and funding source. This table is followed by narrative discussing each new proposal in more detail.

Any language included in HB 2 pertaining to the program concludes the "Program Narratives" section.

STATEWIDE PRESENT LAW ADJUSTMENTS

"Statewide Present Law Adjustments" are those adjustments applied globally to all state agencies. The factors of these adjustments generally affect all agencies and are beyond the control of the individual agencies. Because of the global application of these factors and the consistency of application among agencies, these adjustments are included in the "statewide" section of the present law adjustment table.

PERSONAL SERVICES

Personal services costs were derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. Personal services were then adjusted to incorporate costs in effect in fiscal 2003 and certain anticipated costs in the 2005 biennium. Four primary factors will cause an increase in costs from fiscal 2002 base expenditures: 1) incorporation of the 2005 biennium pay plan, which was not fully implemented until three months into fiscal 2003; 2) full funding of all positions, minus a four percent vacancy savings rate in the 2005 biennium for most agencies; 3) elimination of all termination pay that may have been incurred in fiscal 2002; and 4) incorporation of any upgrades or downgrades that occurred in fiscal 2002. In addition, some present law increases or decreases in FTE made by the legislature may be included in this portion of the table.

As stated, the 2005 biennium pay plan, adopted by the legislature in HB 13, is included.

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FIXED COSTS

Agencies are charged fees (called fixed costs) for a variety of services provided by other state agencies. The legislature includes fixed costs for the following services (the object of expenditure is included in parentheses): Department of Administration (DofA) insurance and bonds (2104), DofA warrant writing fees (2113), DofA payroll service fees (2114), Legislative Auditor audit fees (2122), Statewide Accounting, Budgeting, and Human Resources System (SABHRS) operations bureau (2148), DofA network fees (2174), messenger services (2307), DofA rent (2527), capitol complex grounds maintenance (2770), and SABHRS debt service costs and state fund cost allocation plan (2895).

Fixed Costs 2005 Biennium (in millions)		
Subcommittee/Agency	Function	Total
General Government		
Administration	Insurance and Bonds	\$ 30.223
	Warrant Writing Fees	1.733
	Payroll Service Fees	0.897
	Data Network Services	19.455
	SABHRS Operating	9.446
	Messenger Services	0.268
	Rent - Buildings	11.506
Legislative Audit Division	Audit Fees	2.799
Natural Resources and Commerce		
Fish, Wildlife, and Parks	Grounds Maintenance*	0.638
Various	State Fund Allocation Plan/MTTPRIME Bonds	<u>2.209</u>
Total		<u>\$ 79.174</u>
*Reflects non-approval of \$0.01/sq ft increase requested by executive. Agency budgets were not adjusted to reflect the lower cost.		

Due to the passage of HB 576 (1995 legislature), the agencies that pay these costs receive an appropriation in HB 2 for that purpose. However, the agencies providing the service do not require an appropriation and are not included in HB 2, with the exception of audit fees. Instead, the legislature establishes the rates the providing programs may charge. Each rate is discussed more fully in the relevant program narrative in this section.

Insurance and Bonds

The Risk Management and Tort Defense (RMTD) Division of the DofA collects premiums from state agencies for: 1) administration of the self-insurance program, which provides state agencies with general liability and automobile coverage; and 2) purchase of commercial policies for state agency property, aircraft, and other risk coverage. Costs are allocated to agencies based on actual loss experience and inherent exposure.

Warrant Writing Fees

DofA provides warrant writing and direct deposit services for agency financial transactions. The costs of these services are allocated to agencies based upon actual fiscal 2000, fiscal 2001, and fiscal 2002 (through May 2002) utilization of the various types of financial transactions.

Payroll Service Fees

The State Payroll program in DofA prepares and distributes payroll for all state agencies and operates the state payroll, personnel, and position control (PPP) system. Costs of these services are allocated to agencies based on the number of paychecks issued for each agency each year.

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SABHRS OPERATIONS BUREAU

In the 2003 biennium, the new Statewide Accounting, Budget, and Human Resources System (SABHRS) was put in place. This unit provides all operational support for the new systems. Costs are allocated based upon the number of fiscal 2002 full-time equivalent employees.

Data Network Services

The Information Services Division (ISD) of DofA charges agencies for the technology network that allows agency personal computers to be attached to the state mainframe and, via the mainframe, to other agency computers. Costs of this service are allocated to agencies based on the projected number of personal computers connected to the network each year, utilizing the fixed monthly rate per computer to determine the overall agency charge.

Messenger Service

The Mail and Distribution program in DofA charges state agencies for inter-agency mail pick-up and delivery services. Costs of these services are allocated to agencies based on the volume of mail generated by, and number of daily deliveries to, each agency.

State Motor Pool Leases

The State Motor Pool of the Department of Transportation charges state agencies for the lease of vehicles. Charges are based upon anticipated hours of usage and anticipated miles traveled.

Rent

The General Services Division (GSD) of DofA charges rent to state agencies for costs of maintaining office and warehouse space in buildings GSD manages in the capitol complex (including utility costs, security, janitorial services, mechanical maintenance, and minor maintenance such as painting, lighting, carpeting, etc.). Warehouse costs are allocated to agencies based on the amount of square footage of warehouse space occupied and a fixed rate per square foot.

Audit Fees

The Legislative Audit Division charges agencies for costs of financial compliance audits. These charges are included in agency budgets as biennial appropriations and allocated according to the estimated number of billable hours for each agency audit.

Capitol Complex Grounds Maintenance

The Parks Division of Fish, Wildlife and Parks charges state agencies for grounds maintenance and snow removal at capitol complex buildings. Costs of these services are allocated based on the square footage of office space occupied by each agency.

SABHRS Bond Costs

SABHRS purchase and implementation costs were funded through general obligation bonds. The costs of repaying those bonds are allocated to agencies as a fixed cost. Costs were allocated based upon the same method used for the SABHRS Operations Unit.

State Fund Cost Allocation Plan (SFCAP)

DofA administers the SFCAP, which charges non-general fund agencies and/or programs for operating costs of state government that cannot easily be identified with particular funding sources. These collections are deposited to the general fund to offset a portion of those programs' costs.

Operating costs of the State Personnel and the Accounting and Management Support Divisions of DofA and the Office of Budget and Program Planning (OBPP) in the Governor's Office are partially recovered through SFCAP collections. Costs are allocated to agencies based on the following: a) State Personnel - the number of FTE appropriated and classified, and the number of negotiated labor contracts; b) Accounting and Management

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Support - the number of SBAS and cash transactions, and actual expenditures; and c) OBPP - the number of FTE and budgeted fund expenditures.

INFLATION/DEFLATION FACTORS

HB 2 does not include a general inflation factor for all operating expenses, but instead applies an inflation or deflation factor to fiscal 2002 expenditures for eight specific items.

The following figure shows inflation and deflation factors and the items to which they are applied.

Inflation and Deflation Factors 2005 Biennium									
Account	Item Name	Percent Change From Fiscal 2002		Dollar Change					
		Fiscal 2004	Fiscal 2005	State Agencies		University System		Total	
				Fiscal 2004	Fiscal 2005	Fiscal 2004	Fiscal 2005	Fiscal 2004	Fiscal 2005
Inflation									
62142	Disk Storage Charges DofA	10.00%	10.00%	\$83,211	\$83,211	\$51	\$51	\$83,263	\$83,263
62168	Read/Write Computer Trans DofA	10.00%	10.00%	35,801	35,801	9	9	\$35,810	\$35,810
62172	Batch CPU Seconds DofA	10.00%	10.00%	140,452	140,452	166	166	\$140,618	\$140,618
62175	System Development DofA	20.00%	20.00%	4,923	4,923	0	0	\$4,923	\$4,923
62177	TSO CPU Seconds DofA	10.00%	10.00%	28,191	28,191	15	15	\$28,206	\$28,206
62178	IDMS CPU Seconds DofA	10.00%	10.00%	197,717	197,717	6	6	\$197,722	\$197,722
62180	CICS CPU Seconds DofA	10.00%	10.00%	15,361	15,361	6	6	\$15,366	\$15,366
62185	Laser Print DofA	30.00%	30.00%	98,255	98,255	56	56	\$98,311	\$98,311
62216 *	Gasoline	11.00%	16.00%	139,277	202,585	9,051	13,166	\$148,328	\$215,750
62242 *	Diesel Fuel	11.00%	16.00%	2,872	4,177	2,926	4,256	\$5,798	\$8,433
62304	Postage & Mailing	8.00%	8.00%	420,065	420,065	86,723	86,723	\$506,789	\$506,789
62370	Telephone Equipment Charges DofA	33.00%	33.00%	586,826	586,826	155,970	155,970	\$742,796	\$742,796
62404 **, **	In-State State Motor Pool	1.00%	9.00%	17,181	154,632	384	3,453	\$17,565	\$158,085
62601	Electricity	10.00%	11.00%	403,994	444,394	342,505	376,755	\$746,499	\$821,149
	Subtotal			\$2,174,124	\$2,416,587	\$597,868	\$640,632	\$2,771,992	\$3,057,219
Deflation									
62141	Tape Megabytes	-100.00%	-100.00%	(\$21,980)	(\$21,980)	(\$8)	(\$8)	(\$21,988)	(\$21,988)
62141	Tape Storage Charges DofA	-100.00%	-100.00%	0	0	\$0	\$0	\$0	\$0
62385	Long Distance Charges DofA	-22.00%	-22.00%	(527,178)	(527,178)	(\$101,487)	(\$101,487)	(\$628,665)	(\$628,665)
62603 *	Natural Gas	-5.00%	-4.00%	(104,405)	(83,524)	(\$126,638)	(\$101,311)	(\$231,043)	(\$184,834)
	Subtotal			(\$653,563)	(\$632,682)	(\$228,133)	(\$202,805)	(\$881,695)	(\$835,487)
	Net Change			\$1,520,562	\$1,783,906	\$369,735	\$437,827	\$1,890,297	\$2,221,732

* Actual percentages used for inflation in the Executive Budget are greater than those noted in the "Governor's Executive Budget".
 ** Actual amounts used for inflation/deflation in the Executive Budget are less than those noted in the "Governor's Executive Budget".
 June 2, 2003

VACANCY SAVINGS

Vacancy savings is the difference between the cost of personal services assuming all positions are filled for the entire year, versus the actual cost due to vacancies, turnover, and other factors. The legislature has applied a 4 percent vacancy savings rate on fully funded personal services to account for this difference. Vacancy savings was applied to most state agencies, with the following exceptions: 1) agencies with fewer than 20 FTE; 2) university system faculty; and 3) elected officials.

In addition, the legislature required agencies to increase contributions to employee health insurance for an additional 6 months in fiscal 2004 in HB 13, but did not increase the appropriation for that purpose. The additional vacancy savings is about 0.5 percent in fiscal 2004. The legislature provided a contingency fund in HB 13 to assist agencies that cannot meet vacancy savings targets. For a further discussion of vacancy savings, see Volume 1 of this report.