

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	4,991,601	5,174,386	182,785	3.66 %
Operating Expenses	1,587,551	1,966,322	378,771	23.86 %
<b>Total Expenditures</b>	<b>\$6,579,152</b>	<b>\$7,140,708</b>	<b>\$561,556</b>	<b>8.54 %</b>
General Fund	5,950,840	6,564,427	613,587	10.31 %
State/Other Special Rev. Funds	455,488	402,445	(53,043)	(11.65)%
Federal Spec. Rev. Funds	11,651	11,656	5	0.04 %
Proprietary Funds	161,173	162,180	1,007	0.62 %
<b>Total Funds</b>	<b>\$6,579,152</b>	<b>\$7,140,708</b>	<b>\$561,556</b>	<b>8.54 %</b>
<b>Total Ongoing</b>	<b>\$6,579,152</b>	<b>\$7,140,708</b>	<b>\$561,556</b>	<b>8.54 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The State Financial Services Division performs many centralized functions and administers state and federal programs to state agencies, local government entities, and Montana citizens and businesses. The division consists of four bureaus – Statewide Accounting, State Procurement, SABHRS Financial Services Technology, and Local Government Services, which includes the State Social Security Administrator. The Division Strategies and Solutions Team (DSST) provides resources at the division level and focuses on operational business strategies and technology solutions to support division-wide initiatives.

The Statewide Accounting Bureau (SAB) serves as the process owner for the financial modules within the Statewide Accounting Budgeting & Human Resources System (SABHRS), assists state agencies in operating SABHRS, and maintains a statewide accounting structure with related policies and procedures for all state agencies and branches of government to satisfy reporting requirements. The state financial reporting section prepares and publishes the state's annual comprehensive financial report (ACFR) and serves as the subject matter experts for accounting within the state. The Daily Operations Section includes both the Treasury and Warrant Writer Units. The Treasury provides central banking functions for the state, reconciles the state's banking activity/movement of cash, and manages bank contracts. The Treasury and the Board of Investments (BOI) work jointly to manage the State of Montana's cash effectively. The Warrant Writer responsibilities include management of statewide vendor files, payment processes, and issuance of IRS 1099 MISC and IRS 1042 forms to entities that serve the state.

The Local Government Services Bureau (LGSB) works with local governments (counties, cities, towns, school districts, and special districts) to support uniform financial accountability and to assist the local governments in complying with their statutory, financial, and budgetary reporting requirements, including provisions of the Montana Single Audit Act. LGSB receives and makes the local government financial, budget, and audit reports available to the public. The State Social Security Administrator is responsible for administering Section 218 of the Social Security Act by providing education and outreach and ensuring proper application of Social Security coverage to all state and local government employees.

The SABHRS Financial Services Technology Bureau (FSTB) provides system analysis, support, configuration, development, and maintenance of the state's enterprise accounting and budgeting systems. The bureau also manages system architecture and provides database administration for the entire SABHRS application. FSTB partners with the Statewide Accounting Bureau, Governor's Office of Budget and Program Planning, Legislative Fiscal Division, and the State Human Resources Division to gather business requirements and develop application strategies. In addition, the FSTB supports the electronic Montana Acquisition and Contracting System (eMACS).

The State Procurement Bureau (SPB) provides professional procurement services to all state agencies for the acquisition of supplies and services. SPB advocates for compliance with all state statutes and procurement requirements, establishes statewide contracts for commonly used goods and services, manages the state's fuel and procurement card programs, and

offers procurement and contract management training to state agencies. Also, the SPB promotes compliance with the Montana Procurement Act (MCA Title 18-4) and is the business process owner of the eMACS. The SPB strives to assist the state in receiving the maximum value for taxpayer dollars.

**Program Highlights**

<b>State Financial Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The State Financial Services Division’s 2025 biennium budget request is about \$562,000 or 8.5% higher than the 2023 biennium budget</li> <li>• Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, inflation/deflation, and an increase in indirect costs paid to the Director’s Office</li> <li>• The executive is proposing an increase for operating expenses for the warrant writer unit of approximately \$70,000 in FY 2024 and \$76,000 in FY 2025, due to increased postage and printing costs</li> <li>• The majority of the funding in the division is from non-budgeted proprietary funds. The legislature approves the rates for the SABHRS and warrant writing internal service funds in HB 2 and reviews the local government services enterprise fund. The executive is proposing rate increases for both the SABHRS and warrant writer unit internal services funds</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	28.92	28.92	28.92	28.92
Personal Services	2,358,029	2,438,483	2,553,118	2,579,133	2,595,253
Operating Expenses	870,049	795,731	791,820	981,760	984,562
<b>Total Expenditures</b>	<b>\$3,228,078</b>	<b>\$3,234,214</b>	<b>\$3,344,938</b>	<b>\$3,560,893</b>	<b>\$3,579,815</b>
General Fund	2,892,029	2,892,064	3,058,776	3,273,262	3,291,165
State/Other Special Rev. Funds	255,978	256,244	199,244	200,713	201,732
Federal Spec. Rev. Funds	0	5,823	5,828	5,828	5,828
Proprietary Funds	80,071	80,083	81,090	81,090	81,090
<b>Total Funds</b>	<b>\$3,228,078</b>	<b>\$3,234,214</b>	<b>\$3,344,938</b>	<b>\$3,560,893</b>	<b>\$3,579,815</b>
<b>Total Ongoing</b>	<b>\$3,228,078</b>	<b>\$3,234,214</b>	<b>\$3,344,938</b>	<b>\$3,560,893</b>	<b>\$3,579,815</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriations Compared to FY 2022 Actual Expenditures*

The State Financial Services Division expended 99.8% of its \$3.2 million budget as of the end of FY 2022. This is in line with anticipated expenditures at the end of the fiscal year.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

Overall, the FY 2023 appropriation is approximately \$111,000 or 3.4% higher than the FY 2022 appropriation. The FY 2023 appropriation is higher than the FY 2022 appropriation primarily due to the legislatively approved pay plan that increased personal services appropriations in FY 2023, and the state share holiday approved in the 2021 Legislative Session, which decreased the state share contribution for health insurance in FY 2022.

*Executive Request*

The State Financial Services Division executive request is an increase of approximately \$195,000 in FY 2024 and \$213,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to increases in the statewide present law adjustments for personal services, fixed costs, and inflation/deflation.

**Program Personal Services**

Personal services were about \$2.6 million or 76.3% of the FY 2023 base budget. The executive proposes a statewide present law increase of about \$5,000 in FY 2024 and \$21,000 in FY 2025.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Department of Administration, 03-State Financial Services Div Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	6,564,427	0	0	4,558,140	11,122,567	43.72 %	
02211 Procurement Special Revenue	402,445	0	0	0	402,445	100.00 %	
<b>State Special Total</b>	<b>\$402,445</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$402,445</b>	<b>1.58 %</b>	
03320 CMIA Funds	11,656	0	0	0	11,656	100.00 %	
03922 ARPA Local Recovery Sec 603	0	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$11,656</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,656</b>	<b>0.05 %</b>	
06042 Local Govt Svcs AuditRportng	0	0	1,863,165	0	1,863,165	13.40 %	
06511 SABHRS	0	0	10,140,259	0	10,140,258	72.93 %	
06527 Investment Division	162,180	0	0	0	162,180	1.17 %	
06564 Warrant Writing	0	0	1,739,399	0	1,739,399	12.51 %	
<b>Proprietary Total</b>	<b>\$162,180</b>	<b>\$0</b>	<b>\$13,742,822</b>	<b>\$0</b>	<b>\$13,905,002</b>	<b>54.65 %</b>	
<b>Total All Funds</b>	<b>\$7,140,708</b>	<b>\$0</b>	<b>\$13,742,822</b>	<b>\$4,558,140</b>	<b>\$25,441,670</b>		

*HB 2 Appropriations*

HB 2 general fund appropriations support 25.6% of the costs in the State Financial Services Division.

General fund is the primary source for the functions approved in HB 2. General fund supports the development of statewide accounting standards, treasury functions, procurement functions, accounting assistance for local governments, and the State Social Security Administrator function.

The procurement state special revenue fund receives revenue from all rebates credited to the department from using state procurement cards and term contracts. The revenue must be used to administer the state's procurement card programs,

administer term contracts established by the department, and reimburse applicable funds to the federal government. The unreserved, unexpended balance of the funds collected must be deposited in the general fund by the end of the fiscal year.

Federal special revenues provide for cash management services related to the federal Cash Management Improvement Act (CMIA). These funds are deposited into the general fund.

Proprietary funding in HB 2 is a direct appropriation from the Board of Investments (BOI) proprietary fund for services the Treasury Unit provides to the BOI.

*Nonbudgeted Proprietary Appropriations*

Non-Budgeted proprietary funds support approximately 54.8% of the State Financial Services Division functions. These funds are discussed in the Proprietary Rates section of the narrative.

*Statutory Appropriations*

Approximately 17.9% of the funding State Financial Services Division receives is statutorily appropriated. The state treasurer may contract with a financial institution to provide general depository banking services. The cost of contracting for banking services is statutorily appropriated from the general fund (17-6-101, MCA). In addition, the state treasurer has statutory authority to return any federal funds and the interest earned on the funds that may not be retained by the state according to federal law or the terms of the federal grant (17-3-106, MCA).

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	3,058,776	3,058,776	6,117,552	93.19 %	3,344,938	3,344,938	6,689,876	93.69 %
SWPL Adjustments	196,280	214,183	410,463	6.25 %	176,790	195,456	372,246	5.81 %
PL Adjustments	17,286	17,286	34,572	0.53 %	17,064	17,064	34,128	0.48 %
New Proposals	920	920	1,840	0.03 %	920	920	1,840	0.03 %
<b>Total Budget</b>	<b>\$3,273,262</b>	<b>\$3,291,165</b>	<b>\$6,564,427</b>		<b>\$3,539,712</b>	<b>\$3,558,378</b>	<b>\$7,098,090</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.