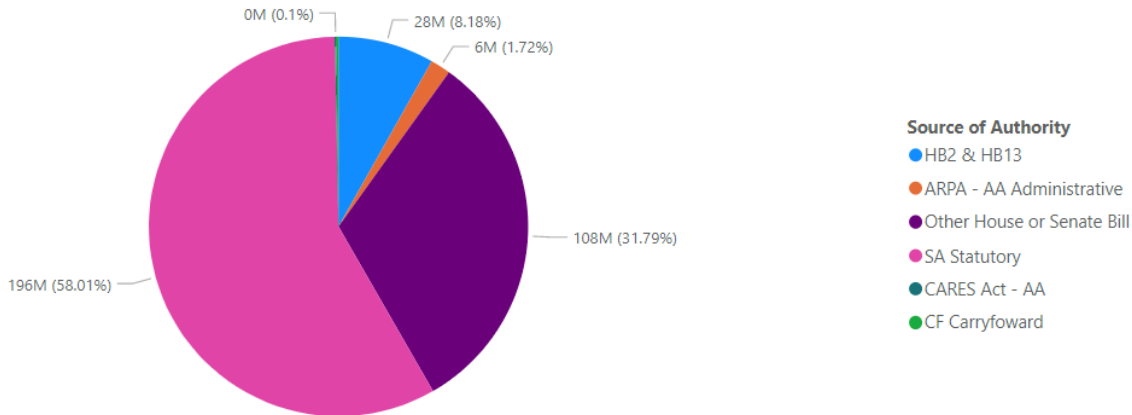


# DEPARTMENT OF ADMINISTRATION

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 8.2% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	27,709,156	19,764,943	71.3%
CF Carryforward	662,916	58,334	8.8%
Other House or Senate Bill	107,690,013	47,106	0.0%
SA Statutory	196,494,732	140,401,825	71.5%
CARES	344,452	344,452	100.0%
ARPA	5,825,790	327,357	5.6%
<b>Total</b>	<b>338,727,060</b>	<b>160,944,017</b>	<b>47.5%</b>

## Statutory Appropriations

Statutory appropriations in the Department of Administration total approximately \$196.5 million through February, which is 58.0% of the total appropriation authority. Statutory appropriation authority consists of \$100.5 million general fund, \$6.6 million state special revenue funds, \$3.9 million federal special revenue funds, and \$85.5 million proprietary funds. The table below shows appropriations, year-to-date expenditures, remaining appropriations, and the percent expended for individual statutory appropriations in the Department of Administration.

Department of Administration Director's Office Statutory Appropriations and Expenditures FY 2022 as of March 2022				
	Appropriations	Expenditures	Remaining Appropriations	Percent Expended
<b>General Fund</b>				
Debt Service	\$ 14,510,585	\$ 14,434,380	\$ 76,205	99.5%
Local Government PERD Contribution	563,341	326,991	236,350	58.0%
School District PERS Contribution	663,082	368,155	294,927	55.5%
TRS GABA Contribution	1,000,000	427,322	572,678	42.7%
TRS Supplemental Contribution	46,300,000	34,012,487	12,287,513	73.5%
State Fund Division	200,000	125,175	74,825	62.6%
Public Employees Retirement Transfer	34,633,570	23,089,050	11,544,520	66.7%
Bank Charges	2,636,070	1,383,278	1,252,792	52.5%
Hay Hotline	<u>38,724</u>	<u>-</u>	<u>38,724</u>	<u>0.0%</u>
<b>Total General Fund</b>	<b>100,545,372</b>	<b>74,166,838</b>	<b>26,378,534</b>	<b>73.8%</b>
<b>State Special Revenue</b>				
Mineral Impact Fees	6,486,000	3,824,075	2,661,925	59.0%
Debt Service	95,500	54,878	40,622	57.5%
Lottery Fantasy Sports	<u>5,000</u>	<u>850</u>	<u>4,150</u>	<u>17.0%</u>
<b>Total State Special Revenue</b>	<b>6,586,500</b>	<b>3,879,803</b>	<b>2,706,697</b>	<b>58.9%</b>
<b>Federal Special Revenue</b>				
Taylor Grazing Fees	125,000	-	125,000	0.0%
Forest Reserve Funds	<u>3,760,270</u>	<u>-</u>	<u>3,760,270</u>	<u>0.0%</u>
<b>Total Federal Special Revenue</b>	<b>3,885,270</b>	<b>-</b>	<b>3,885,270</b>	<b>0.0%</b>
<b>Enterprise Funds</b>				
Lottery Prizes	70,330,795	53,444,512	16,886,283	76.0%
Lottery Commissions	6,482,607	4,673,797	1,808,810	72.1%
Lottery Vendor Fees	<u>8,664,188</u>	<u>4,236,875</u>	<u>4,427,313</u>	<u>48.9%</u>
<b>Total Enterprise Funds</b>	<b>85,477,590</b>	<b>62,355,184</b>	<b>23,122,406</b>	<b>72.9%</b>
<b>Total Statutory Appropriations</b>	<b><u>\$ 196,494,732</u></b>	<b><u>\$ 140,401,825</u></b>	<b><u>\$ 56,092,907</u></b>	<b><u>71.5%</u></b>

Overall, the statutory appropriations are 71.5% expended, which is higher than the historical five-year average of 60.5%. Statutory appropriations for the 911 state special revenue funds and forest reserve federal special revenue fund are contributing to the difference in the percentage expended in FY 2022 when compared to the five-year average.

The 911 state special revenue funds were transferred to the Department of Justice by the 2021 Legislature. Between FY 2017 and FY 2021 average appropriations were \$16.1 million and were 33.0% expended. This low percentage expended reduced the five-year average.

The forest reserve funds have historically been appropriated at \$18.0 million. The appropriations for FY 2022 were reduced to \$3.8 million because a large portion of the funding, the Secure Rural Schools Program funding,

sunset. This funding historically is not expended until later in the fiscal year; however, the reduction in the appropriation is increasing the overall percentage expended in FY 2022. The Secure Rural Schools Program funding was reauthorized in the Infrastructure Investment and Jobs Act in November 2021. It is anticipated that additional funding will be amended into this statutory appropriation.

Excluding the appropriations and expenditures for these state and federal special revenues, the Department of Administration expended 72.9% of its statutory appropriations, which is in line with the adjusted five-year average of 74.0%.

## **Other Bills**

The Department of Administration has approximately \$107.7 million of appropriation authority in other bills. This authority is primarily comprised of funding for long-range information technology projects. Significant appropriations in other bills include:

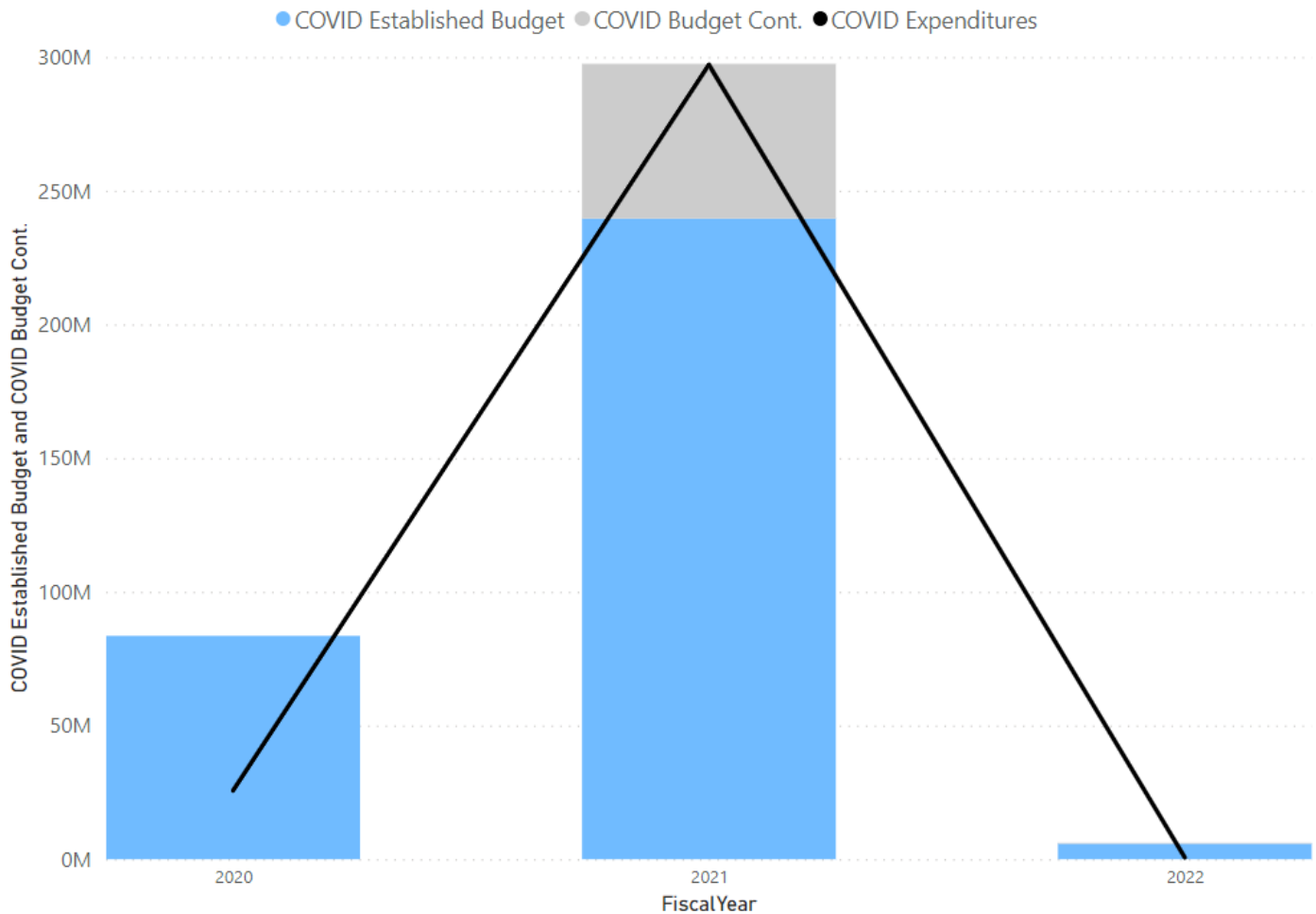
- Department of Health and Human Services' Medicaid management information system at approximately \$28.6 million and Montana family safety information system at approximately \$5.4 million
- Fish, Wildlife, and Parks' automated licensing system replacement at approximately \$7.7 million
- Department of Labor and Industry's unemployment insurance tax contribution system version upgrade at \$5.0 million and unemployment insurance benefits system replacement at \$45.0 million

These projects are typically approved in HB 10 and authority is established in the State Information Technology Services Division. As state agencies work on these projects, appropriation authority is transferred to that agency. Additional information on the Long-Range Information Technology Program can be found here: <https://leg.mt.gov/lfd/interim-budget-committee-section-f/>.

### COVID-19 Authority

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts.

COVID Established Budget, COVID Continuing Budget, and COVID Expenditures by Fiscal Year



The Department of Administration received funding from the CARES Act, which totaled \$83.5 million, in FY 2020. Of this funding, \$80.0 million was for reimbursing local governments for COVID-19 related expenses. Local governments submitted requests to the Department of Administration for reimbursement for items like medical expenses, public health expenses, or employees' regular and overtime hours that were substantially related to mitigating or responding to COVID-19. In FY 2020, the appropriations for reimbursing local governments were 27.9% expended and remaining budget authority was carried forward to FY 2021.

In FY 2021, the department had authority of approximately \$254.6 million from the CARES Act and \$43.2 million from ARPA. This authority was 99.9% expended at the end of the fiscal year. Significant expenditures included:

- Approximately \$171.0 million in CARES Act funding for reimbursing local governments for COVID-19 related expenses (additional details included above)
- Approximately \$81.8 million in CARES Act funding for the School Funding for COVID Related Impacts Program

- Approximately \$43.1 million in ARPA local government recovery funds, distributed to ARPA-designated non-entitlement units of local governments based upon federal formulas

The FY 2022 authority totals approximately \$344,000 from the CARES Act and \$5.8 million from ARPA through February. This funding is 10.9% expended.

This funding is primarily for administering the broadband program, and current guidance indicates that it must be obligated by December 31, 2024 and expended by December 31, 2026. The administration of the broadband program was transferred from the Department of Commerce to the Department of Administration because of the efficiencies gained by using the Department of Administration's experienced and existing staff. The broadband program, through February, has appropriations of approximately \$5.3 million. This includes personal services appropriations of approximately \$1.0 million and 4.00 modified FTE. The modified FTE for FY 2022 and FY 2023 are for a broadband manager, ARPA attorney, accountant/budget analyst, and administrative assistant. The Department of Commerce retained a small portion of the funding for expenditures related to staffing the Communications Advisory Commission as required in HB 632.

### **Carryforward Authority**

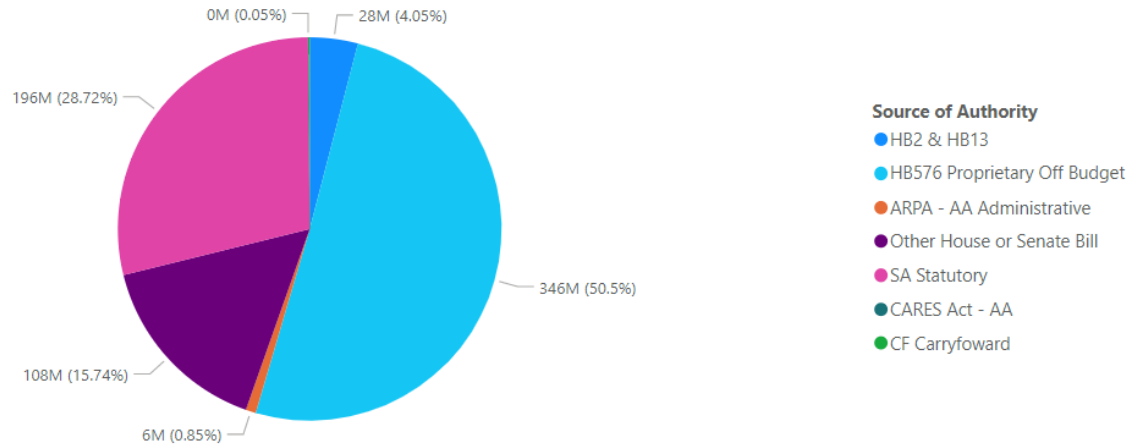
The Department of Administration has carryforward authority of approximately \$663,000, which is less than 1.0% of the total appropriation authority. The carryforward authority is comprised of general fund, state special revenue, and enterprise funds. This includes:

- Approximately \$256,000, or 38.6%, is general fund authority in the Director's Office, State Financial Services Division, State Information Technology Services Division, Human Resources Division, and the Montana Tax Appeal Board. The general fund carryforward authority is primarily allocated to operating expenses and is 15.9% expended through February
- Approximately \$214,000, or 32.2%, is state special revenue authority in the State Financial Services Division, Architecture and Engineering Division and the Division of Banking and Financial Institutions. The state special revenue carryforward authority is primarily allocated to operating expenses and 8.3% expended
- Approximately \$193,000, or 29.2%, is enterprise fund authority in the Montana State Lottery. This authority is allocated to personal services and is 0.0% expended at this point in the fiscal year

## TOTAL EXPENDITURE AUTHORITY

The total expenditure authority for the agency is shown in the following pie chart. Total expenditure authority includes non-budgeted proprietary funding and non-budgeted expenditures such as transfers or indirect costs which are not included in the previous pie chart as the expenditures are not appropriated.

Modified Budget and Expended Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	27,709,156	19,764,943	71.3%
CF Carryforward	662,916	58,334	8.8%
HB576 Proprietary Off Budget	345,559,219	225,002,471	65.1%
NB Non-Budgeted	14,524,175	Infinity	Infinity
Other House or Senate Bill	107,690,013	47,106	0.0%
SA Statutory	196,494,732	140,401,825	71.5%
CARES	344,452	344,452	100.0%
ARPA	5,825,790	327,357	5.6%
<b>Total</b>	<b>684,286,279</b>	<b>400,470,663</b>	<b>58.5%</b>

## Non-budgeted Proprietary Fund Authority

A significant portion, or 50.5%, of the funding for the Department of Administration is from non-budgeted proprietary funds and totals \$345.6 million through February. These funds support the operations of several programs in the Department of Administration. Overall, the department has expended 65.1% of the non-budgeted proprietary funds. The table below shows the budget, expenditures, remaining budget, and percent expended for each of the non-budgeted proprietary funds through February.

Department of Administration Non-Budgeted Proprietary Funds FY 2022 as of March 2022				
	Budget	Expenditures	Remaining Budget	Percent Expended
<b>Director's Office</b>				
Management Services	\$ 2,067,595	\$ 1,325,834	\$ 741,761	64.1%
Continuity Emergency Management	<u>349,159</u>	<u>141,124</u>	<u>208,035</u>	<u>40.4%</u>
Program Total	2,416,754	1,466,959	949,795	60.7%
<b>State Financial Services Division</b>				
Local Government Services Audit & Reporting	821,970	399,664	422,306	48.6%
SABHRS	4,536,201	2,490,842	2,045,359	54.9%
SITSD Proprietary	735,924	-	735,924	0.0%
Warrant Writing	<u>762,353</u>	<u>426,015</u>	<u>336,338</u>	<u>55.9%</u>
Program Total	6,856,448	3,316,521	3,539,927	48.4%
<b>General Services Division</b>				
Surplus Property	801,003	456,230	344,773	57.0%
Rent And Maintenance	11,521,739	6,751,752	4,769,987	58.6%
Print and Mail Services	<u>11,022,884</u>	<u>6,787,025</u>	<u>4,235,859</u>	<u>61.6%</u>
Program Total	23,345,626	13,995,007	9,350,619	59.9%
<b>State Information Technology Services Division</b>				
Electronic Government Services	3,103,034	1,041,122	2,061,912	33.6%
SITSD Proprietary	<u>53,777,123</u>	<u>39,929,829</u>	<u>13,847,294</u>	<u>74.3%</u>
Program Total	56,880,157	40,970,951	15,909,206	72.0%
<b>Health Care and Benefits Division</b>				
Flexible Spending Funds	7,879,093	4,346,590	3,532,503	55.2%
Group Benefits Claims	210,955,848	141,475,807	69,480,041	67.1%
Workers' Compensation Management Program	<u>348,255</u>	<u>116,842</u>	<u>231,413</u>	<u>33.6%</u>
Program Total	219,183,196	145,939,238	73,243,958	66.6%
<b>State Human Resources Division</b>				
Intergovernmental Training	454,053	208,509	245,544	45.9%
Group Benefits Claims	350,886	312,037	38,849	88.9%
Human Resources Information Services	<u>3,478,030</u>	<u>2,208,274</u>	<u>1,269,756</u>	<u>63.5%</u>
Program Total	4,282,969	2,728,820	1,554,149	63.7%
<b>Risk Management and Tort Defense Division</b>				
Agency Insurance	<u>32,594,069</u>	<u>16,584,975</u>	<u>16,009,094</u>	<u>50.9%</u>
Program Total	32,594,069	16,584,975	16,009,094	50.9%
<b>Total</b>	<u>\$ 345,559,219</u>	<u>\$ 225,002,471</u>	<u>\$ 120,556,748</u>	<u>65.1%</u>

The budget for the State Information Technology Services Division (SITSD) increased by approximately \$686,000 in FY 2022 and \$1.4 million in FY 2023 since the December 2021 report. The increase in budgeted authority is due to a memorandum of understanding between SITSD and the Department of Labor and Industry that is in effect from January 15, 2022 through June 30, 2023. The Department of Labor and Industry transferred certain functions and 15.00 FTE to SITSD and SITSD will provide the Department of Labor and Industry with the information technology work associated with the transferred positions. This transfer

centralizes information technology services in the areas of the service desk, desktop services, enterprise digital services, and security as well as expands the resources that are available to the Department of Labor and Industry. According to the Department of Administration, this move was a recommendation of an SITSD's review of the Department of Labor and Industry's information technology organization.

### **Non-Budgeted Authority**

The expenditures from non-budgeted authority in the Department of Administration primarily is debt service related to general obligation bonds in the Long-Range Building Program.



## HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from December 1, 2021 through February 28, 2022. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

### Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	December Modified Budget	March Modified Budget	Net Modifications
<b>Department of Administration</b>	<b>27,709,156</b>	<b>27,709,156</b>	<b>0</b>
ARCHITECTURE & ENGINEERING DIV	2,387,865	2,387,865	
DIRECTORS OFFICE	9,227,443	8,897,394	-330,049
DIV OF BANKING & FINANCIAL INS	4,389,335	4,389,335	
MONTANA STATE LOTTERY	6,161,030	6,161,030	
MONTANA TAX APPEAL BOARD	667,642	667,642	0
STATE FINANCIAL SERVICES DIV	3,251,873	3,251,873	
STATE HUMAN RESOURCES DIVISION	1,623,968	1,954,017	330,049
STATE IT SERVICES DIVISION	0	0	
<b>Total</b>	<b>27,709,156</b>	<b>27,709,156</b>	<b>0</b>

Acct & Lvl 1 DESC	December Modified Budget	March Modified Budget	Net Modifications
61000 Personal Services	12,406,084	12,406,084	0
62000 Operating Expenses	6,627,297	6,586,533	-40,764
63000 Equipment & Intangible Assets	50,000	50,000	
65000 Local Assistance	28,979	28,979	
68000 Transfers-out	8,589,879	8,589,879	
69000 Debt Service	6,917	47,681	40,764

Fund Type	December Modified Budget	March Modified Budget	Net Modifications
01 General	14,475,846	14,475,846	0
02 State/Other Spec Rev	6,973,662	6,973,662	
03 Fed/Other Spec Rev	18,535	18,535	
06 Enterprise	6,161,030	6,161,030	
06 Internal Service	80,083	80,083	

The Department of Administration had two HB 2 budget modifications between December 1, 2021 and February 28, 2022. These modifications include:

- The department transferred 3.00 FTE and the associated general fund of approximately \$273,000 in personal services and \$57,000 in operating expenses from the Director's Office to the State Human Resources Division. The Office of Labor Relations was originally located in the Director's Office and the chief labor negotiator was the deputy director of the Department of Administration. Executive Order

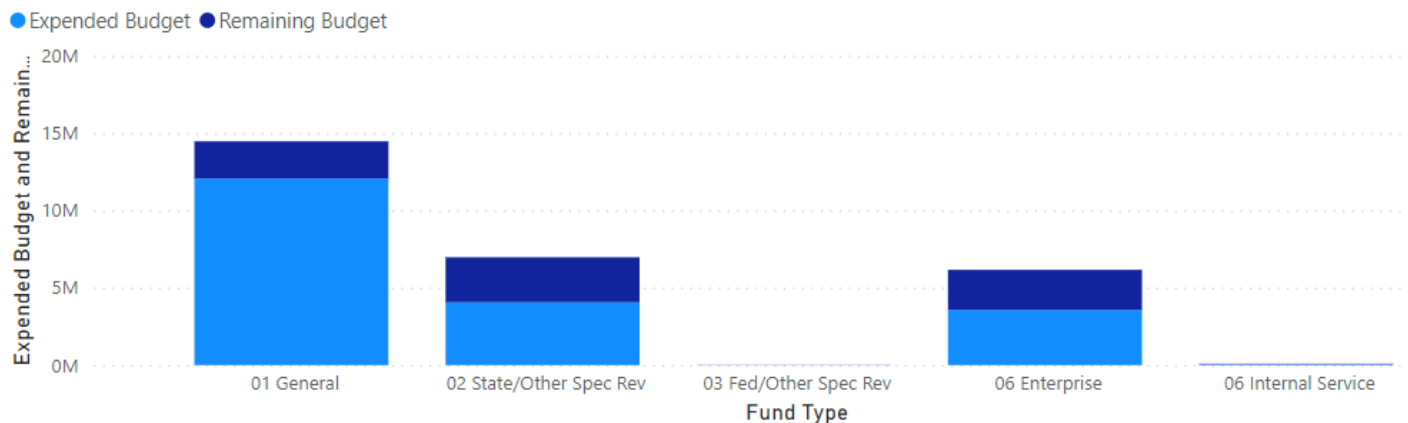
15-2021 was issued in September 2021 and designated the administrator of the State Human Resources Division as the chief labor negotiator for the state. This resulted in the transfer of 3.00 FTE and associated general fund from the Office of Labor Relations to the State Human Resources Division

- The department transferred approximately \$41,000 from operating expenses to debt service to correctly record leases for copiers

## HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures as of February 28, 2022.

Expended Budget and Remaining Budget by Fund Type - HB 2 Only



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	12,406,084	7,409,848	59.7%
Operating Expenses	6,586,533	3,728,881	56.6%
Equipment & Intangible Assets	50,000		
Local Assistance	28,979	2,330	8.0%
Transfers-out	8,589,879	8,589,879	100.0%
Debt Service	47,681	34,004	71.3%

Program Name	Modified Budget	Expended Budget	Percent Expended
ARCHITECTURE & ENGINEERING DIV	2,387,865	1,386,783	58.1%
DIRECTORS OFFICE	8,897,394	8,680,574	97.6%
DIV OF BANKING & FINANCIAL INS	4,389,335	2,533,533	57.7%
MONTANA STATE LOTTERY	6,161,030	3,573,358	58.0%
MONTANA TAX APPEAL BOARD	667,642	389,427	58.3%
STATE FINANCIAL SERVICES DIV	3,251,873	2,138,185	65.8%
STATE HUMAN RESOURCES DIVISION	1,954,017	1,063,081	54.4%
STATE IT SERVICES DIVISION	0		
<b>Total</b>	<b>27,709,156</b>	<b>19,764,943</b>	<b>71.3%</b>

The Department of Administration expended 71.3% of its \$27.7 million HB 2 modified budget through February. Overall, this is in line with the five-year Olympic average of 72.6% (the Olympic average is the average of the percent expended for the most recently completed seven years with the exclusion of the highest and lowest numbers during this time period). While the overall percentage expended for the Department of Administration is in line with the percent that would be anticipated at this point in the fiscal year, the percent expended is high in the Director's Office and low in the Montana State Lottery and State Human Resources Division.

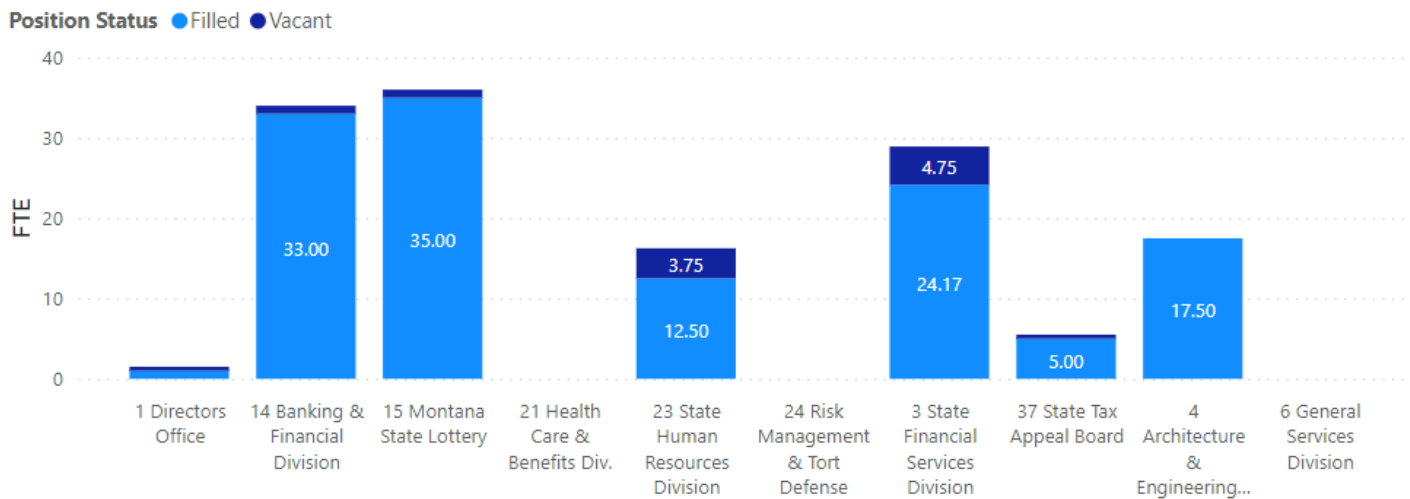
The high percentage expended in the Director’s Office is due to budgeted general fund transfers to the Long-Range Building Program’s major repair project account. The approximately \$8.6 million transfer comprises the majority of the appropriation in the Director’s Office. The entire amount was transferred at the beginning of the fiscal year, which increases the percentage expended.

The Montana State Lottery’s HB 2 appropriations are approximately \$6.2 million and 58.0% through February. The lower percentage expended is primarily due to operating expenses. The Montana State Lottery has \$3.4 million appropriated for operating expenses and has expended 55.4%. Low operating expenditures are primarily due to scratch ticket expenses. Purchases of scratch tickets have slowed down slightly in this fiscal year when compared to FY 2021, which has slowed down the purchase/printing expenses related to tickets. The department anticipates that expenses will be similar to last fiscal year by the end of FY 2022.

The State Human Resources Division’s approximately \$2.0 million appropriations are 54.4% expended through February. Personal services appropriations of \$1.5 million are 58.7% expended and operating expenses of approximately \$448,000 are 40.1% expended. Lower personal services expenditures are due to vacant positions. As of February 1, 2022, the division had 3.75 FTE vacant. Lower operating expenses are due to the timing of payments for technology contracts.

### Personal Services

Appropriations for personal services in the Department of Administration total \$12.4 million and are 59.7% expended through February. The department has 139.67 HB 2 FTE and approximately 91.8% of these positions are filled as of February 1, 2022. The following chart shows the filled and vacant FTE within the agency as of February 1, 2022.



### Next Steps for Personal Services Reporting

In upcoming Quarterly Financial Reports, the LFD will begin the process of a more comprehensive look at personal services. The LFD will compare two executive “snapshots” -- July 2020 and July 2022. The analysis will

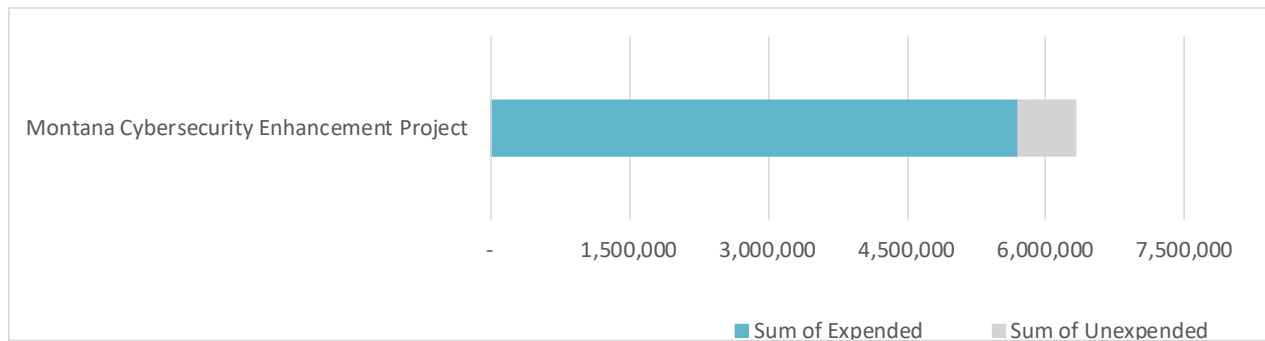
identify adjustments adopted by the legislature in 2021 and modifications made by the agencies, within the confines of budget law.

The September Quarterly Financial Report will provide the complete comparison from July 2020 to July 2022. Ultimately, the analysis will result in a description of all the components that will be part of the executive’s decision package one (DP 1) 2025 biennium budget request. This work will prepare legislators for budget deliberations in the 2023 session. For a review of how DP 1 works and snapshot components, please read this [short brochure](#) from 2019.

## OTHER ISSUES

### Information Technology Project Expenditures

The Department of Administration has one large information technology project. The chart below shows total expenditures for the Montana Cybersecurity Enhancement Project. The approximately \$6.3 million appropriation for this project is 90.0% expended.



The 2019 Legislature approved funding of approximately \$6.3 million in HB 2 for the 2021 biennium for the Montana Cybersecurity enhancement project. The State Information Technology Services Division (SITSD) expended approximately \$5.7 million. There are three projects that are outstanding, which include:

- The Configuration Management Data Base (CMDB) SecOps, which is 65.0% complete and anticipated to be complete by the end of December 2022. The remaining expenditures total approximately \$2,000. SITSD is implementing the hardware/software asset management tool that provides a central, accurate, and up-to-date enterprise view of all information technology
- The RSA Archer project, which is 95.0% complete and targeted to be finished by the end of March 2022. The remaining expenditures total \$23,750. This solution streamlines the security assessment process and provides real-time and holistic visibility of risks
- The Enterprise Risk Assessment that is 25.0% complete and targeted to be finished by the end of June 2022. Approximately \$162,000 in expenditure remain for this project