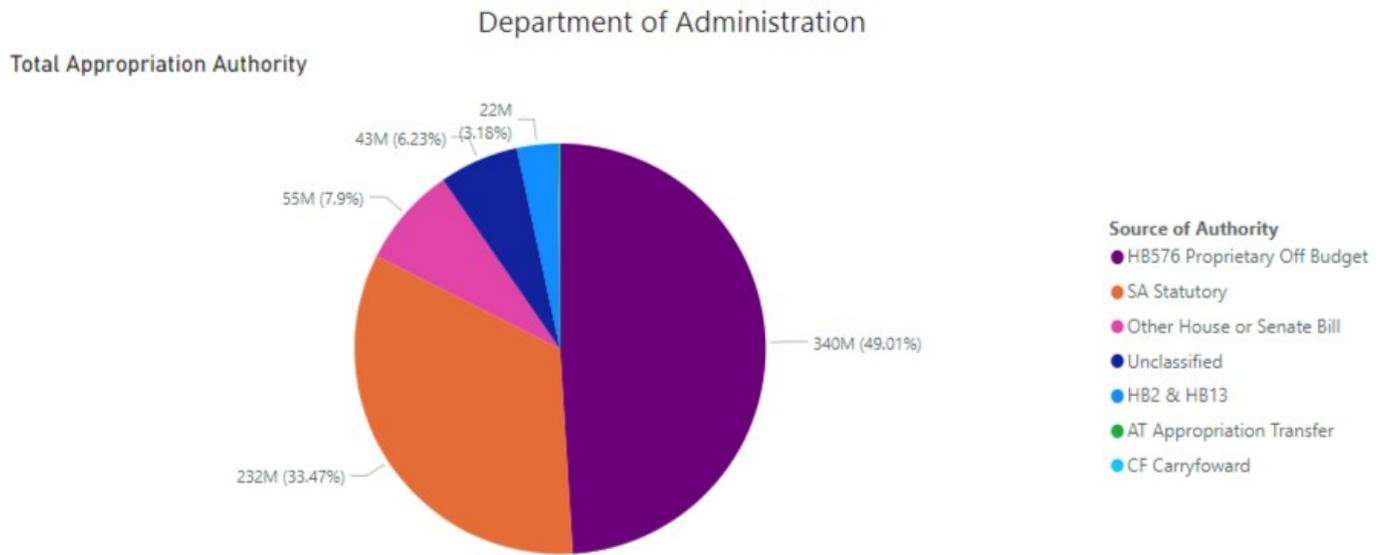


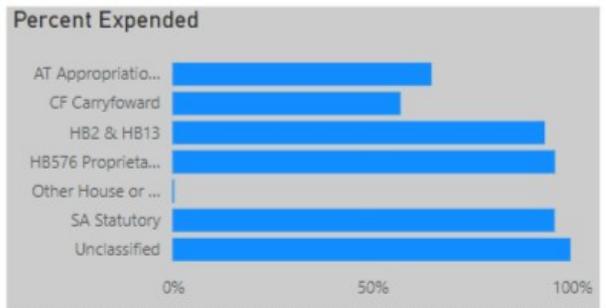
DEPARTMENT OF ADMINISTRATION

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 3.2% 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.



| Fiscal Year | 2021 | | |
|------------------------------|--------------------|--------------------|------------------|
| LFD_src_auth_descr | Budget | FYE Expended | Percent Expended |
| AT Appropriation Transfer | 920,000 | 596,762 | 64.9% |
| CF Carryforward | 535,829 | 305,743 | 57.1% |
| HB2 & HB13 | 22,049,674 | 20,563,319 | 93.3% |
| HB576 Proprietary Off Budget | 339,574,880 | 325,176,846 | 95.8% |
| Other House or Senate Bill | 54,719,774 | 8,404 | 0.0% |
| SA Statutory | 231,895,215 | 221,886,165 | 95.7% |
| Unclassified | 43,199,748 | 43,056,980 | 99.7% |
| Total | 692,895,120 | 611,594,219 | 88.3% |



Appropriation Transfers

The Department of Administration's appropriation transfers totaled \$920,000 in FY 2021, which is less than 1.0% of the total appropriation authority. There were two appropriation transfers, and both were transfers to the Montana State Lottery (Lottery).

As part of HB 715 (2019 Legislature), the Governor's budget director was provided the authority to allocate proprietary funds totaling \$720,000 in FY 2021. This funding was allocated to the Montana State Lottery in order to implement HB 725 (2019 Legislature), which authorized sports wagering in Montana. The Lottery expended approximately \$514,000 or 71.3% of this authority. The sports wagering program was implemented

in early March 2020. The COVID-19 pandemic caused closures of nearly all establishments that could host sports wagering and cancellations of many sporting events. The percentage expended in FY 2021 has increased over FY 2020 expenditures but was still impacted by the pandemic.

In addition to the appropriation transfer for sports wagering, there was a transfer of \$200,000 from the Department of Commerce' Board of Horse Racing for expenses related to fantasy sports. Over the last 5 years, this transfer has been between \$200,000 and \$220,000 and the 5-year average percent expended was 88.3%. In FY 2021, the Lottery expended approximately \$83,000 or 41.6%. Expenditures were related to closures that happened because of the COVID-19 pandemic.

Carryforward

The Department of Administration had carryforward authority of approximately \$536,000 in FY 2021. Approximately \$295,000, or 55.1% of this authority was general fund in the Director's Office, State Financial Services Division, State Information Technology Services Division, State Human Resources Division and the Montana Tax Appeal Board. The general fund carryforward authority was 56.7% expended and was primarily comprised of operating expenses. State special revenue carryforward authority in the State Financial Services Division, Architecture and Engineering Division, and Division of Banking and Financial Institutions totaled approximately \$124,000. The department expended \$91,000, or 73.9% of this appropriation in FY 2021 and expenditures were comprised of personal services and operating expenses. The remaining \$117,000 of authority was enterprise funds in the Montana State Lottery, which was 40.3% expended in personal services.

Non-Budgeted Proprietary Funding

A significant portion of funding for the Department of Administration was from non-budgeted proprietary funds and totaled \$339.6 million or 49.0% of total appropriation authority. These funds support the operations of the Director's Office, State Financial Services Division, General Services Division, State Information Technology Services Division, Health Care and Benefits Division, State Human Resources Division, and Risk Management and Tort Defense Division. Overall, the Department of Administration expended \$325.2 million or 95.8%. This is in line with anticipated expenditures at the end of the fiscal year.

Although overall expenditures from non-budgeted proprietary funds were in line with expectations at the end of the fiscal year, the Risk Management and Tort Defense (RMTD) Division had a lower percent expended. RMTD expended \$23.4 million or 79.5% of its \$29.5 million budget. Benefits and claims, which were budgeted at \$15.2 million, were 78.3% expended. Actual expenditures for the Montana State University Bozeman Student Fitness Center loss were less than expected. RMTD estimated expenditures to be \$8.0 million in FY 2021, but only expended \$4.8 million. Operating expenses of \$4.3 million were 43.6% expended. Factors contributing to lower operating expenditures in FY 2021 include:

- Legal expenses were lower, and the division believes this is possibly due to changing caseload or COVID-19 (although other factors may have had an impact)
- Application development costs for RMTD's information technology system were lower because of project adjustments and workload
- Travel expenses were lower because of COVID-19 closures and virtual training rather than on-site training

- Supply costs were lower because staff were working remotely

Other Bills

Other bills total \$54.7 million and were primarily comprised of funding for long-range information technology projects. Funding for the Medicaid management information system was the majority of the appropriation authority at \$29.1 million.

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. Administrative authority for CARES I and ARPA appropriations was allocated to the agency by the Governor’s Office. Administrative authority is not an appropriation and thus is not included in the total appropriation authority shown on the previous page. The appropriation authority for CARES I and ARPA shown below remains with the Governor’s Office.

| Stimulus Authority | Budget | FYE Expended | Percent Expended |
|--------------------|-------------|--------------|------------------|
| CARES I | 254,280,640 | 254,139,760 | 99.9% |
| ARPA | 43,188,915 | 43,056,980 | 99.7% |

The Department of Administration received funding in FY 2021 of approximately \$254.3 million from the CARES Act and \$43.2 million from ARPA. Significant allocations include:

- Approximately \$171.0 million in CARES Act funding for reimbursing local governments for COVID-19 related expenses. Local governments were able to submit 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
- Approximately \$81.8 million of CARES Act funding for the School Funding for COVID Related Impacts Program
- Approximately \$43.2 million in ARPA local government recovery funds, distributed to ARPA-designated non-entitlement units of local governments based upon federal formulas

Statutory Appropriations

Statutory appropriations in the Department of Administration totaled approximately \$231.9 million in FY 2021 and consists of \$96.5 million general fund, \$22.2 million state special revenue funds, \$18.1 million federal special revenue funds, and \$95.0 million proprietary funds. Statutory appropriations in the department are primarily comprised of transfers of general fund to the pension funds and payments from the enterprise fund for state lottery prizes, commissions, and vendor fees. As of fiscal year end, the department expended \$221.9 million or 95.7% of total appropriations. This is in line with anticipated expenditures at the end of the fiscal year.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the ending FYE modified budget. 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.

HB 2 Modifications Department of Administration

| Agency Program | HB2 Budget | FYE Modified Budget | Net Modifications | |
|-----------------------------------|-------------------|---------------------|-------------------|-------------------|
| 01 DIRECTORS OFFICE | 456,059 | 603,626 | 147,567 | |
| 02 GOVERNOR ELECT PROGRAM | 75,000 | 75,000 | 0 | |
| 03 STATE FINANCIAL SERVICES DIV | 3,161,031 | 3,155,116 | -5,915 | |
| 04 ARCHITECTURE & ENGINEERING DIV | 2,407,107 | 2,408,285 | 1,178 | |
| 07 STATE IT SERVICES DIVISION | 3,887,188 | 3,796,471 | -90,717 | |
| 14 DIV OF BANKING & FINANCIAL INS | 4,313,654 | 4,315,858 | 2,204 | |
| 15 MONTANA STATE LOTTERY | 5,239,657 | 5,306,303 | 66,646 | |
| 23 STATE HUMAN RESOURCES DIVISION | 1,714,673 | 1,705,722 | -8,951 | |
| 37 MONTANA TAX APPEAL BOARD | 692,074 | 683,292 | -8,782 | |
| Total | 21,946,443 | 22,049,674 | 103,231 | 103,230.70 |

| Expenditure Account | HB2 Budget | FYE Modified Budget | Net Modifications | |
|-------------------------------------|------------|---------------------|-------------------|--|
| 61000 Personal Services | 13,628,057 | 13,619,562 | -8,495 | |
| 62000 Operating Expenses | 8,239,407 | 8,347,356 | 107,949 | |
| 63000 Equipment & Intangible Assets | 50,000 | 50,000 | 0 | |
| 65000 Local Assistance | 28,979 | 25,839 | -3,140 | |
| 69000 Debt Service | | 6,918 | 6,918 | |

| Fund Type | HB2 Budget | FYE Modified Budget | Net Modifications | |
|-------------------------|------------|---------------------|-------------------|--|
| 01 General | 9,280,028 | 9,313,017 | 32,989 | |
| 02 State/Other Spec Rev | 7,357,251 | 7,360,848 | 3,597 | |
| 03 Fed/Other Spec Rev | 14,134 | 14,132 | -2 | |
| 06 Proprietary | 5,295,030 | 5,361,676 | 66,646 | |

The Department of Administration had several HB 2 modifications in FY 2021. Significant modifications include:

- A transfer of general fund authority totaling approximately \$117,000 to the Director's Office from the State Financial Services Division, State Information Technology Services Division, State Human Resources Division, and Montana Tax Appeal Board. This modification also transferred 1.00 FTE from the State Information Technology Services Division to the Director's Office. This transfer was made to the Office of Labor Relations in the Director's Office in order to facilitate and manage collective bargaining agreements within state government
- A continuation of appropriation authority of approximately \$103,000 from FY 2020 to FY 2021 for audit costs, which is a biennial appropriation

HB 2 APPROPRIATION AUTHORITY

HB 2 Expenditures



| Expenditure Account | FYE Modified Budget | FYE Expended | Percent Expended |
|-------------------------------------|---------------------|--------------|------------------|
| 61000 Personal Services | 13,619,562 | 12,405,459 | 91.1% |
| 62000 Operating Expenses | 8,347,356 | 8,102,014 | 97.1% |
| 63000 Equipment & Intangible Assets | 50,000 | 47,651 | 95.3% |
| 65000 Local Assistance | 25,839 | 3,049 | 11.8% |
| 69000 Debt Service | 6,918 | 5,147 | 74.4% |

| Agency Program | FYE Modified Budget | FYE Expended | Percent Expended |
|-----------------------------------|---------------------|-------------------|------------------|
| 01 DIRECTORS OFFICE | 603,626 | 548,538 | 90.9% |
| 02 GOVERNOR ELECT PROGRAM | 75,000 | 70,119 | 93.5% |
| 03 STATE FINANCIAL SERVICES DIV | 3,155,116 | 3,154,992 | 100.0% |
| 04 ARCHITECTURE & ENGINEERING DIV | 2,408,285 | 2,047,879 | 85.0% |
| 07 STATE IT SERVICES DIVISION | 3,796,471 | 3,539,565 | 93.2% |
| 14 DIV OF BANKING & FINANCIAL INS | 4,315,858 | 4,092,833 | 94.8% |
| 15 MONTANA STATE LOTTERY | 5,306,303 | 4,893,988 | 92.2% |
| 23 STATE HUMAN RESOURCES DIVISION | 1,705,722 | 1,628,245 | 95.5% |
| 37 MONTANA TAX APPEAL BOARD | 683,292 | 587,160 | 85.9% |
| Total | 22,049,674 | 20,563,319 | 93.3% |

Over 96.0% of the overall funding in the department is not budgeted through HB 2. The Department of Administration primarily receives authority through non-budgeted proprietary funds and statutory appropriations.

General fund provides the greatest amount of HB 2 modified budget authority for the Department of Administration at 42.2%, followed closely by state special revenue funds at 33.4%, and budgeted proprietary funds at 24.3%. Federal special revenue provides less 1.0% of the HB 2 modified budget authority for the department.

The Department of Administration expended 93.3% of its \$22.0 million HB 2 modified budget as of the end of FY 2021, with lower expenditures in the Architecture and Engineering Division and Montana Tax Appeal Board. This is mostly in line with the 5-year historical average at 88.7%.

The Architecture and Engineering Division expended 85.0% of its \$2.4 million budget as of the end of the fiscal year. Personal services of approximately \$1.8 million were 89.1% expended and operating expenses of approximately \$636,000 were 74.1% expended. The division had lower personal services expenditures due to the retirement of three staff members. Lower operating expenditures were because the division did not need the entire appropriation for contracted services that can be used for planning projects prior to receiving legislative authority.

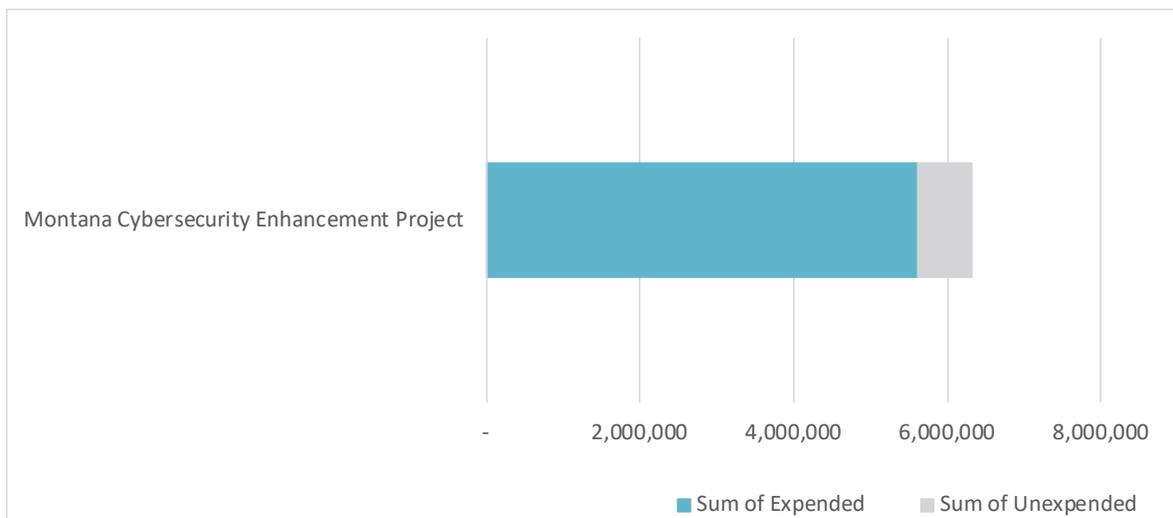
The Montana Tax Appeal Board (MTAB) expended 85.9% of its \$683,000 budget as of the end of the fiscal year. Lower expenditures were primarily in operating expenses, which were 72.3% expended. There are two primary reasons for the lower expenditures, which include:

- The County Board training was adapted from regional in-person training to a Zoom-based statewide training. This reduced costs related to travel, food and hotel expenses, and renting training facilities
- Travel and training expenses for the MTAB members was reduced because of the COVID-19 pandemic. National conferences and trainings were either cancelled or held virtually, which reduced associated costs. The board does anticipate these costs will resume in FY 2022, if conditions related to the pandemic allow

OTHER ISSUES

Information Technology Project Expenditures

The Department of Administration had one large information technology project. The charts below show total expenditures for the project, the original and revised budgets, and the start date, original delivery date, and revised delivery date.



| Large Information Technology Projects Original and Revised Budgets | | | |
|---|--------------------|-------------------|--------------------------------|
| Project | Original Budget | Revised Budget | Change from Original Budget |
| Montana Cybersecurity Enhancement Project | 6,320,000 | 6,320,000 | 0.0% |

| Large Information Technology Projects Original and Revised Delivery Date | | | | |
|---|---------------|---------------------------|--------------------------|---------------------------------------|
| Project | Start Date | Original Delivery Date | Revised Delivery Date | Change from Original Delivery Date |
| Montana Cybersecurity Enhancement Project | 7/1/2019 | 6/30/2021 | N/A | 0.0% |

The 2019 Legislature approved funding of approximately \$3.2 million each fiscal year of the 2021 biennium for the Montana cybersecurity enhancement project in HB 2. In FY 2020, the State Information Technology Services Division (SITSD) expended \$2.7 million, or 84.4%, of its appropriation. There were several reasons for the remaining authority, which included not increasing salaries for cybersecurity staff in FY 2020 as planned and delayed hiring of positions to not overload existing staff with training. There were also impacts from COVID-19 which included decreased travel and training and not hiring an apprentice position because recruitment on college campuses was impacted. In FY 2021, SITSD expended \$3.0 million, or 93.4% of its appropriation.

Required Reports

The Department of Administration provided several required reports, which include:

- Deposit Policy Exemptions
- Inter-entity Loans
- General Fund Encumbrance Extensions
- Establishment of New Enterprise and Internal Services Fund Accounts
- Facilities Inventory and Condition Assessment