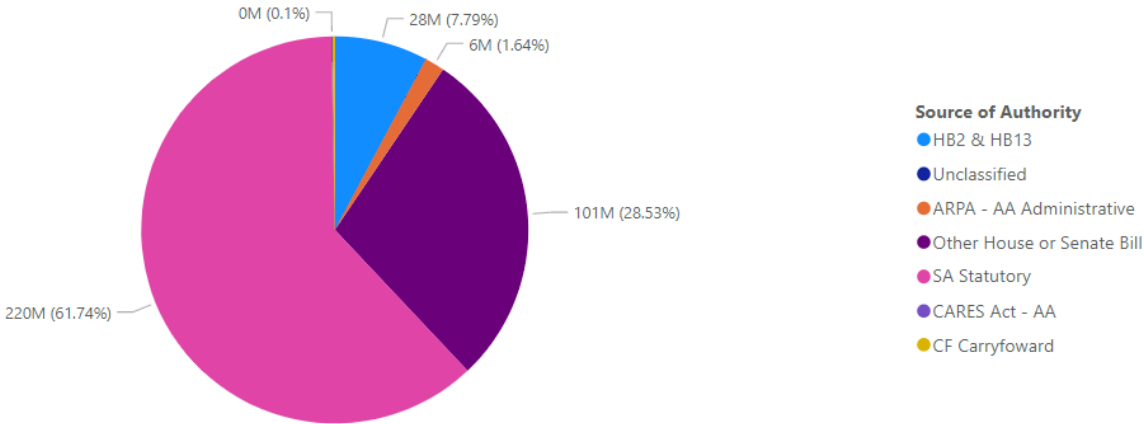


DEPARTMENT OF ADMINISTRATION

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 7.8% 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	24,319,538	87.8%
CF Carryforward	662,916	58,735	8.9%
Other House or Senate Bill	101,464,036	80,330	0.1%
SA Statutory	219,565,797	191,948,474	87.4%
Unclassified	55,001		
CARES	344,452	344,452	100.0%
ARPA	5,825,790	1,315,559	22.6%
Total	355,611,960	218,067,089	61.3%

Statutory Appropriations

Statutory appropriations in the Department of Administration total approximately \$219.6 million through May, which is 61.7% of the total appropriation authority. Statutory appropriation authority consists of \$100.9 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, 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 the end of May 2022				
	Appropriations	Expenditures	Remaining Appropriations	Percent Expended
General Fund				
Debt Service	\$ 14,510,585	\$ 14,427,360	\$ 83,225	99.4%
Local Government PERD Contribution	563,341	470,615	92,726	83.5%
School District PERS Contribution	663,082	543,580	119,502	82.0%
TRS GABA Contribution	1,000,000	683,003	316,997	68.3%
TRS Supplemental Contribution	46,300,000	39,426,508	6,873,492	85.2%
State Fund Division	294,023	125,175	168,848	42.6%
Public Employees Retirement Transfer	34,633,570	31,747,440	2,886,130	91.7%
Bank Charges	2,636,070	1,843,556	792,514	69.9%
Cash Management Interest	1,631	1,631	-	100.0%
Federal Rebates	253,000	-	253,000	0.0%
Hay Hotline	<u>38,724</u>	<u>-</u>	<u>38,724</u>	<u>0.0%</u>
Total General Fund	100,894,026	89,268,868	11,625,158	88.5%
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	<u>5,000</u>	<u>850</u>	<u>4,150</u>	<u>17.0%</u>
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	<u>14,382,681</u>	<u>14,382,681</u>	<u>0</u>	<u>100.0%</u>
Total Federal Special Revenue	14,507,681	14,502,135	5,546	100.0%
Enterprise Funds				
Lottery Prizes	81,330,795	71,023,254	10,307,541	87.3%
Lottery Commissions	7,182,607	6,208,239	974,368	86.4%
Lottery Vendor Fees	<u>9,064,188</u>	<u>7,066,174</u>	<u>1,998,014</u>	<u>78.0%</u>
Total Enterprise Funds	97,577,590	84,297,667	13,279,923	86.4%
Total Statutory Appropriations	<u>\$ 219,565,797</u>	<u>\$ 191,948,474</u>	<u>\$ 27,617,323</u>	<u>87.4%</u>

Statutory appropriations in the Department of Administration have increased by approximately \$23.1 million in FY 2022 since the March quarterly financial report. This includes increases of approximately \$349,000 general fund, \$10.6 million federal special revenue, and \$12.1 million enterprise funds.

The increase in general fund statutory appropriations was primarily due to the federal share of the pro-card rebate and the state fund dividend. In FY 2022 the pro-card rebate totaled approximately \$1.0 million and the federal share of the rebate totaled approximately \$253,000. There was a second dividend payment of approximately \$1.5 million for policy year 2020. Approximately \$169,000 of this dividend is associated with payments from federal funds and will be returned to the federal government. Additional authority of approximately \$94,000 was needed in order to complete this payment.

The increase in federal special revenue authority is related to the forest reserve funds. The Secure Rural Schools Program funding, which is part of the forest reserve payment, was going to sunset at the time the budget was developed and approved. It was reauthorized in the Infrastructure Investment and Jobs Act in November 2021. An additional \$10.6 million was added in statutory appropriation authority in order to match the amount of federal funds received so payments could be processed and sent to counties.

Enterprise funds increased for lottery prizes by \$11.0 million, commissions by \$700,000, and vendor fees by \$400,000. The Montana State Lottery has experienced large increases in ticket sales, including sports bet tickets, which has resulted in an increase in prizes, retailer commissions, and vendor fees.

Other Bills

The Department of Administration has approximately \$101.5 million of appropriation authority in other bills. The appropriation authority in other bills decreased by \$6.2 million since the March quarterly financial report. A portion of this decrease is due to a transfer of \$2.5 million to the Department of Transportation for its Federal Billing System Project that was approved by the 2021 Legislature in HB 10. The remaining decrease is due to the reversion, or returning, of appropriation authority for several projects, which include:

- \$3.0 million of the \$19.7 million approved by the 2011 Legislature in HB 10 for the status, tax accounting, and rating system (STAARS) at the Department of Labor and Industry
- \$354,000 for the integrated justice information system (IJIS) data exchange project at the Department of Justice. The Department of Administration was appropriated approximately \$6.5 million for statewide projects in HB 10 by the 2015 Legislature. The Department of Justice received \$370,000
- \$350,000 of the \$350,000 approved by the 2013 Legislature in HB 10 for the computer maintenance management system at the Department of Administration
- \$21,000 of the \$502,000 approved by the 2013 Legislature in HB 10 for the campaign reporting service and database rewrite at the Commissioner of Political Practices

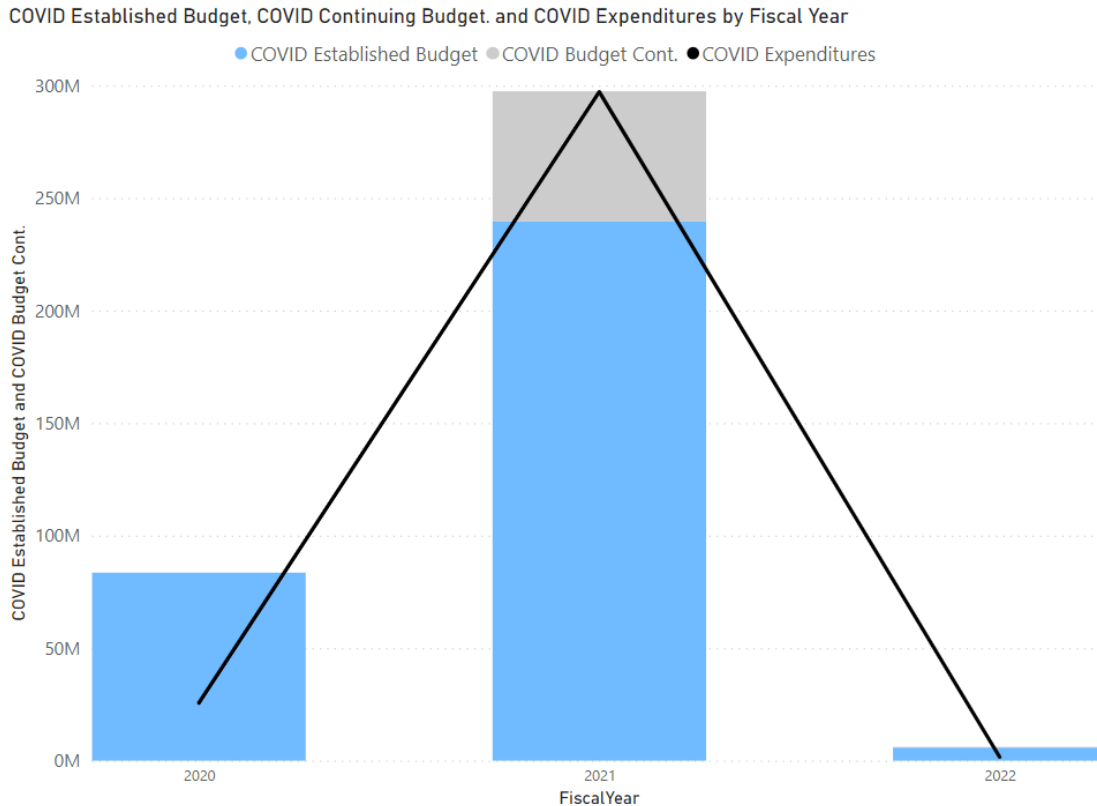
The remaining authority of \$101.5 million is primarily comprised of funding for Long-Range Information Technology Program (LRITP). Significant appropriations include:

- 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. LRITP projects often take a number of years to complete, which is the reason for the low expenditures at this point in time. 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.



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 27.2% 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 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 May. This funding is 26.9% expended. The majority of this funding is for administering the broadband program, which has appropriations of approximately \$5.3 million and expenditures of approximately \$1.1 million through the end of May. 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 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, State Human Resources Division, and the Montana Tax Appeal Board. The general fund carryforward authority is primarily allocated to operating expenses and is 16.0% expended through May
- 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 11.3% 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

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:

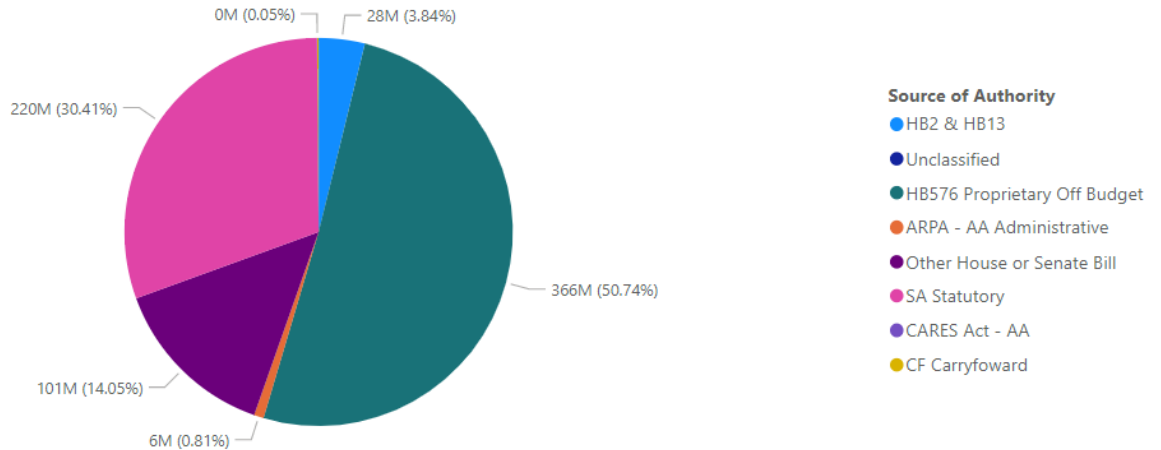
- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

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

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	27,693,967	24,319,538	87.8%
CF Carryforward	662,916	58,735	8.9%
HB576 Proprietary Off Budget	366,300,289	318,913,956	87.1%
NB Non-Budgeted		14,589,863	Infinity
Other House or Senate Bill	101,464,036	80,330	0.1%
SA Statutory	219,565,797	191,948,474	87.4%
Unclassified	55,001		
CARES	344,452	344,452	100.0%
ARPA	5,825,790	1,315,559	22.6%
Total	721,912,249	551,570,908	76.4%

Non-budgeted Proprietary Fund Authority

A significant portion, or 50.7%, of the funding for the Department of Administration is from non-budgeted proprietary funds and totals \$366.3 million through May. These funds support the operations of several programs in the Department of Administration. Overall, the department has expended 87.1% 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 May.

Department of Administration Non-Budgeted Proprietary Funds FY 2022 as of the end of May 2022				
	Budget	Expenditures	Remaining Budget	Percent Expended
Director's Office				
Management Services	\$ 2,067,595	\$ 1,884,939	\$ 182,656	91.2%
Continuity Emergency Management	348,459	149,401	199,058	42.9%
Program Total	<u>2,416,054</u>	<u>2,034,340</u>	<u>381,714</u>	<u>84.2%</u>
State Financial Services Division				
Local Government Services Audit & Reporting	821,515	587,034	234,481	71.5%
SABHRS	4,533,960	3,572,033	961,927	78.8%
SITSD Proprietary	735,924	7,305	728,619	1.0%
Warrant Writing	<u>762,024</u>	<u>632,880</u>	<u>129,144</u>	<u>83.1%</u>
Program Total	<u>6,853,423</u>	<u>4,799,251</u>	<u>2,054,172</u>	<u>70.0%</u>
General Services Division				
Surplus Property	800,058	666,606	133,452	83.3%
Rent And Maintenance	11,515,720	9,365,865	2,149,855	81.3%
Print and Mail Services	<u>11,020,808</u>	<u>9,389,908</u>	<u>1,630,900</u>	<u>85.2%</u>
Program Total	<u>23,336,586</u>	<u>19,422,379</u>	<u>3,914,207</u>	<u>83.2%</u>
State Information Technology Services Division				
Electronic Government Services	3,103,034	1,041,122	2,061,912	33.6%
SITSD Proprietary	<u>53,756,655</u>	<u>51,975,697</u>	<u>1,780,958</u>	<u>96.7%</u>
Program Total	<u>56,859,689</u>	<u>53,016,819</u>	<u>3,842,870</u>	<u>93.2%</u>
Health Care and Benefits Division				
Flexible Spending Funds	7,879,093	6,467,362	1,411,731	82.1%
Group Benefits Claims	229,054,295	199,366,007	29,688,288	87.0%
Workers' Compensation Management Program	<u>347,978</u>	<u>167,312</u>	<u>180,666</u>	<u>48.1%</u>
Program Total	<u>237,281,366</u>	<u>206,000,681</u>	<u>31,280,685</u>	<u>86.8%</u>
State Human Resources Division				
Intergovernmental Training	453,644	300,286	153,358	66.2%
Group Benefits Claims	531,768	483,719	48,049	91.0%
Human Resources Information Services	<u>3,475,904</u>	<u>3,068,132</u>	<u>407,772</u>	<u>88.3%</u>
Program Total	<u>4,461,316</u>	<u>3,852,137</u>	<u>609,179</u>	<u>86.3%</u>
Risk Management and Tort Defense Division				
Agency Insurance	<u>35,091,855</u>	<u>29,788,347</u>	<u>5,303,508</u>	<u>84.9%</u>
Program Total	<u>35,091,855</u>	<u>29,788,347</u>	<u>5,303,508</u>	<u>84.9%</u>
Total	<u>\$ 366,300,289</u>	<u>\$ 318,913,956</u>	<u>\$ 47,386,333</u>	<u>87.1%</u>

Non-budgeted proprietary funds in the Department of Administration have increased by approximately \$20.7 million in FY 2022 since the March quarterly financial report. This includes increases in the Health Care and Benefits Division and Risk Management and Tort Defense Division.

The budget for the group benefits claim fund in the Health Care and Benefits Division (HCBDB) increased by approximately \$18.1 million in FY 2022. There was an increase in operating expenses authority because of a new health center contract that began on January 1, 2021. The new contracted fees are higher than the fees paid in the previous contract. There was an increase in benefits and claims authority primarily for medical,

although pharmacy claims are also trending upward. The Department of Administration provided the following information for additional context related to the trend increases:

- The State's health plan did experience a larger trend increase in 2021 as members began to seek services at a higher rate since the shutdown and slowdown from the pandemic. The health plan is currently experiencing an even higher trend thus far for plan year 2022. The higher trend is primarily related to higher utilization of services. The HCBD actuary and third-party administrator (TPA) have indicated this is what they are seeing across the board for their clients and book of business. The current hope and prediction is that this spike in utilization for the catch up in delayed services will soon slow down to more normal levels within the next year. The HCBD continues to look for ways to manage health plan expenses, including a TPA request for proposal (RFP) that just recently closed and is working through the evaluation process

The budget for the Risk Management and Tort Defense Division increased by \$2.5 million. This increase was because settlement agreements with some Libby mine claimants required a contingent payment based on the amount of money the state was paid by the National Indemnity Company.

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 March 1, 2022 through May 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	March Modified Budget	June Modified Budget	Net Modifications
Department of Administration	27,709,156	27,693,967	-15,189
ARCHITECTURE & ENGINEERING DIV	2,387,865	2,385,715	-2,150
DIRECTORS OFFICE	8,897,394	8,897,394	
DIV OF BANKING & FINANCIAL INS	4,389,335	4,384,765	-4,570
MONTANA STATE LOTTERY	6,161,030	6,158,203	-2,827
MONTANA TAX APPEAL BOARD	667,642	666,876	-766
STATE FINANCIAL SERVICES DIV	3,251,873	3,248,714	-3,159
STATE HUMAN RESOURCES DIVISION	1,954,017	1,952,300	-1,717
STATE IT SERVICES DIVISION	0	0	
Total	27,709,156	27,693,967	-15,189

Acct & Lvl 1 DESC	March Modified Budget	June Modified Budget	Net Modifications
61000 Personal Services	12,406,084	12,390,895	-15,189
62000 Operating Expenses	6,586,533	6,214,339	-372,194
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	47,681	419,875	372,194

Fund Type	March Modified Budget	June Modified Budget	Net Modifications
01 General	14,475,846	14,470,427	-5,419
02 State/Other Spec Rev	6,973,662	6,966,724	-6,938
03 Fed/Other Spec Rev	18,535	18,530	-5
06 Enterprise	6,161,030	6,158,203	-2,827
06 Internal Service	80,083	80,083	

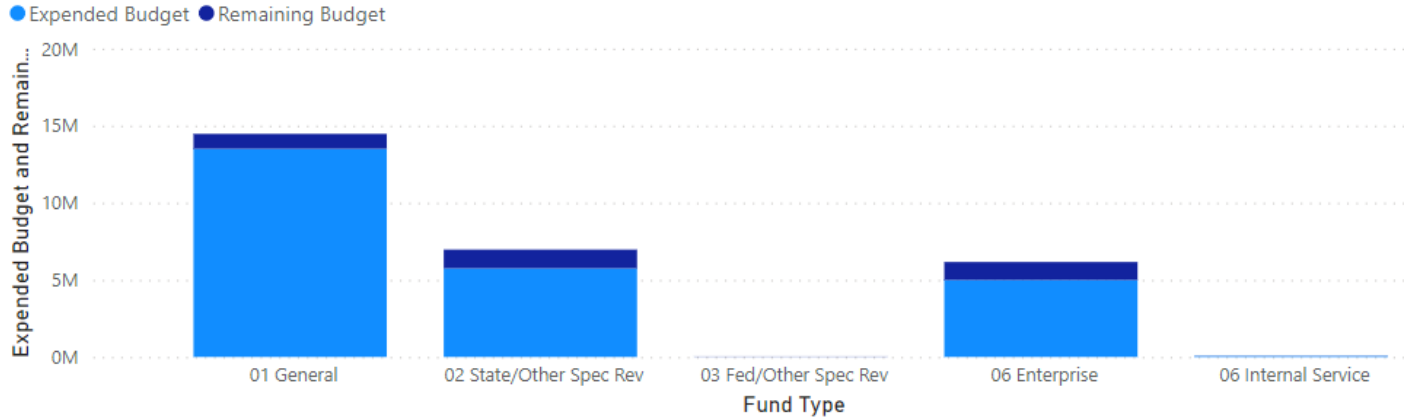
The Department of Administration had a few HB 2 budget modifications. Significant modifications include:

- The department had two programs that made modifications in order to follow new accounting standards for recording building leases. As a result, the Banking and Financial Institutions Division transferred approximately \$162,000 state special revenue funding and the Montana State Lottery transferred approximately \$217,000 enterprise funding from operating expenses to debt service
- The department had savings related to a reduction in workers' compensation premiums. The reduction from all sources of authority, as discussed above, was approximately \$55,000. Of this total, approximately \$15,000 was associated with HB 2 authority and is shown in the charts above

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures as of May 31, 2022.

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



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	12,390,895	10,752,298	86.8%
Operating Expenses	6,214,339	4,753,905	76.5%
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	419,875	221,126	52.7%

Program Name	Modified Budget	Expended Budget	Percent Expended
ARCHITECTURE & ENGINEERING DIV	2,385,715	1,918,579	80.4%
DIRECTORS OFFICE	8,897,394	8,718,932	98.0%
DIV OF BANKING & FINANCIAL INS	4,384,765	3,637,985	83.0%
MONTANA STATE LOTTERY	6,158,203	4,994,641	81.1%
MONTANA TAX APPEAL BOARD	666,876	554,218	83.1%
STATE FINANCIAL SERVICES DIV	3,248,714	2,940,328	90.5%
STATE HUMAN RESOURCES DIVISION	1,952,300	1,554,855	79.6%
STATE IT SERVICES DIVISION	0		
Total	27,693,967	24,319,538	87.8%

The Department of Administration expended 87.8% of its \$27.7 million HB 2 modified budget through May. 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 in the Architecture and Engineering Division, Banking and Financial Institutions Division, Montana State Lottery and State Human Resources Division is low. These low percentages expended are offset by the high percentage expended in the Director's Office.

The Architecture and Engineering Division's HB 2 appropriations are approximately \$2.4 million and 80.4% expended through the end of May. Personal services appropriations of \$1.7 million are 89.0% expended, which aligns with anticipated expenditures at this point in the fiscal year. Operating expenses of approximately \$660,000 are 57.9% expended. According to the department, operating expenses are anticipated to increase by

the end of the fiscal year. The Architecture and Engineering Division strategically manages its consulting and professional services funds to allow for directing these funds to projects that have the greatest need. With the current inflationary construction environment, the division is anticipating using all of these funds by the end of the fiscal year. Additionally, travel costs have been lower because of the ability to conduct virtual meetings. However, it is anticipated these costs are going to increase because there is a need for higher travel at this point in the fiscal year.

The Banking and Financial Institutions Division's HB 2 appropriations are approximately \$4.4 million and 83.0% expended through May. Personal services appropriations of approximately \$3.4 million are 84.5% expended. The slightly lower percentage expended is due to intermittent vacancies in several positions. The division currently has 2.00 FTE vacant and is anticipating filling these positions prior to the end of the fiscal year. Appropriations for operating expenses total \$840,000 and are 73.5% expended. Lower operating expenses are due to decreased travel costs related to examinations and training because of impacts from the pandemic.

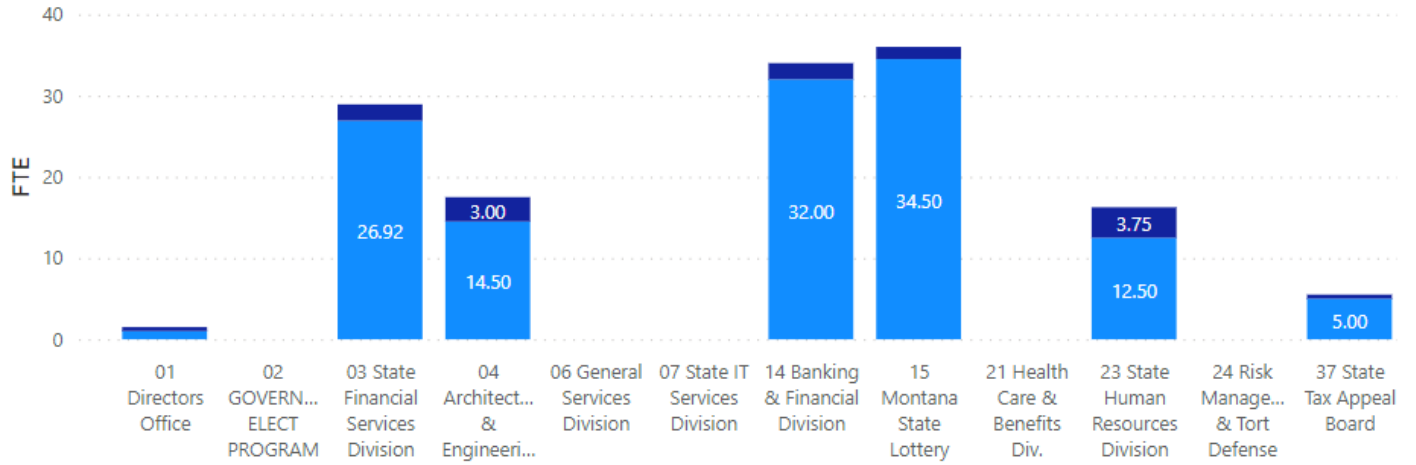
The Montana State Lottery's HB 2 appropriations are approximately \$6.2 million and 81.1% expended through May. The lower percentage expended is primarily in debt service and operating expenses. There is \$200,000 appropriated for debt service and 8.3% has been expended. As discussed above, new accounting standards require certain building leases to be recorded as debt service. While the appropriation authority has been transferred, rent expenditures of \$206,000 have not been transferred from operating expenses yet, which is causing the low percentage expended. Operating expenses of \$3.2 million are 79.4% expended and will be lower when rent expenditures are transferred to debt service. According to the department, the lower percentage expended is due to caution exercised in the fiscal management of expenditures.

The State Human Resources Division's approximately \$2.0 million appropriations are 79.6% expended through May. Operating expenses of approximately \$448,000 are 54.3% expended. Lower operating expenses are due to the timing of payments for a technology contract, which will have an expenditure of approximately \$218,000 at the end of the fiscal year.

Personal Services

Appropriations for personal services in the Department of Administration total \$12.4 million and are 86.8% expended through May. The department has 139.67 HB 2 FTE and 90.5% of these positions are filled as of May 1, 2022. The following chart shows the filled and vacant FTE within the agency as of May 1, 2022. According to the department, out of the 13.24 FTE that are vacant, there are 9.82 FTE that are currently in the process of being recruited. This includes positions that are posted, in the process of being hired, or have been hired but have not started yet.

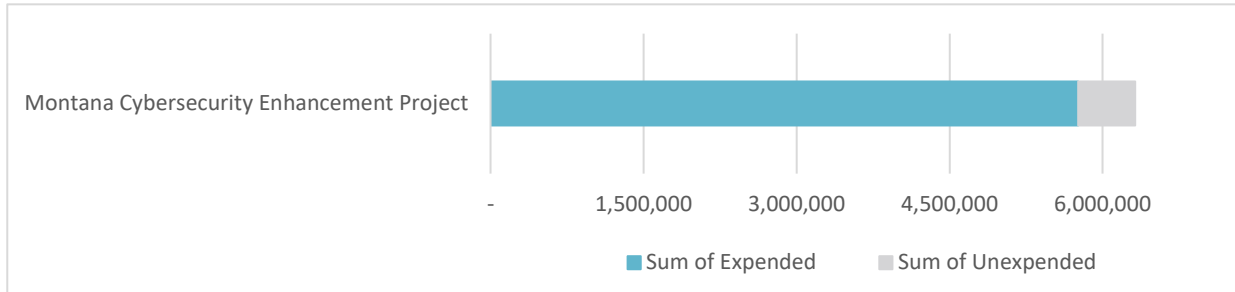
Position Status ● Filled ● Vacant



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 91.1% 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 \$5.8 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 \$21,750. 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 \$108,000 in expenditure remain for this project