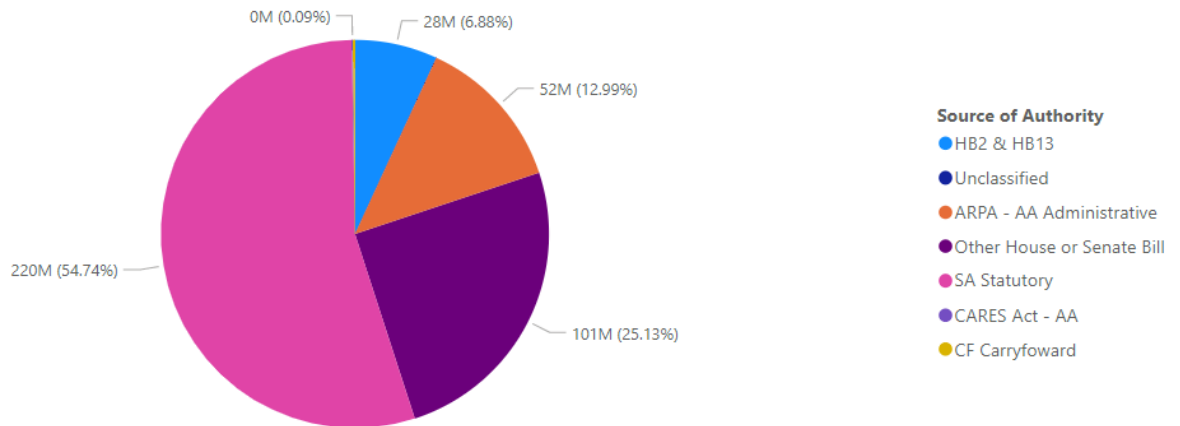


DEPARTMENT OF ADMINISTRATION

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the Department of Administration is shown in the pie chart below. HB 2 and HB 13 provide 6.9% 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	27,693,967	27,301,226	98.6%
CF Carryforward	662,916	239,311	36.1%
Other House or Senate Bill	101,123,404	96,668	0.1%
SA Statutory	220,306,797	212,091,413	96.3%
Unclassified	55,001		
CARES	344,452	344,452	100.0%
ARPA	52,264,705	44,846,235	85.8%
Total	402,451,242	284,919,305	70.8%

Statutory Appropriations

Statutory appropriations in the Department of Administration totaled approximately \$220.3 million in FY 2022, which was 54.7% of the total appropriation authority. Statutory appropriation authority consisted of \$101.6 million general fund, \$6.6 million state special revenue funds, \$14.5 million federal special revenue funds, and \$97.6 million proprietary funds. The table below shows appropriations, 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 FYE 2022				
	Appropriations	Expenditures	Remaining Appropriations	Percent Expended
General Fund				
Debt Service	\$ 14,510,585	\$ 14,427,918	\$ 82,667	99.4%
Local Government PERS Contribution	571,341	570,047	1,294	99.8%
School District PERS Contribution	671,082	669,881	1,201	99.8%
TRS GABA Contribution	1,050,000	1,037,375	12,625	98.8%
TRS Supplemental Contribution	46,975,000	46,962,150	12,850	100.0%
State Fund Division	294,023	294,022	1	100.0%
Public Employees Retirement Transfer	34,633,570	34,633,570	-	100.0%
Bank Charges	2,636,070	2,274,888	361,182	86.3%
Cash Management Interest	1,631	1,631	-	100.0%
Federal Rebates	253,000	252,694	306	99.9%
Hay Hotline	38,724	-	38,724	0.0%
Total General Fund	101,635,026	101,124,176	510,850	99.5%
State Special Revenue				
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	5,000	850	4,150	17.0%
Total State Special Revenue	6,586,500	3,879,803	2,706,697	58.9%
Federal Special Revenue				
Taylor Grazing Fees	125,000	119,454	5,546	95.6%
Forest Reserve Funds	14,382,681	14,382,681	0	100.0%
Total Federal Special Revenue	14,507,681	14,502,135	5,546	100.0%
Enterprise Funds				
Lottery Prizes	81,330,795	77,924,761	3,406,034	95.8%
Lottery Commissions	7,182,607	6,728,262	454,345	93.7%
Lottery Vendor Fees	9,064,188	7,932,275	1,131,913	87.5%
Total Enterprise Funds	97,577,590	92,585,298	4,992,292	94.9%
Total Statutory Appropriations	<u>\$ 220,306,797</u>	<u>\$ 212,091,413</u>	<u>\$ 8,215,384</u>	<u>96.3%</u>

Statutory general fund appropriations in the Department of Administration increased by approximately \$741,000 in FY 2022 since the June quarterly financial report. The increase in appropriations was due to statutory requirements for several retirement systems. Contributions for local governments and school districts increased by \$8,000 each in order to meet the requirements of 19-3-319, MCA. The teacher retirement system (TRS) GABA and supplemental contributions increased by \$50,000 and \$675,000, respectively. These adjustments were made to meet the requirements of 19-20-604, MCA and 19-20-607, MCA.

Other Bills

The Department of Administration had approximately \$101.1 million of appropriation authority in other bills. The appropriation authority in other bills decreased by \$340,000 since the June quarterly financial report. This decrease was due to a transfer to the Department of Natural Resources and Conservation for its trust lands management system that was approved by the 2019 Legislature in HB 10.

The \$101.1 million authority in other bills was primarily comprised of funding for Long-Range Information Technology Program (LRITP) projects. Significant appropriations include:

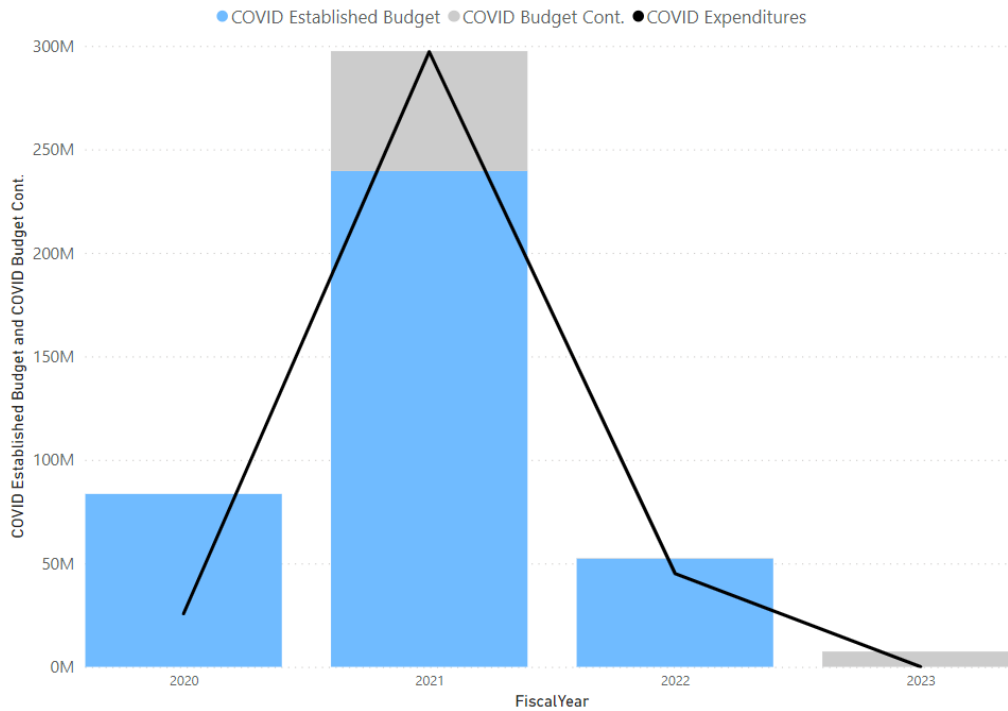
- Department of Health and Human Services' Medicaid management information system at approximately \$28.6 million federal special revenue funds and Montana family safety information system at approximately \$5.4 million, which includes \$2.7 million federal special revenue funds and \$2.7 million capital projects funds
- Fish, Wildlife, and Parks' automated licensing system replacement at approximately \$7.7 million, which includes \$2.4 state special revenue funds and \$5.3 million federal special revenue funds
- Department of Labor and Industry's unemployment insurance tax contribution system version upgrade at \$5.0 million federal special revenue funds and unemployment insurance benefits system replacement at \$45.0 million federal special revenue funds

These projects are typically approved in HB 10 and authority established in the State Information Technology Services Division. LRITP projects often take a number of years to complete, which was the reason for the low expenditures. 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 Coronavirus Aid, Relief, and Economic Security (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 27.2% 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 the American Rescue Plan Act (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 had authority from the CARES Act and ARPA. Funding from the CARES Act totaled approximately \$344,000 and was 100.0% expended at the end of the fiscal year. Funding from ARPA totaled \$52.6 million at the end of the fiscal year. There was an increase of approximately \$3.3 million for administering the broadband program and \$43.2 million for reimbursing local governments for COVID-19 expenses when compared to the June quarterly financial report. Overall, the ARPA funding was 85.8% expended and remaining funding was carried forward to FY 2023. The most significant portion of funding carried forward was \$7.0 million for

administering the broadband program. Current guidance for these ARPA funds indicates that it must be obligated by December 31, 2024 and expended by December 31, 2026.

Carryforward Authority

The Department of Administration has carryforward authority of approximately \$663,000, which was less than 1.0% of the total appropriation authority. The carryforward authority was 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, State Human Resources Division, and the Montana Tax Appeal Board. The general fund carryforward authority was primarily allocated to operating expenses and was 54.1% expended
- 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 was primarily allocated to operating expenses and was 14.4% expended
- Approximately \$193,000, or 29.2%, is enterprise fund authority in the Montana State Lottery. This authority was allocated to personal services and was 36.2% expended

Unclassified

The Department of Administration has unclassified appropriation authority of \$55,000 because of lower workers’ compensation premiums. Per 39-71-403(1)(b)(iv), MCA, when workers’ compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriations are not reduced, instead the Governor’s Office of Budget and Program Planning (OBPP) requires state agencies to:

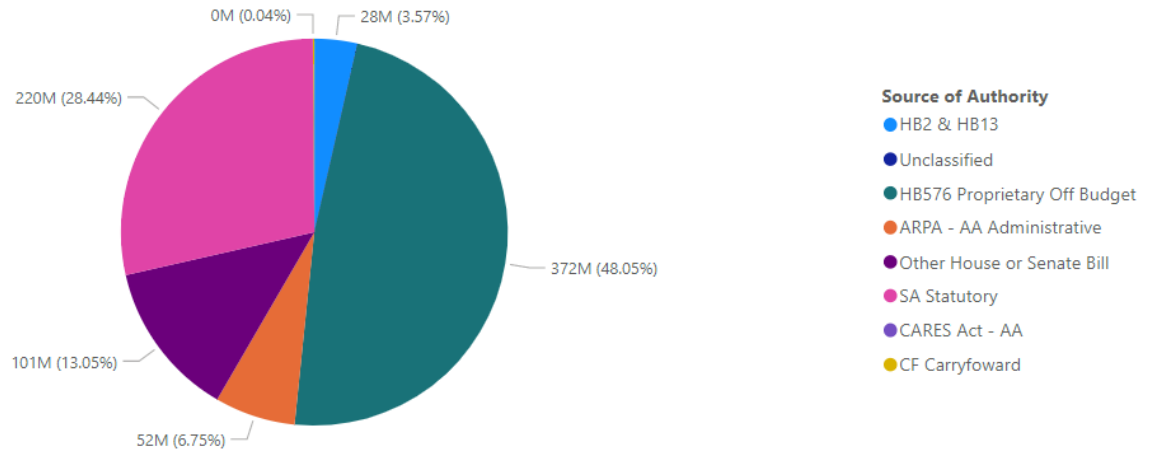
- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers’ compensation entries

The offsetting entries are identified as “frozen” appropriations, which means the appropriations will not be spent unless authorized by OBPP.

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	27,693,967	27,301,226	98.6%
CF Carryforward	662,916	239,311	36.1%
HB576 Proprietary Off Budget	372,252,894	355,768,801	95.6%
NB Non-Budgeted	14,627,858	Infinity	Infinity
Other House or Senate Bill	101,123,404	96,668	0.1%
SA Statutory	220,306,797	212,091,413	96.3%
Unclassified	55,001		
CARES	344,452	344,452	100.0%
ARPA	52,264,705	44,846,235	85.8%
Total	774,704,136	655,315,965	84.6%

Non-budgeted Proprietary Fund Authority

A significant portion, or 48.1%, of the funding for the Department of Administration is from non-budgeted proprietary funds and totals \$372.3 million through FY 2022. These funds support the operations of several programs in the Department of Administration. Overall, the department has expended 95.6% 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 for FY 2022.

Department of Administration Non-Budgeted Proprietary Funds FYE 2022				
	Budget	Expenditures	Remaining Budget	Percent Expended
Director's Office				
Management Services	\$ 2,067,595	\$ 2,053,180	\$ 14,415	99.3%
Continuity Emergency Management	<u>348,459</u>	<u>154,317</u>	<u>194,142</u>	<u>44.3%</u>
Program Total	2,416,054	2,207,497	208,557	91.4%
State Financial Services Division				
Local Government Services Audit & Reporting	821,515	718,163	103,352	87.4%
SABHRS	5,202,220	5,046,068	156,151	97.0%
SITSD Proprietary	-	0	(0)	0.0%
Warrant Writing	<u>808,024</u>	<u>804,309</u>	<u>3,715</u>	<u>99.5%</u>
Program Total	6,831,759	6,568,540	263,219	96.1%
General Services Division				
Surplus Property	800,058	729,844	70,214	91.2%
Rent And Maintenance	11,515,720	10,983,214	532,506	95.4%
Print and Mail Services	<u>11,020,808</u>	<u>10,959,375</u>	<u>61,433</u>	<u>99.4%</u>
Program Total	23,336,586	22,672,434	664,153	97.2%
State Information Technology Services Division				
Electronic Government Services	3,103,034	1,805,715	1,297,319	58.2%
SITSD Proprietary	<u>59,730,924</u>	<u>57,049,682</u>	<u>2,681,242</u>	<u>95.5%</u>
Program Total	62,833,958	58,855,397	3,978,561	93.7%
Health Care and Benefits Division				
Flexible Spending Funds	7,879,093	7,112,889	766,204	90.3%
Group Benefits Claims	229,054,295	222,543,633	6,510,662	97.2%
Workers' Compensation Management Program	<u>347,978</u>	<u>214,584</u>	<u>133,394</u>	<u>61.7%</u>
Program Total	237,281,366	229,871,105	7,410,261	96.9%
State Human Resources Division				
Intergovernmental Training	453,644	342,570	111,074	75.5%
Group Benefits Claims	531,768	526,505	5,263	99.0%
Human Resources Information Services	<u>3,475,904</u>	<u>3,371,561</u>	<u>104,343</u>	<u>97.0%</u>
Program Total	4,461,316	4,240,636	220,680	95.1%
Risk Management and Tort Defense Division				
Agency Insurance	<u>35,091,855</u>	<u>31,353,193</u>	<u>3,738,662</u>	<u>89.3%</u>
Program Total	35,091,855	31,353,193	3,738,662	89.3%
Total	<u>\$ 372,252,894</u>	<u>\$ 355,768,801</u>	<u>\$ 16,484,092</u>	<u>95.6%</u>

Non-budgeted proprietary funds in the Department of Administration have increased by approximately \$6.0 million in FY 2022 since the June quarterly financial report. This includes changes in the State Financial Services Division and the State Information Technology Services Division. Significant changes include:

- An increase of \$5.2 million in the State Information Technology Services Division (SITSD) proprietary fund. This includes an increase of approximately \$322,000 in personal services, \$4.1 million in operating expenses, \$459,000 in equipment and intangible assets, and \$407,000 in debt service

Although the budget was increased, approximately \$4.0 million remained in the FY 2022 budget. Anticipated expenditures for equipment and specific contracts will not occur until FY 2023

- In July of 2021, the Department of Administration moved SITSD's Contract Asset Management Bureau to the State Procurement Bureau (SPB) in the State Financial Services Division (SFSD) in order to create operating efficiencies. That reorganization moved 7.00 FTE, personal services funding of approximately \$632,000, and operating expenses of approximately \$104,000 to the SFSD and created the Information Technology Procurement Unit (ITPU). In February 2022, SFSD hired a consultant to provide an assessment and recommendations for modernizing procurement within the State of Montana. The assessment identified that most duties performed by the ITPU were to support SITSD business operations and not central procurement duties provided by the SPB. As a result, it was determined that the ITPU belonged under SITSD. Effective July 1, 2022, ITPU was reorganized under SITSD's Finance and Budget Bureau and renamed the Contract and Vendor Management Services (CVMS). In addition, SITSD and SPB agreed there was a need for an IT contracts officer to support IT procurements across the enterprise and reside in SPB
- An increase in authority of approximately \$668,000 to the SABHRS proprietary fund. This increase was due to an Oracle license agreement. Additional software fees of approximately \$1.0 million are being paid on an installment plan through FY 2024 and on-going software maintenance costs of \$220,000 will be paid annually

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 June 1, 2022 through July 31, 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	June Modified Budget	FYE22 Modified Budget	Net Modifications
Department of Administration	27,693,967	27,693,967	0
ARCHITECTURE & ENGINEERING DIV	2,385,715	2,385,715	0
DIRECTORS OFFICE	8,897,394	8,822,894	-74,500
DIV OF BANKING & FINANCIAL INS	4,384,765	4,324,765	-60,000
MONTANA STATE LOTTERY	6,158,203	6,158,203	
MONTANA TAX APPEAL BOARD	666,876	666,876	
STATE FINANCIAL SERVICES DIV	3,248,714	3,234,214	-14,500
STATE HUMAN RESOURCES DIVISION	1,952,300	2,101,300	149,000
STATE IT SERVICES DIVISION	0	0	
Total	27,693,967	27,693,967	0

Acct & Lvl 1 DESC	June Modified Budget	FYE22 Modified Budget	Net Modifications
61000 Personal Services	12,390,895	12,241,395	-149,500
62000 Operating Expenses	6,214,339	6,357,234	142,895
63000 Equipment & Intangible Assets	50,000	56,605	6,605
65000 Local Assistance	28,979	28,979	
68000 Transfers-out	8,589,879	8,589,879	
69000 Debt Service	419,875	419,875	

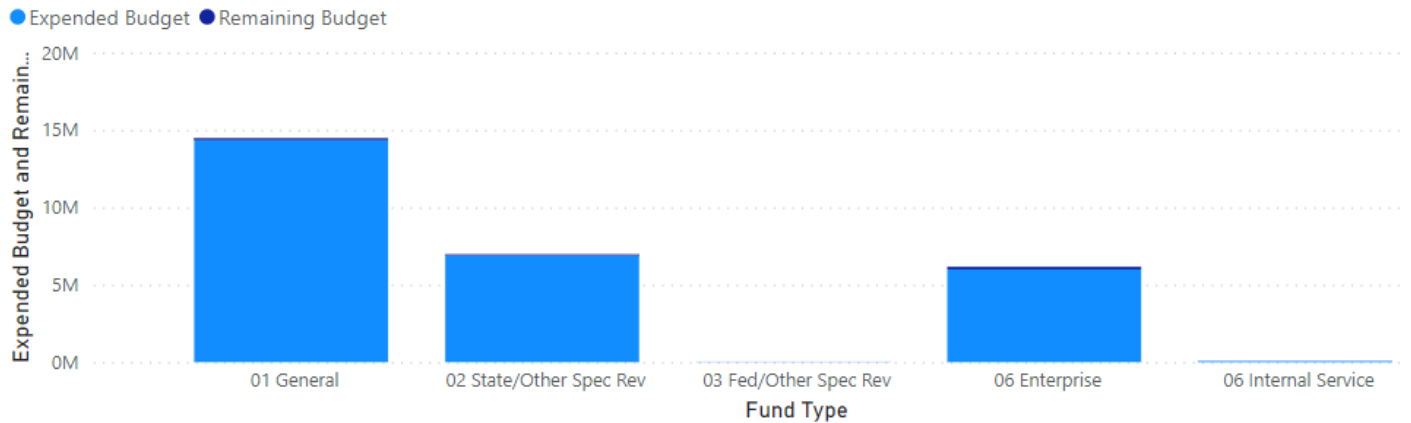
Fund Type	June Modified Budget	FYE22 Modified Budget	Net Modifications
01 General	14,470,427	14,470,427	0
02 State/Other Spec Rev	6,966,724	6,966,724	0
03 Fed/Other Spec Rev	18,530	18,530	
06 Enterprise	6,158,203	6,158,203	
06 Internal Service	80,083	80,083	

The Department of Administration had a few HB 2 budget modifications. The most significant modifications included the transfer of general fund and state special revenue authority between programs in order to allow for a statewide compensation study. State special revenue authority was transferred from the Division of Banking and Financial Services to the State Financial Services Division, in part, to free up general funds to be transferred for the study. The department then moved general fund totaling \$74,500 from the Director's Office and \$74,500 from the State Financial Services Division to the State Human Resources Division.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through the end of FY 2022.

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



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	12,241,395	11,944,375	97.6%
Operating Expenses	6,357,234	6,341,805	99.8%
Equipment & Intangible Assets	56,605	-6,604	-11.7%
Local Assistance	28,979	11,896	41.1%
Transfers-out	8,589,879	8,589,879	100.0%
Debt Service	419,875	419,874	100.0%

Program Name	Modified Budget	Expended Budget	Percent Expended
ARCHITECTURE & ENGINEERING DIV	2,385,715	2,308,893	96.8%
DIRECTORS OFFICE	8,822,894	8,752,691	99.2%
DIV OF BANKING & FINANCIAL INS	4,324,765	4,319,755	99.9%
MONTANA STATE LOTTERY	6,158,203	5,988,769	97.2%
MONTANA TAX APPEAL BOARD	666,876	614,859	92.2%
STATE FINANCIAL SERVICES DIV	3,234,214	3,228,074	99.8%
STATE HUMAN RESOURCES DIVISION	2,101,300	2,088,184	99.4%
STATE IT SERVICES DIVISION	0	0	0%
Total	27,693,967	27,301,226	98.6%

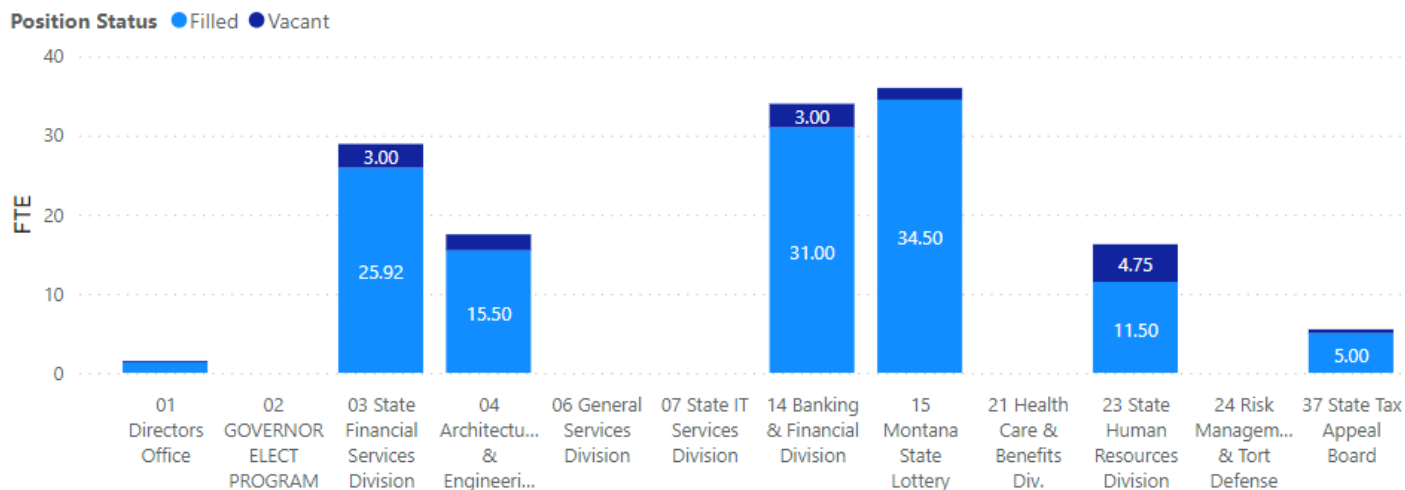
The Department of Administration expended 98.6% of its \$27.7 million HB 2 modified budget through the end of FY 2022. This is in line with anticipated expenditures at the end of the fiscal year.

Appropriations for general fund, state special revenue funds, and enterprise funds comprise 99.6% of total HB 2 authority. General fund was 99.1% expended, state special revenue was 98.8% expended, and enterprise funds were 97.2% expended.

Personal Services

Appropriations for personal services in the Department of Administration total \$12.2 million and are 97.6% expended through the end of FY 2022. The department has 139.67 HB 2 FTE and 89.3% of these positions are filled as of August 1, 2022. Of the 14.92 FTE that are vacant, 10.50 FTE have been vacant for seven months or

less (since January 2022). As of July 20, 2022, the department was in the process of recruiting for 7.00 FTE. The following chart shows the filled and vacant FTE within the agency.

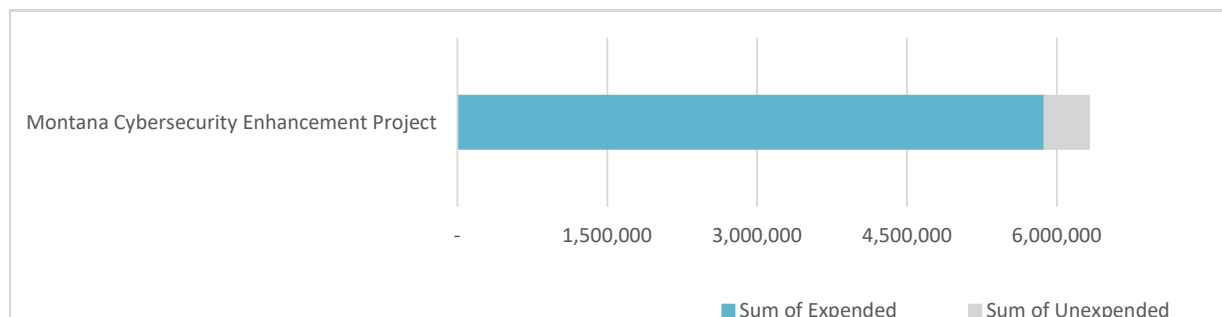


According to the department, DOA has been experiencing higher than normal voluntary turnover and approximately 75.0% of the voluntary resignations left their employment with state government. The turnover rate at the end of FY 2022 was 24.0%, which is double the turnover rate that they have experienced over the last several years.

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 93.0% 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) has expended approximately \$5.9 million to date. 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 December 2022. The remaining expenditures total approximately \$7,000. This solution streamlines the security assessment process and provides real-time and holistic visibility of risks
- The Enterprise Risk Assessment, which is 60.0% complete and targeted to be finished by the end of October 2022. Approximately \$7,000 in expenditures remain for this project