

Agency 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.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	25,047,054	26,861,804	1,814,750	7.25 %
Operating Expenses	12,367,182	13,811,611	1,444,429	11.68 %
Equipment & Intangible Assets	106,605	135,000	28,395	26.64 %
Local Assistance	57,958	57,958	0	0.00 %
Transfers	25,739,511	17,749,939	(7,989,572)	(31.04)%
Debt Service	839,750	839,750	0	0.00 %
Total Expenditures	\$64,158,060	\$59,456,062	(\$4,701,998)	(7.33)%
General Fund	37,718,724	30,915,619	(6,803,105)	(18.04)%
State/Other Special Rev. Funds	14,024,858	15,391,478	1,366,620	9.74 %
Federal Spec. Rev. Funds	37,065	37,070	5	0.01 %
Proprietary Funds	12,377,413	13,111,895	734,482	5.93 %
Total Funds	\$64,158,060	\$59,456,062	(\$4,701,998)	(7.33)%
Total Ongoing	\$64,158,060	\$59,381,062	(\$4,776,998)	(7.45)%
Total OTO	\$0	\$75,000	\$75,000	100.00 %

Mission Statement

The Department of Administration's mission is serving state government to benefit the citizens of Montana.

Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Administration's 2025 biennium HB 2 budget request is approximately \$4.7 million or 7.3% lower than the 2023 biennium • Only 4.7% of the department's budget is appropriated through HB 2, with the remainder consisting of non-budgeted proprietary and statutory appropriations. Significant proposals in HB 2 include: <ul style="list-style-type: none"> ◦ Present law increases in general fund of approximately \$15.0 million in FY 2024 and \$16.0 million in FY 2025 for the statutorily required transfer to the capital development account. However, the executive proposes reductions of \$23.1 million in FY 2024 and \$24.2 million in FY 2025, which eliminates the base budget and present law increase for this transfer (allowed by statute) ◦ Increase state special revenue funding of \$195,000 in each fiscal year for 2.00 FTE for information technology examiners in the Division of Banking and Financial Institutions ◦ Increase in budgeted proprietary funding of \$109,000 in FY 2024 and \$76,000 in FY 2025 in the Montana State Lottery. This request includes funding for 1.00 FTE for a sales representative • Approximately 59.6% of the department's appropriations are non-budgeted proprietary funds. Significant changes to the DOA non-budgeted proprietary funds include: <ul style="list-style-type: none"> ◦ Transfer of the State Continuity and Emergency Management Office (SCEMO) to the Department of Military Affairs Disaster and Emergency Services (DES) program. The transfer reduces DOA's non-budgeted proprietary appropriation by approximately \$354,000 in each fiscal year ◦ Elimination of the Professional Development Center (PDC) program and establishment of the State Management Training Center. This request results in a net increase of \$24,000 in FY 2024 and \$21,000 in FY 2025 or total proposed funding of \$400,000 each fiscal year for the State Management Training Center ◦ Elimination of the insurance premiums paid by state agencies to Risk Management and Tort Defense in the 2025 biennium ◦ Increased information technology costs paid by state agencies by \$11.6 million in FY 2024 and \$12.0 million in FY 2025

Agency 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.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	140.44	140.44	144.19	144.19
Personal Services	11,944,380	12,241,395	12,805,659	13,393,458	13,468,346
Operating Expenses	6,341,615	6,357,234	6,009,948	7,011,964	6,799,647
Equipment & Intangible Assets	(6,604)	56,605	50,000	85,000	50,000
Local Assistance	11,896	28,979	28,979	28,979	28,979
Transfers	8,589,879	8,589,879	17,149,632	8,495,149	9,254,790
Debt Service	419,873	419,875	419,875	419,875	419,875
Total Expenditures	\$27,301,039	\$27,693,967	\$36,464,093	\$29,434,425	\$30,021,637
General Fund	14,336,458	14,470,427	23,248,297	15,077,720	15,837,899
State/Other Special Rev. Funds	6,884,636	6,966,724	7,058,134	7,701,808	7,689,670
Federal Spec. Rev. Funds	11,307	18,530	18,535	18,535	18,535
Proprietary Funds	6,068,638	6,238,286	6,139,127	6,636,362	6,475,533
Total Funds	\$27,301,039	\$27,693,967	\$36,464,093	\$29,434,425	\$30,021,637
Total Ongoing	\$27,301,039	\$27,693,967	\$36,464,093	\$29,434,425	\$29,946,637
Total OTO	\$0	\$0	\$0	\$0	\$75,000

Agency Discussion

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

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 99.9% of total HB 2 authority. General fund was 99.1% expended, state special revenue was 98.8% expended, and enterprise funds were 97.3% expended.

FY 2022 Appropriations Compared to FY 2023 Appropriations

Overall, the FY 2023 appropriation is approximately \$8.8 million or 31.7% higher than the FY 2022 appropriation. During the 2021 Session, the legislature approved a one-time-only reduction to transfers in the capital development account in FY 2022 and FY 2023. Because this reduction was one-time-only, the FY 2023 base budget was increased to include the \$8.2 million that was temporarily reduced. This same adjustment was not applied to the FY 2022 appropriations and is the primary reason for the difference in the appropriations.

Comparison of FY 2023 Legislative Budget to FY 2023 Base

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

FY 2023 Legislative Appropriations Department of Administration				
	Legislative Action	Executive Modifications	Base Budget	% Change
DIRECTORS OFFICE				
61000 Personal Services	572,304	(273,848)	298,456	-47.9%
62000 Operating Expenses	113,788	(57,174)	56,614	-50.2%
65000 Local Assistance	14,296		14,296	0.0%
68000 Transfers	17,149,632		17,149,632	0.0%
DIRECTORS OFFICE TOTAL	17,850,020	(331,022)	17,518,998	-1.9%
STATE FINANCIAL SERVICES DIV				
61000 Personal Services	2,553,118		2,553,118	0.0%
62000 Operating Expenses	788,914	2,906	791,820	0.4%
69000 Debt Service	2,906	(2,906)		-100.0%
STATE FINANCIAL SERVICES DIV TOTAL	3,344,938	-	3,344,938	0.0%
ARCHITECTURE & ENGINEERING DIV				
61000 Personal Services	1,750,926	-	1,750,926	0.0%
62000 Operating Expenses	665,067	1,770	666,837	0.3%
69000 Debt Service	1,770	(1,770)		-100.0%
ARCHITECTURE & ENGINEERING DIV	2,417,763	-	2,417,763	0.0%
TOTAL				
STATE IT SERVICES DIVISION				
61000 Personal Services	-			0.0%
62000 Operating Expenses	-			0.0%
STATE IT SERVICES DIVISION TOTAL	-	-	-	0.0%
DIV OF BANKING & FINANCIAL INST				
61000 Personal Services	3,440,803		3,440,803	0.0%
62000 Operating Expenses	998,460	(160,431)	838,029	-16.1%
69000 Debt Service	1,864	160,431	162,295	8606.8%
DIV OF BANKING & FINANCIAL INST TOTAL	4,441,127	-	4,441,127	0.0%
MONTANA STATE LOTTERY				
61000 Personal Services	2,708,055		2,708,055	0.0%
62000 Operating Expenses	3,299,982	(216,816)	3,083,166	-6.6%
63000 Equipment and Intangible Assets	50,000		50,000	0.0%
69000 Debt Service		216,816	216,816	100.0%
MONTANA STATE LOTTERY TOTAL	6,058,037	-	6,058,037	0.0%
STATE HUMAN RESOURCES DIVISION				
61000 Personal Services	1,275,193	273,848	1,549,041	21.5%
62000 Operating Expenses	391,925	57,551	449,476	14.7%
69000 Debt Service	377	(377)		-100.0%
STATE HUMAN RESOURCES DIVISION	1,667,495	331,022	1,998,517	19.9%
TOTAL				

MONTANA TAX APPEAL BOARD				
61000 Personal Services	505,260		505,260	0.0%
62000 Operating Expenses	164,770	(40,764)	124,006	-24.7%
65000 Local Assistance	14,683		14,683	0.0%
69000 Debt Service		40,764	40,764	100.0%
MONTANA TAX APPEAL BOARD TOTAL	684,713	-	684,713	0.0%
Department of Administration Total	36,464,093	-	36,464,093	0.0%

The executive modifications include a general fund re-organization moving the Office of Labor Relations from the Director's Office to the State Human Resource Division. Additionally, executive modifications moved budget authority between operating and debt services in a number of programs due to compliance with the updated accounting guidance for rent leases.

Executive Request

The proposed 2025 biennium budget is \$4.8 million or 7.5% less than the 2023 biennium ongoing budget.

Personal services were about \$12.8 million or 35.1% of the FY 2023 base budget appropriations of \$36.5 million. The executive proposes an increase of about \$588,000 in FY 2024 and \$663,000 in FY 2025 in personal services. The increase is due to changes included in statewide present law adjustments. Additionally, the executive is requesting 2.00 FTE for banking IT examiners.

Operating expenses were \$6.0 million or 16.5% of the FY 2023 base budget. The executive proposes an increase of about \$1.0 million in FY 2024 and \$790,000 in FY 2025.

Transfers were about \$17.1 million or 47.0% of the FY 2023 base budget. The executive proposes reductions of \$23.0 million in FY 2024 and \$24.0 million in FY 2025, which eliminates the base budget and present law increase for the capital development account fund transfer. Additionally, details of this reduction are included in the Director's Office program analysis.

The executive proposes a \$35,000 increase in equipment and intangible assets in FY 2024.

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The general fund reduction impact for the Department of Administration is approximately \$687,000. The 5.0% plan includes reductions in the:

- Director's Office of approximately \$436,000. The office would reduce the Long-Range Building Program major repair account transfer per MCA 17-7-221 and 17-7-222
- State Financial Services Division of approximately \$144,500. The division would reduce technical assistance to local government entities
- State Human Resource Division of approximately \$104,000. The division would reduce staff by 1.00 FTE
- Montana Tax Appeal Board of approximately \$2,000. The reductions would reduce board member trainings

The state special revenue reduction impact for the Department of Administration totals approximately \$229,000. The plan includes reductions in the:

- State Financial Services Division of approximately \$13,000. The division would likely use restricted state special revenue funds and proprietary funds to address this reduction
- Banking and Financial Institutions Division of approximately \$216,000. These reductions would be in the personal services expenses. The reduction in personal services would likely result in the reduction of 3.00 FTE trained examiners

A summary of the entire 2025 biennium 5.0% plan submitted for this agency can be found online at the Section A subcommittee page on "Tab D Materials".

Right to Know Requests

The Department of Administration estimates they receive approximately 200 public right to know requests annually. These range from simple document production to voluminous record requests.

The exact amount spent by the Department of Administration and the enterprise is currently unknown. Each entity receives and processes public right to know requests differently, additionally, each request varies in size and scope. No formal process currently exists to accurately track and gather statistics on these requests.

LFD COMMENT

The executive is proposing to create an Office of Public Information Requests within the Director's Office to address the need to accurately track and gather statistics on public information requests received by state agencies. The funding for the program is proposed as a non-budgeted proprietary fund, which is not included in HB 2. More information on this subject will be presented and discussed during subcommittee.

Agency Goals and Objectives

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal services funding to or from other expenditure categories (e.g., moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Department of Administration Personal Services Present Law DP 1 - FY 2024				
Program	Legislative Changes	Management Changes	Total Budget Modification	DP1 FY 2024
01 Director's Office	\$ (11,913)	\$ (16,258)	\$ -	\$ (28,171)
03 State Financial Services Division	20,351	(15,518)	-	4,834
04 Architecture & Engineering Div	16,121	94,786	-	110,907
14 Banking & Financial Division	(39,417)	(9,331)	-	(48,748)
15 Montana State Lottery	(5,757)	88,116	-	82,359
23 State Human Resources Division	36,379	75,261	-	111,640
37 Montana Tax Appeal Board	1,504	(1,266)	-	238
Agency Total	\$ 17,269	\$ 215,790	\$ -	\$ 233,059

Personal services were \$12.8 million or 35.1% of total FY 2023 HB 2 base appropriations. The executive proposes an increase of approximately \$588,000 in FY 2024 and \$663,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is due to new proposals and the statewide present law adjustment for personal services. Significant factors included in the statewide present law adjustments for personal services and other requested changes to personal services include the following:

- The pay plan change approved in the 2021 Legislative Session
- Longevity overall decreased as a result of the retirements of long-term staff
- Management changes include career ladder changes, market changes, performance adjustments, promotion adjustments, retention, and training assignments

Additional details of significant factors included in the executive request for personal services will be discussed at the program level.

Funding

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

Total Department of Administration Funding by Source of Authority 2025 Biennium Budget Request - Department of Administration						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	30,840,619	75,000	202,319	212,324,675	243,442,613	19.15 %
State Special Total	15,391,478	0	0	14,926,000	30,317,478	2.38 %
Federal Special Total	37,070	0	0	24,763,900	24,800,970	1.95 %
Proprietary Total	13,111,895	0	757,861,371	201,828,700	972,801,966	76.52 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$59,381,062	\$75,000	\$758,063,690	\$453,843,275	\$1,271,363,027	
Percent - Total All Sources	4.67 %	0.01 %	59.63 %	35.70 %		

The majority of the Department of Administration is funded with non-budgeted proprietary funds. These funds support the operations of the Director’s Office, State Financial Services Division, General Services Division, State Information Technology Services Division, Healthcare and Benefits Division, State Human Resource Division, and Risk Management and Tort Defense.

Statutory appropriations also comprise a significant portion of appropriations for the Department of Administration. These primarily include appropriations related to transfers to the teachers’ retirement and public employees’ retirement system, and lottery prizes.

HB 2 appropriations of general fund, state special revenue funds, federal revenue funds and proprietary funds will be discussed in further detail at the program level.

COVID-19 Authority

The Department of Administration has expended all of the CARES Act funds received by the end of FY 2022. At the end of FY 2022, the department had \$52.6 million in ARPA funds remaining. Current guidance for these ARPA funds indicates that it must be obligated by December 31, 2024 and expended by December 31, 2026.

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	23,248,297	23,248,297	46,496,594	150.40 %	36,464,093	36,464,093	72,928,186	122.66 %
SWPL Adjustments	453,204	378,742	831,946	2.69 %	1,143,751	929,764	2,073,515	3.49 %
PL Adjustments	14,511,856	16,396,139	30,907,995	99.98 %	14,602,415	16,486,698	31,089,113	52.29 %
New Proposals	(23,135,637)	(24,185,279)	(47,320,916)	(153.06)%	(22,775,834)	(23,858,918)	(46,634,752)	(78.44)%
Total Budget	\$15,077,720	\$15,837,899	\$30,915,619		\$29,434,425	\$30,021,637	\$59,456,062	

HB 2 Language -

The executive is not proposing HB 2 language for the Department of Administration.

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	395,344	540,921	145,577	36.82 %
Operating Expenses	178,445	190,019	11,574	6.49 %
Local Assistance	28,592	28,592	0	0.00 %
Transfers	25,739,511	17,749,939	(7,989,572)	(31.04)%
Total Expenditures	\$26,341,892	\$18,509,471	(\$7,832,421)	(29.73)%
General Fund	26,316,478	18,484,057	(7,832,421)	(29.76)%
Federal Spec. Rev. Funds	25,414	25,414	0	0.00 %
Total Funds	\$26,341,892	\$18,509,471	(\$7,832,421)	(29.73)%
Total Ongoing	\$26,341,892	\$18,509,471	(\$7,832,421)	(29.73)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Director's Office provides overall leadership and management support to the Department of Administration's divisions and offers administrative support to attached boards and commissions. The office acts as a liaison among the agency's divisions, administratively attached boards and commissions, the cabinet, the legislature, and the Governor's Office.

The Director's Office has 2.50 FTE funded through HB 2 and 21.51 FTE funded by the revenues generated from the internal fees charged to the Department of Administration's divisions and its attached-to agencies. These FTE provide services in the areas of legal, human resources, financial management, project management and communications.

- The Office of Legal Services advises the divisions on legal matters
- The staff of the Office of Human Resources partner with DOA leadership and employees to enhance agency performance through strategic human resource programs and effective administrative processes (e.g., payroll administration, talent acquisition, policy development, etc.)
- The Office of Finance and Budget prepares and presents the biennial budget, processes budget change documents, monitors approved budgets for compliance with state law and legislative intent, and provides accounting assistance
- The Office of Program and Information Management provides communication and project management services

The customers served are internal to the department and its attached-to agencies.

Program Highlights

Directors Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director’s Office 2025 biennium requested appropriations are approximately \$8.6 million in FY 2024 and \$7.9 million in FY 2025 less than the FY 2023 base appropriations • The Director’s Office 2025 biennium budget request includes present law increases in general fund of approximately \$15.0 million in FY 2024 and \$16.0 million in FY 2025 for the statutorily required transfer to the capital development account. However, the executive proposes reductions of \$23.0 million in FY 2024 and \$24.0 million in FY 2025, which eliminates the base budget and present law increase for this transfer (allowed by statute) • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, and inflation • The executive is proposing to move the State Continuity and Emergency Management Office (SCEMO) to the Department of Military Affairs. The request would reduce 2.00 FTE and approximately \$708,000 of internal service fund appropriations in the 2025 biennium • The Director’s Office has the management services internal service fund that is approved as a rate in HB 2. The executive is proposing an increase to this rate for the departments divisions utilizing the services
Legislative Action Items
<ul style="list-style-type: none"> • The annual transfer to the capital development fund is required under current law, and the reduction proposed in DP 109 will only be in effect for the 2025 biennium. The legislature may want to consider designating DP 109 as OTO, to ensure this statutory transfer is restored in the base budget for the 2027 biennium

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	2.50	2.50	2.50	2.50
Personal Services	94,134	96,888	298,456	270,285	270,636
Operating Expenses	57,373	121,831	56,614	150,416	39,603
Local Assistance	11,307	14,296	14,296	14,296	14,296
Transfers	8,589,879	8,589,879	17,149,632	8,495,149	9,254,790
Total Expenditures	\$8,752,693	\$8,822,894	\$17,518,998	\$8,930,146	\$9,579,325
General Fund	8,741,386	8,810,187	17,506,291	8,917,439	9,566,618
Federal Spec. Rev. Funds	11,307	12,707	12,707	12,707	12,707
Total Funds	\$8,752,693	\$8,822,894	\$17,518,998	\$8,930,146	\$9,579,325
Total Ongoing	\$8,752,693	\$8,822,894	\$17,518,998	\$8,930,146	\$9,579,325
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Director’s Office HB 2 budget is primarily funded with general fund. The program expended 99.2% of its \$8.8 million budget as of the end of FY 2022.

Operating expense appropriations of approximately \$122,000 were 47.1% expended. Lower expenditures were due, in part, to the timing of legislative audit costs. This appropriation is biennial and can be used in both years of the biennium.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2023 appropriation is approximately \$8.7 million or 98.6% higher than the FY 2022 appropriation. During the 2021 Session, the legislature approved a one-time-only reduction to the statutory general fund transfers to the capital development account in FY 2022 and FY 2023. Because this reduction was one-time-only, the FY 2023 base budget was increased to include the \$8.2 million that was temporarily reduced. This same adjustment was not applied to the FY 2022 appropriations and is the primary reason for the difference in the appropriations.

Executive Request

The Director’s Office is requesting a reduction of approximately \$8.6 million in FY 2024 and \$7.9 million in FY 2025 from the FY 2023 base appropriations. The executive is requesting a present law increase in general fund of approximately \$15.0 million in FY 2024 and \$16.0 million in FY 2025 for the statutorily required transfer to the capital development account. However, the executive proposes reductions of \$23.0 million in FY 2024 and \$24.0 million in FY 2025 to back out the present law transfers plus the FY 2023 base transfers to the capital development account, and to use the existing capital development fund balance to fund capital developments in the 2025 biennium.

Program Personal Services

Personal services were approximately \$298,000 or 1.7% of the FY 2023 base budget. The executive proposes a decrease of about \$28,000 in each fiscal year of the 2025 biennium. The decrease is due to the statewide present law adjustment for personal services.

Funding

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

Department of Administration, 01-Directors Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	18,484,057	0	202,319	207,766,535	226,452,911	83.04 %	
02077 Financial Institutions Div	0	0	0	0	0	0.00 %	
02858 Mineral Impact	0	0	0	14,835,000	14,835,000	100.00 %	
02997 911 Distribution	0	0	0	0	0	0.00 %	
02998 911 Grants	0	0	0	0	0	0.00 %	
02295 Budget Stabilization Reserve	0	0	0	0	0	0.00 %	
02368 2020H GO LRBP HB540 Bond Proc#	0	0	0	0	0	0.00 %	
02564 2020G GO Bonds HB652 #2	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$14,835,000	\$14,835,000	5.44 %	
03095 Taylor Grazing Act Dist.	0	0	0	250,000	250,000	1.01 %	
03369 Flood Control Payments	25,414	0	0	0	25,414	0.10 %	
03425 Forest Reserve Shared Revenue	0	0	0	24,513,900	24,513,900	98.89 %	
03978 Federal Portion of State Divid	0	0	0	0	0	0.00 %	
03675 Coronavirus Relief Fund DOA	0	0	0	0	0	0.00 %	
Federal Special Total	\$25,414	\$0	\$0	\$24,763,900	\$24,789,314	9.09 %	
06534 Management Services	0	0	5,041,959	0	5,041,959	75.93 %	
06535 Continuity Emergency Mgmt	0	0	0	0	0	0.00 %	
06020 Office of Public Information Requests	0	0	598,614	0	598,614	9.01 %	
06504 Chief Data Office	0	0	1,000,000	0	1,000,000	15.06 %	
Proprietary Total	\$0	\$0	\$6,640,573	\$0	\$6,640,573	2.44 %	
Total All Funds	\$18,509,471	\$0	\$6,842,892	\$247,365,435	\$272,717,798		

HB 2 Appropriations

The general fund provides 99.9% of the ongoing funding for the Director’s Office in HB 2. This is primarily comprised of the transfer to the major repairs project account. General fund also supports the Burial Preservation Board.

Federal special revenue provides 0.1% of funding in HB 2 and supports the allocation of federal flood control payments. These funds are received by the department from the U.S. Army Corp. of Engineers. Funds are directed to specific counties for reimbursement for 75.0% of receipts from the leasing of lands acquired for flood control, navigation, and allied purposes pursuant to 33 U.S.C. .701c-3.

Non-Budgeted Proprietary Appropriations

A portion of the Director’s Office functions are supported by non-budgeted proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

Statutory Appropriations

In the Director’s Office, statutory appropriations account for 90.7% of appropriations from all sources of authority. The executive proposes statutory appropriation authority of approximately \$131.5 million in FY 2024 and \$115.8 million in FY 2025. The figure below provides FY 2022 actual expenditures, FY 2023 appropriations, and current HJ 2 estimates for FY 2024 and FY 2025 appropriations.

Department of Administration				
Director's Office				
Statutory Appropriations				
	FY 2022	FY 2023	FY 2024	FY 2025
	Actual	Appropriated	Estimated	Estimated
General Fund				
Debt Service	\$ 14,427,918	\$ 15,132,470	\$ 15,655,673	\$ 14,963,535
Local Government PERD Contribution	570,047	583,057	1,307,255	1,343,615
School District PERS Contribution	669,881	686,289	718,305	743,445
TRS GABA Contribution	1,037,375	1,030,000	1,106,000	1,142,000
TRS Supplemental Contribution	46,962,150	46,950,000	48,859,000	49,837,000
State Fund Division	294,022	255,026	539,000	539,000
Public Employees Retirement Transfer	<u>34,633,570</u>	<u>34,979,900</u>	<u>35,329,705</u>	<u>35,683,002</u>
Total General Fund	98,594,963	99,616,742	103,514,938	104,251,597
State Special Revenue				
Mineral Impact Fees	3,824,075	6,486,000	8,071,000	6,764,000
Debt Service	-	-	-	-
Total State Special Revenue	3,824,075	6,486,000	8,071,000	6,764,000
Federal Special Revenue				
Taylor Grazing Fees	119,454	0	125,000	125,000
Forest Reserve Funds	<u>14,382,681</u>	<u>3,917,450</u>	<u>19,831,450</u>	<u>4,682,450</u>
Total Federal Special Revenue	14,502,135	3,917,450	19,956,450	4,807,450
Total Statutory Appropriations	<u>\$116,921,174</u>	<u>\$110,020,192</u>	<u>\$131,542,388</u>	<u>\$115,823,047</u>

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	17,506,291	17,506,291	35,012,582	189.42 %	17,518,998	17,518,998	35,037,996	189.30 %
SWPL Adjustments	64,822	(45,640)	19,182	0.10 %	64,822	(45,640)	19,182	0.10 %
PL Adjustments	14,483,783	16,293,066	30,776,849	166.50 %	14,483,783	16,293,066	30,776,849	166.28 %
New Proposals	(23,137,457)	(24,187,099)	(47,324,556)	(256.03)%	(23,137,457)	(24,187,099)	(47,324,556)	(255.68)%
Total Budget	\$8,917,439	\$9,566,618	\$18,484,057		\$8,930,146	\$9,579,325	\$18,509,471	

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.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(28,171)	0	0	(28,171)	0.00	(27,820)	0	0	(27,820)
DP 2 - Fixed Costs	0.00	88,692	0	0	88,692	0.00	(22,162)	0	0	(22,162)
DP 3 - Inflation Deflation	0.00	4,301	0	0	4,301	0.00	4,342	0	0	4,342
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	809	0	0	809	0.00	809	0	0	809
DP 104 - Establish Minimum Funding for Major Repair	0.00	(446,432)	0	0	(446,432)	0.00	313,209	0	0	313,209
DP 105 - GF Transfer to LRBP Capital Development -Statutory	0.00	14,929,406	0	0	14,929,406	0.00	15,979,048	0	0	15,979,048
Grand Total All Present Law Adjustments	0.00	\$14,548,605	\$0	\$0	\$14,548,605	0.00	\$16,247,426	\$0	\$0	\$16,247,426

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 104 - Establish Minimum Funding for Major Repair -

The executive requests a transfer from the general fund to the Major Repair Long-Range Building Program account, as required by 17-7-222, MCA.

DP 105 - GF Transfer to LRBP Capital Development -Statutory -

The executive requests a transfer from the general fund to the Capital Developments Long-Range Building Program account, as required by 17-7-208, MCA.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 109 - Adjust Transfer for Capital Development Fund	0.00	(23,137,457)	0	0	(23,137,457)	0.00	(24,187,099)	0	0	(24,187,099)
Total	0.00	(\$23,137,457)	\$0	\$0	(\$23,137,457)	0.00	(\$24,187,099)	\$0	\$0	(\$24,187,099)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 109 - Adjust Transfer for Capital Development Fund -

The executive requests this change package to reverse the present law transfer as there is already sufficient fund balance in the capital development fund. Change package PL 105 provides for a transfer from the general fund to the Capital Developments Long-Range Building Program account as required by 17-7-208, MCA.

LFD ISSUE	The annual transfer to the capital development fund is required under current law, and the reduction proposed in DP 109 will only be in effect for the 2025 biennium. The legislature may want to consider designating DP 109 as OTO, to ensure this statutory transfer is restored in the base budget for the 2027 biennium.
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Other Issues -

Proprietary Rates

There are two proprietary funds in the Director’s Office, which include:

- Management Services Fund – the Director’s Office provides management services to other divisions within the agency
- Continuity and Emergency Management – the Director’s Office prepares to manage and coordinate state government in the event of a major catastrophic disruption

These programs are funded with internal service type proprietary funds. As such, the legislature approves the maximum rates that the programs can charge during the biennium.

Management Services – 06534

Proprietary Program Description

The Director’s Office provides the following functions with the management services fund:

- Office of Human Resources
 - Processes payroll
 - Assists with recruitment, selection, and orientation of new employees
 - Classifies positions
 - Develops policies for the department
- Office of Legal Services
 - Advises on legal matters

- Office of Finance and Budget
 - Prepares and presents the biennial budget
 - Processes budget change documents
 - Monitors budgets for compliance with state law and legislative intent
 - Provides accounting assistance

The management services fund supports 21.51 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06534	Management Services	61010	Dept. of Administration	Director's Office		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Fee Revenue A		1,498,456	1,498,456	1,723,224	1,723,224
	Fee Revenue B		634,538	671,821	772,594	772,594
	Fee Revenue C		1,313	12	12	12
Total Operating Revenues			2,134,307	2,170,289	2,495,830	2,495,830
Expenses						
	Personal Services		1,781,222	1,840,869	2,163,806	2,174,379
	Operating Expense		277,402	277,447	353,609	350,165
Total Operating Expense			2,058,624	2,118,316	2,517,415	2,524,544
Operating Income (Loss)			75,683	51,973	(21,585)	(28,714)
Nonoperating Revenues						
Other Revenue A						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			75,683	51,973	(21,585)	(28,714)
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			75,683	51,973	(21,585)	(28,714)
Beginning Net Position - July 1			106,362	184,226	236,199	214,614
Prior Period Adjustments			2,181			
Change in Net Position			75,683	51,973	(21,585)	(28,714)
Ending Net Position - June 30			184,226	236,199	214,614	185,900

The executive is proposing increasing expenses in the management services fund by approximately \$399,000 in FY 2024 and approximately \$406,000 in FY 2025 when compared to the FY 2023 base budget. The following table shows the changes as proposed by the executive by function for the 2025 biennium for the Director's Office.

Department of Administration Director's Office Management Services Fund Proposed Changes for the 2025 Biennium in the Budgeting System		
	FY 2024	FY 2025
Director's Office		
Statewide Present Law Adjustment - Personal Services	\$ 232,560	\$ 234,801
Statewide Present Law Adjustment - Fixed Costs	32,112	28,393
Statewide Present Law Adjustment - Inflation	<u>5,739</u>	<u>5,890</u>
Total	270,411	269,084
Office of Legal Services		
Statewide Present Law Adjustment - Personal Services	36,057	37,834
Statewide Present Law Adjustment - Fixed Costs	3,960	3,939
Statewide Present Law Adjustment - Inflation	<u>937</u>	<u>959</u>
Total	40,954	42,732
Office of Human Resources		
Statewide Present Law Adjustment - Personal Services	6,557	9,288
Statewide Present Law Adjustment - Fixed Costs	10,446	10,373
Statewide Present Law Adjustment - Inflation	<u>6,957</u>	<u>7,083</u>
Total	23,960	26,744
Office of Finance and Budget		
Statewide Present Law Adjustment - Personal Services	47,763	51,587
Statewide Present Law Adjustment - Fixed Costs	8,513	8,437
Statewide Present Law Adjustment - Inflation	<u>7,498</u>	<u>7,644</u>
Total	63,774	67,668
Total Proposed Increase	<u>\$ 399,099</u>	<u>\$ 406,228</u>

The proposed increase is primarily due to the statewide present law adjustments for personal services increasing appropriations by approximately \$323,000 in FY 2024 and \$334,000 in FY 2025 in the management services fund. Operating expenses increased approximately \$76,000 in FY 2024 and approximately \$73,000 in FY 2025.

Revenues

All divisions of the agency and some administratively attached boards and agencies use the services provided by the Director's Office. Administratively attached agencies or boards are not charged a fee if they do not use some of the services because they have staff to perform these functions. The revenues for this program are allocated in three ways:

- A percentage of base year expenses by the division
- The number of FTE within a program
- The Office of Legal Services costs are allocated to divisions based on a time use study

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The executive is proposing a 13.0% increase to the total allocation of costs and a 13.0% increase to the FTE component when compared to the FY 2023 base rates.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:				
Management Srvc	1,498,456	1,498,456	1,723,224	1,723,224
Human Resources	<u>634,538</u>	<u>671,821</u>	<u>772,594</u>	<u>772,594</u>
	\$ 2,132,994	\$ 2,170,277	\$ 2,495,818	\$ 2,495,818

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Continuity and Emergency Management – 06535

Proprietary Program Description

The Department of Administration is responsible for providing centralized management and coordination of the continuity, emergency preparedness, and security program for state agencies to ensure the ability to protect and recover state essential functions of government at the time of an event. The emergency preparedness activities are no longer focused only on the Helena area but have been expanded to cover state government facilities and employees across the state.

There are currently 2.00 FTE in the State Continuity and Emergency Management Office (SCEMO).

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06535	SCEMO	61010	Dept of Administration	Director's Office

	Estimated FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Fee Revenue A	60,000	90,000	-	-
Other Operating Revenues	-	-	-	-
Total Operating Revenues	60,000	90,000	-	-
Expenses				
Personal Services	(1,184)	-	-	-
Other Operating Expense	37,778	40,000	-	-
Expense A				
Expense B				
Total Operating Expense	36,594	40,000	-	-
Operating Income (Loss)	23,406	50,000	-	-
Nonoperating Revenues				
Other Revenue				
Nonoperating Expenses				
Other Expense				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions/Transfers	23,406	50,000	-	-
Capital Contributions				
Transfers In				
Transfers Out	(112,233)	(92,537)	-	-
Loans and Lease Payments	-	-	-	-
Change in Net Position	(88,827)	(42,537)	-	-
Beginning Net Position - July 1	65,345	(23,482)	(66,019)	(66,019)
Prior Period Adjustments				
Change in Net Position	(88,827)	(42,537)	-	-
Ending Net Position - June 30	(23,482)	(66,019)	(66,019)	(66,019)

The executive proposes to move the State Continuity and Emergency Management Office (SCEMO) to the Department of Military Affairs Disaster and Emergency Services (DES) Program.

The transfer of SCEMO to the DES Program will result in the elimination of the office services being billed to the State Information Technology Services Division and the General Services Division. Going forward the 2.00 FTE will be funded 50/50 with federal funding and state general fund.

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
Operating Expenses	0	75,000	75,000	0.00 %
Total Expenditures	\$0	\$75,000	\$75,000	0.00 %
General Fund	0	75,000	75,000	0.00 %
Total Funds	\$0	\$75,000	\$75,000	0.00 %
Total Ongoing	\$0	\$0	\$0	100.00 %
Total OTO	\$0	\$75,000	\$75,000	100.00 %

Program Description

The Governor-Elect Program pays start-up costs for the incoming Governor, as required by 2-15-221, MCA.

Program Highlights

Governor Elect Program Major Budget Highlights
<ul style="list-style-type: none"> • The Governor Elect Program's 2025 biennium budget request is the same as the previous biennia request per 2-15-221, MCA. The request is for \$75,000 in FY 2025 as one-time only (OTO) funding • The one-time only funds are to be utilized for the governor elect and staff to utilize suitable office space in the capitol building, with furnishings, supplies, equipment and telephone services between the election and the inauguration, according to statute
Legislative Action Items
<ul style="list-style-type: none"> • The general fund appropriation for the Governor Elect Program is OTO but is not restricted to use by a Governor elect. If the legislature wishes to restrict the appropriation to be used only by a Governor elect it can add that restriction designation to the appropriation in HB 2

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	
Operating Expenses	0	0	0	0	75,000	
Total Expenditures	\$0	\$0	\$0	\$0	\$75,000	
General Fund	0	0	0	0	75,000	
Total Funds	\$0	\$0	\$0	\$0	\$75,000	
Total Ongoing	\$0	\$0	\$0	\$0	\$0	\$0
Total OTO	\$0	\$0	\$0	\$0	\$0	\$75,000

Funding

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

Department of Administration, 02-Governor Elect Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	75,000	0	0	75,000	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$0	\$75,000	\$0	\$0	\$75,000		

The funding requested is all general fund in the event that the person elected at the general election in FY 2024 to the Office of Governor who is not the incumbent governor.

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	0	0	0	0.00 %	0	0	0	0.00 %	
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %	
PL Adjustments	0	75,000	75,000	100.00 %	0	75,000	75,000	100.00 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$75,000	\$75,000		\$0	\$75,000	\$75,000		

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.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Governor-Elect Appropriation - OTO	0.00	0	0	0	0	0.00	75,000	0	0	75,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$75,000	\$0	\$0	\$75,000

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 201 - Governor-Elect Appropriation - OTO -

Montana statute (2-15-221, MCA) requires the department to provide funding to a governor-elect, and his or her staff, for the period between the general election and the inauguration in the event of a change in office as a result of the 2024 general election. The department requests \$75,000 in FY 2025 as a one-time-only appropriation.

LFD ISSUE	The general fund appropriation for the Governor Elect program is OTO but is not restricted to use by a Governor elect. The legislature may wish to restrict the appropriation use to only a Governor elect in HB 2.
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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	5,131,768	140,167	2.81 %
Operating Expenses	1,587,551	1,966,322	378,771	23.86 %
Total Expenditures	\$6,579,152	\$7,098,090	\$518,938	7.89 %
General Fund	5,950,840	6,521,809	570,969	9.59 %
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 %
Total Funds	\$6,579,152	\$7,098,090	\$518,938	7.89 %
Total Ongoing	\$6,579,152	\$7,098,090	\$518,938	7.89 %
Total OTO	\$0	\$0	\$0	0.00 %

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

State Financial Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The State Financial Services Division’s 2025 biennium budget request is about \$519,000 or 7.9% higher than the 2023 biennium budget • 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 • 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 • 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

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	28.69	28.69	28.69	28.69
Personal Services	2,358,029	2,438,483	2,553,118	2,557,952	2,573,816
Operating Expenses	870,049	795,731	791,820	981,760	984,562
Total Expenditures	\$3,228,078	\$3,234,214	\$3,344,938	\$3,539,712	\$3,558,378
General Fund	2,892,029	2,892,064	3,058,776	3,252,081	3,269,728
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
Total Funds	\$3,228,078	\$3,234,214	\$3,344,938	\$3,539,712	\$3,558,378
Total Ongoing	\$3,228,078	\$3,234,214	\$3,344,938	\$3,539,712	\$3,558,378
Total OTO	\$0	\$0	\$0	\$0	\$0

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	6,521,809	0	0	4,558,140	11,079,949	43.55 %
02211 Procurement Special Revenue	402,445	0	0	0	402,445	100.00 %
State Special Total	\$402,445	\$0	\$0	\$0	\$402,445	1.58 %
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 %
Federal Special Total	\$11,656	\$0	\$0	\$0	\$11,656	0.05 %
06042 Local Govt Svcs AuditRportng	0	0	1,863,165	0	1,863,165	13.36 %
06511 SABHRS	0	0	10,140,259	0	10,140,259	72.71 %
06527 Investment Division	162,180	0	0	0	162,180	1.16 %
06564 Warrant Writing	0	0	1,780,463	0	1,780,463	12.77 %
Proprietary Total	\$162,180	\$0	\$13,783,887	\$0	\$13,946,067	54.82 %
Total All Funds	\$7,098,090	\$0	\$13,783,887	\$4,558,140	\$25,440,117	

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	93.80 %	3,344,938	3,344,938	6,689,876	94.25 %
SWPL Adjustments	175,099	192,746	367,845	5.64 %	176,790	195,456	372,246	5.24 %
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 %
Total Budget	\$3,252,081	\$3,269,728	\$6,521,809		\$3,539,712	\$3,558,378	\$7,098,090	

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.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	7,907	(3,073)	0	4,834	0.00	22,540	(1,842)	0	20,698
DP 2 - Fixed Costs	0.00	102,892	3,881	0	106,773	0.00	92,361	3,549	0	95,910
DP 3 - Inflation Deflation	0.00	64,300	883	0	65,183	0.00	77,845	1,003	0	78,848
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	17,286	(222)	0	17,064	0.00	17,286	(222)	0	17,064
Grand Total All Present Law Adjustments	0.00	\$192,385	\$1,469	\$0	\$193,854	0.00	\$210,032	\$2,488	\$0	\$212,520

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	920	0	0	920	0.00	920	0	0	920
Total	0.00	\$920	\$0	\$0	\$920	0.00	\$920	\$0	\$0	\$920

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

Other Issues -

Proprietary Rates

The State Financial Services Division provides the following functions with proprietary funds:

- Statewide Accounting, Budgeting, and Human Resources System (SABHRS)
- Warrant Writer
- Local Government audit and reporting

SABHRS – 06511

Proprietary Program Description

The Financial Services Technology Bureau is responsible for the operational support and maintenance of the enterprise financial (SABHRS Financials) and budget development (IBARS) information systems and for supporting the enterprise acquisition and contracting system (eMACS). FSTB is also responsible for providing database administration services, system architecture, and maintenance for the SABHRS HR information system for the HR Information Systems Bureau.

FSTB has a total of 21.00 FTE supporting these applications, including upgrades, enhancements, testing, user training, database maintenance, and system architecture.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06511	SABHRS	61010	Dept. of Administration	State Financial Services Div		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	SABHRS Services		4,168,576	3,974,661	4,585,437	4,372,127
	Other Operating Revenues		209,072	210,580	212,686	214,813
Total Operating Revenues			<u>4,377,648</u>	<u>4,185,241</u>	<u>4,798,123</u>	<u>4,586,940</u>
Expenses						
	Personal Services		2,079,408	2,041,663	2,128,037	2,140,580
	Other Operating Expense		2,969,539	2,407,355	2,948,200	2,923,442
Total Operating Expense			<u>5,048,947</u>	<u>4,449,018</u>	<u>5,076,237</u>	<u>5,064,022</u>
Operating Income (Loss)			<u>(671,299)</u>	<u>(263,777)</u>	<u>(278,114)</u>	<u>(477,082)</u>
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			<u>(671,299)</u>	<u>(263,777)</u>	<u>(278,114)</u>	<u>(477,082)</u>
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			<u>(671,299)</u>	<u>(263,777)</u>	<u>(278,114)</u>	<u>(477,082)</u>
Beginning Net Position - July 1			1,256,623	586,501	322,724	44,610
Prior Period Adjustments			1,177			
Change in Net Position			<u>(671,299)</u>	<u>(263,777)</u>	<u>(278,114)</u>	<u>(477,082)</u>
Ending Net Position - June 30			<u>586,501</u>	<u>322,724</u>	<u>44,610</u>	<u>(432,472)</u>

Expenses

The executive proposes increasing expenses in the SABHRS fund by approximately \$627,000 in FY 2024 and approximately \$615,000 in FY 2025 when compared to the FY 2023 base budget. The increase is primarily due to statewide present law adjustments for personal services, inflation, and increased software licensing costs. Based on their review and the potential for vacancy savings, the bureau believes that the SABHRS revenues should be able to cover their anticipated costs.

Revenues

All state agencies are required to use the SABHRS program to ensure consistent, accurate, and transparent financial and budgeting information. Revenues are based on the costs to operate.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. When comparing the 2023 biennium to the 2025 biennium, the rate is proposed to increase revenues by approximately \$611,000 in FY 2024 and \$397,000 in FY 2025. This increase in rate is required to address the cost of software licensing increases of approximately \$1.0 million incurred over the last couple of years.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:				
Revenue Needed	4,168,579	3,974,661	4,585,434	4,372,127

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Warrant Writer – 06564

Proprietary Program Description

The Warrant Writer Unit (WWU) provides payment processing services for most state agencies, including the university system. The WWU generates, tracks, and reconciles each approved agency payment generated in SABHRS. Warrant printing is provided to the WWU by Print and Mail Services within the General Services Division.

The services the WWU offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant reissues, warrant research, supplier file maintenance, stale-dated payment processing, and IRS 1099-MISC and 1042 tax reporting.

The program funds 4.33 FTE and is authorized through 17-8-305, MCA.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06564	Warrant Writing	61010	Dept of Administration	State Financial Services Div		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Warrant Writing Revenue		798,071	810,005	865,806	872,812
	Other Operating Revenues		-	-	-	-
Total Operating Revenues			798,071	810,005	865,806	872,812
Expenses						
	Personal Services		212,675	289,192	290,088	291,692
	Other Operating Expense		591,634	542,234	587,954	597,521
	Equipment		-	6,604	6,604	6,604
Total Operating Expense			804,309	838,030	884,646	895,817
Operating Income (Loss)			(6,238)	(28,025)	(18,840)	(23,005)
Nonoperating Revenues						
	Other Revenue A					
	Other Revenue B					
Nonoperating Expenses						
	Debt Service		-	-	-	-
	Other Expense B					
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			(6,238)	(28,025)	(18,840)	(23,005)
Capital Contributions						
Transfers In						
Transfers Out						
Change in Net Position			(6,238)	(28,025)	(18,840)	(23,005)
Beginning Net Position - July 1			233,818	240,095	212,070	193,230
	Prior Period Adjustments		661			
Change in Net Position			(6,238)	(28,025)	(18,840)	(23,005)
Ending Net Position - June 30			240,095	212,070	193,230	170,225

Expenses

The executive proposes increasing expenses in the warrant writer fund by approximately \$47,000 in FY 2024 and approximately \$58,000 in FY 2025 when compared to the FY 2023 base budget. The proposed increases are primarily due to the statewide present law adjustments for personal services, inflation, and anticipated increases in operating expenses. There is also a

request for an additional \$70,000 in FY 2024 and \$76,000 in FY 2025 for operating costs due to increases in postage and printing costs.

Revenues

Revenues are derived from monthly billing based on the number of actual warrants issued. Budget authority to the costs is a fixed cost item in state agency budgets.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. When comparing the 2023 biennium to the 2025 biennium, the proposed rate results in an overall increase in revenues of approximately \$280,000.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:				
Mailers	\$0.83386	\$0.83386	\$0.88432	\$0.88432
Non-Mailers	\$0.36059	\$0.36059	\$0.38241	\$0.38241
Emergencies	\$13.52212	\$13.52212	\$14.34045	\$14.34045
Duplicates	\$9.01475	\$9.01475	\$9.56030	\$9.56030
External - Payroll	\$0.15206	\$0.15206	\$0.16126	\$0.16126
External - University System	\$0.12170	\$0.12170	\$0.12907	\$0.12907
Direct Deposit - Mailer	\$0.99162	\$0.99162	\$1.05163	\$1.05163
Direct Deposit - No Advice	\$0.13522	\$0.13522	\$0.14340	\$0.14340
UI Mailer - Print Only	\$0.11847	\$0.11847	\$0.12564	\$0.12564
UI Direct Deposit - No Advice	\$0.02982	\$0.02982	\$0.03162	\$0.03162

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Local Government Audit and Reporting – 06042

Proprietary Program Description

The Local Government Audit and Reporting Program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the financial reporting and audit requirements for all Montana local government entities.

The work of the program is mandated primarily in Title 2, Chapter 7, Part 5, and funds 6.00 FTE. The program performs the following services:

- Receives annual financial reports, budgets, audits, and reviews local governments and posts them to the transparency website for public viewing
- Provides technical assistance on accounting, reporting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits

- Maintains the roster of independent auditors authorized to conduct local government audits
- Maintains the legal compliance supplement for use by independent auditors in conducting local government audits
- Verifies that all local governments that are required to have audits do so
- Receives and views local government audit reports to determine whether the audits have been conducted in accordance with required standards
- Receives and reviews each local government's response to the audit report findings; follows up on corrective plans as necessary

Proprietary Program Expenses and Revenues

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06042	Single Audit Review - HB328	61010	Department of Administration	Local Government Services

	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Revenue from Audit Review Roster Fee	737,643	635,000	655,000	655,000
Other Operating Revenues				
Revenue from Delinquent Report Submissions	6,076	80,000	80,000	80,000
Miscellaneous Revenues	2	100	-	-
Total Operating Revenues	743,721	715,100	735,000	735,000
Expenses				
Personal Services	511,890	536,660	549,650	551,680
Other Operating Expense	173,083	290,586	405,651	356,184
Total Operating Expense	684,973	827,246	955,301	907,864
Operating Income (Loss)	58,748	(112,146)	(220,301)	(172,864)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	58,748	(112,146)	(220,301)	(172,864)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	58,748	(112,146)	(220,301)	(172,864)
Beginning Net Position - July 1	493,779	552,911	440,765	220,464
Prior Period Adjustments	384			
Change in Net Position	58,748	(112,146)	(220,301)	(172,864)
Ending Net Position - June 30	552,911	440,765	220,464	47,600

Expenses

The executive proposes increasing expenses in the Local Government Audit and Reporting Program by approximately \$128,000 in FY 2024 and \$81,000 in FY 2025 when compared to the FY 2023 base budget. The proposed increases are primarily due to the statewide present law adjustments for personal services, fixed costs, inflation, and information technology professional services for ServiceNow software to digitize forms for online use.

Revenues

The program is funded with enterprise funds, as it serves entities outside of state government. The fund receives revenues from the following:

- A report filing fee as required by 2-7-514, MCA, and defined in ARM 2.4.402. All local government entities that are required to submit audits pay the filing fee
- As provided by 2-7-503, MCA, a fee is collected from local governments that are required to submit financial reviews. The fee has been adopted in ARM 2.4.410. The current fee in the rule is \$75
- A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana. The annual roster fee has been adopted as ARM 2.4.406. The current fee in the rule is \$100 per year
- As provided by 2-7-517, MCA, when a local government entity fails to file a report as required by 2-7-503, MCA, or to pay the filing fee within 60 days as required by 2-7-514, MCA, the department may charge a late payment penalty. The penalty has been adopted in ARM 2.4.404 and is currently 10.0% of the filing fee per month
- A fine for failure to file audits or reports required by 2-7-503, MCA, is also provided by 2-7-517, MCA. When a local government entity fails to file an audit or report within 180 days of the required date, the department must notify the entity of the fine due and provide public notice of the delinquent report. The fine has been adopted in ARM 2.4.403. The current fine in the rule is \$75 per publication

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. When comparing the 2023 biennium to the 2025 biennium, the rates are proposed to stay the same as the previous biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:				
Annual revenues equal to or greater than \$750,000 but less than \$1,000,000	\$550	\$550	\$550	\$550
Annual revenues equal to or greater than \$1,000,000 but less than \$1,500,000	\$800	\$800	\$800	\$800
Annual revenues equal to or greater than \$1,500,000 but less than \$2,500,000	\$950	\$950	\$950	\$950
Annual revenues equal to or greater than \$2,500,000 but less than \$5,000,000	\$1,300	\$1,300	\$1,300	\$1,300
Annual revenues equal to or greater than \$5,000,000 but less than \$10,000,000	\$1,700	\$1,700	\$1,700	\$1,700
Annual revenues equal to or greater than \$10,000,000 but less than \$50,000,000	\$2,500	\$2,500	\$2,500	\$2,500
Annual revenues equal to or greater than \$50,000,000	\$3,000	\$3,000	\$3,000	\$3,000
Local Government Financial Review Fee	\$75	\$75	\$75	\$75
Audit Roster Fee	\$100	\$100	\$100	\$100

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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	3,476,794	3,807,330	330,536	9.51 %
Operating Expenses	1,320,079	1,629,417	309,338	23.43 %
Equipment & Intangible Assets	6,605	0	(6,605)	(100.00)%
Total Expenditures	\$4,803,478	\$5,436,747	\$633,269	13.18 %
State/Other Special Rev. Funds	4,803,478	5,436,747	633,269	13.18 %
Total Funds	\$4,803,478	\$5,436,747	\$633,269	13.18 %
Total Ongoing	\$4,803,478	\$5,436,747	\$633,269	13.18 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Architecture and Engineering Division manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The division also formulates a long-range building plan for legislative consideration each session. This division operates under the authority found in Titles 17 and 18, MCA, as well as other state mandates.

Program Highlights

Architecture & Engineering Division Major Budget Highlights
<ul style="list-style-type: none"> • The Architecture & Engineering Division’s 2025 biennium budget request is about \$633,000 or 13.2% higher than the 2023 biennium budget • 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 • The executive is proposing an increase of 0.50 FTE for administrative support to the division. The increase is approximately \$36,000 in state special revenue appropriations in each fiscal year of the 2025 biennium for personal services

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	17.50	17.50	18.00	18.00
Personal Services	1,707,858	1,725,868	1,750,926	1,898,062	1,909,268
Operating Expenses	607,643	653,242	666,837	836,936	792,481
Equipment & Intangible Assets	(6,604)	6,605	0	0	0
Total Expenditures	\$2,308,897	\$2,385,715	\$2,417,763	\$2,734,998	\$2,701,749
State/Other Special Rev. Funds	2,308,897	2,385,715	2,417,763	2,734,998	2,701,749
Total Funds	\$2,308,897	\$2,385,715	\$2,417,763	\$2,734,998	\$2,701,749
Total Ongoing	\$2,308,897	\$2,385,715	\$2,417,763	\$2,734,998	\$2,701,749
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Architecture & Engineering Division expended 96.8% of its \$2.4 million HB 2 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 \$32,000 or 1.3% higher than the FY 2022 appropriation. The FY 2022 and FY 2023 appropriations are not significantly different.

Executive Request

The Architecture & Engineering Division's executive request is an increase of approximately \$317,000 in FY 2024 and \$284,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to statewide present law adjustments for personal services, fixed costs, and inflation. Additionally, the executive is proposing an increase in state special revenue funding of approximately \$36,000 each fiscal year for 0.50 FTE to provide administrative support for the division.

Program Personal Services

Personal services appropriations were about \$1.8 million or 72.4% of total FY 2023 base appropriations. The executive proposes an increase of \$147,000 in FY 2024 and \$158,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is primarily due to statewide present law personal services increases of approximately \$111,000 in FY 2024 and \$122,000 in FY 2025, in addition to a new proposal for 0.50 FTE and \$36,000 in each fiscal year of the 2025 biennium to provide additional administrative support for the division.

Funding

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

Department of Administration, 04-Architecture & Engineering Div Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02030 Arch & Engin Construction	5,436,747	0	0	0	5,436,747	100.00 %	
02541 ARPA Broadband HB 632	0	0	0	0	0	0.00 %	
State Special Total	\$5,436,747	\$0	\$0	\$0	\$5,436,747	100.00 %	
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$5,436,747	\$0	\$0	\$0	\$5,436,747		

The Architecture & Engineering Division is funded entirely with state special revenue funds. Funds are transferred from the long-range building major repairs fund to the state special revenue fund, which was established for administrative expenses related to the support of the state Long-Range Building Program.

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 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	0	0	0	0.00 %	2,417,763	2,417,763	4,835,526	88.94 %
SWPL Adjustments	0	0	0	0.00 %	267,804	234,462	502,266	9.24 %
PL Adjustments	0	0	0	0.00 %	9,002	9,002	18,004	0.33 %
New Proposals	0	0	0	0.00 %	40,429	40,522	80,951	1.49 %
Total Budget	\$0	\$0	\$0		\$2,734,998	\$2,701,749	\$5,436,747	

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.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	110,907	0	110,907	0.00	0	122,020	0	122,020
DP 2 - Fixed Costs	0.00	0	133,975	0	133,975	0.00	0	82,959	0	82,959
DP 3 - Inflation Deflation	0.00	0	22,922	0	22,922	0.00	0	29,483	0	29,483
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	9,002	0	9,002	0.00	0	9,002	0	9,002
Grand Total All Present Law Adjustments	0.00	\$0	\$276,806	\$0	\$276,806	0.00	\$0	\$243,464	\$0	\$243,464

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	4,200	0	4,200	0.00	0	4,200	0	4,200
DP 401 - Increase FTE to Provide Administrative Support for A&E	0.50	0	36,229	0	36,229	0.50	0	36,322	0	36,322
Total	0.50	\$0	\$40,429	\$0	\$40,429	0.50	\$0	\$40,522	\$0	\$40,522

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

DP 401 - Increase FTE to Provide Administrative Support for A&E -

The executive requests that an existing part-time position be converted to a full-time administrative support position for the entire division. In addition to providing direct support for the contracting officer, this position provides division-wide file and document management, forms processing, website maintenance and adjustments, advertising, procurement, and bidding assistance for the division administrator, design project management, construction management, contracting, and accounting. The broadband program is also established within A&E, and this position has been performing additional tasks to provide much needed assistance.

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	10,593,364	10,185,227	(408,137)	(3.85)%
Operating Expenses	34,217,355	36,178,544	1,961,189	5.73 %
Equipment & Intangible Assets	916,430	1,143,542	227,112	24.78 %
Capital Outlay	46,372	0	(46,372)	(100.00)%
Transfers	557,000	360,000	(197,000)	(35.37)%
Debt Service	365,345	365,708	363	0.10 %
Total Expenditures	\$46,695,866	\$48,233,021	\$1,537,155	3.29 %
Proprietary Funds	46,695,866	48,233,021	1,537,155	3.29 %
Total Funds	\$46,695,866	\$48,233,021	\$1,537,155	3.29 %
Total Ongoing	\$46,695,866	\$48,233,021	\$1,537,155	3.29 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The General Services Division is composed of two bureaus and one program responsible for providing certain internal services to government agencies and the public:

- Capitol Facilities Management (CFM) manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area, either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, security, janitorial, pest control, grounds maintenance, and garbage collection. CFM manages lease negotiation and administration for state agencies throughout the state
- State Print and Mail provides print and mail services to state agencies. Services include internal and external (contracted) printing, marketing and outreach, managed print services, mail preparation, central mail operations, inter-agency (deadhead) mail, and digitization of records. The bureau also operates the United States Post Office in the Capitol
- In addition to the two bureaus, the division manages the State and Federal Surplus Property and Recycling programs

Program Highlights

General Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The General Services Division's 2025 biennium budget request is about \$1.5 million or 3.3% higher than the 2023 biennium budget • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, and inflation • The executive is proposing an increase for operating expenses for the new Montana Historical Society building and an increase for the equipment budget. In addition, the executive is requesting additional budget for the new fixed costs and the allocation for the department's indirect/administrative costs

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	72.35	72.35	72.35	72.35
Personal Services	5,387,077	5,474,358	5,119,006	5,077,379	5,107,848
Operating Expenses	16,114,743	16,774,100	17,443,255	18,022,838	18,155,706
Equipment & Intangible Assets	576,573	503,265	413,165	571,771	571,771
Capital Outlay	46,372	46,372	0	0	0
Transfers	366,795	356,000	201,000	201,000	159,000
Debt Service	180,901	182,491	182,854	182,854	182,854
Total Expenditures	\$22,672,461	\$23,336,586	\$23,359,280	\$24,055,842	\$24,177,179
Proprietary Funds	22,672,461	23,336,586	23,359,280	24,055,842	24,177,179
Total Funds	\$22,672,461	\$23,336,586	\$23,359,280	\$24,055,842	\$24,177,179
Total Ongoing	\$22,672,461	\$23,336,586	\$23,359,280	\$24,055,842	\$24,177,179
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The General Services Division expended 97.2% of its \$23.3 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 \$23,000 or 0.1% higher than the FY 2022 appropriation. The FY 2022 and FY 2023 appropriations are not significantly different.

Executive Request

The General Services Division is requesting an increase of approximately \$697,000 in FY 2024 and \$818,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to increases in the indirect costs paid to the Director’s Office, inflation, a request for an increase for the new Montana Historical Society building and increases for equipment replacements. The increase is partially offset by a reduction in fixed costs due to the elimination of insurance premiums paid to the Risk Management and Tort Defense Division in the 2025 biennium.

Program Personal Services

Personal services were about \$5.1 million or 21.9% of the FY 2023 base budget. The executive proposes a statewide present law decrease of about \$42,000 in FY 2024 and \$11,000 in FY 2025.

Funding

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

Department of Administration, 06-General Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06066 Surplus Property	0	0	1,556,139	0	1,556,139	3.23 %	
06528 Rent And Maintenance	0	0	23,569,786	0	23,569,786	48.87 %	
06530 Print & Mail Services	0	0	23,107,096	0	23,107,096	47.91 %	
06004 Electronic Government Services	0	0	0	0	0	0.00 %	
Proprietary Total	\$0	\$0	\$48,233,021	\$0	\$48,233,021	100.00 %	
Total All Funds	\$0	\$0	\$48,233,021	\$0	\$48,233,021		

The General Services Division is entirely supported through proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

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 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	0	0	0	0.00 %	23,359,280	23,359,280	46,718,560	96.86 %
SWPL Adjustments	0	0	0	0.00 %	58,826	160,363	219,189	0.45 %
PL Adjustments	0	0	0	0.00 %	635,036	654,836	1,289,872	2.67 %
New Proposals	0	0	0	0.00 %	2,700	2,700	5,400	0.01 %
Total Budget	\$0	\$0	\$0		\$24,055,842	\$24,177,179	\$48,233,021	

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.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(41,627)	0.00	0	0	0	(11,158)
DP 2 - Fixed Costs	0.00	0	0	0	(689,128)	0.00	0	0	0	(765,772)
DP 3 - Inflation Deflation	0.00	0	0	0	789,581	0.00	0	0	0	937,293
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	71,730	0.00	0	0	0	71,730
DP 601 - Increase Operating Expense for new MHS building	0.00	0	0	0	404,700	0.00	0	0	0	424,500
DP 602 - Increase in Equipment Budget	0.00	0	0	0	158,606	0.00	0	0	0	158,606
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$693,862	0.00	\$0	\$0	\$0	\$815,199

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 601 - Increase Operating Expense for new MHS building -

The executive requests an increase in operating expenses in the 2025 biennium for the General Services Division for the addition of the new Montana Historical Society (MHS) building, which is estimated to have occupancy by the fall of 2023. As the custodian of all state property on the capitol complex, the General Services Division will need to increase operating expenses in order to accommodate the additional costs anticipated from the addition of the new building. These expenses will include utilities, janitorial, elevator, security, city assessments, and miscellaneous building and landscaping items.

DP 602 - Increase in Equipment Budget -

The executive requests an increase of \$158,606 in fiscal years 2024 and 2025 for equipment replacement for the General Services Division.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	2,700	0.00	0	0	0	2,700
Total	0.00	\$0	\$0	\$0	\$2,700	0.00	\$0	\$0	\$0	\$2,700

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office and the State Management Training Center. The rates charged for these services are reviewed and approved by the Section A Subcommittee.

Other Issues -

Proprietary Rates

The General Services Division provides the following functions supported by proprietary rates:

- Capitol Facilities Management (rent and maintenance)
- Print and mail services
- Surplus property and recycling

Capitol Facilities Management - Rent and Maintenance 06528

Proprietary Program Description

The Capitol Facilities Management is the custodian of all state property and grounds in the state capitol area, which is the geographic area within a 10-mile radius of the state Capitol. Services include providing all utilities on the complex (including water, sewer, electricity, natural gas, and garbage collection), locksmith services, repair and maintenance, construction, construction management, grounds maintenance, leasing services, emergency response and management, and security. The bureau manages several service contracts for the capitol complex including security, pest control, mechanical maintenance, janitorial services, elevator repair and maintenance, fire sprinkler systems maintenance, and access control.

Operational authority for the bureau is provided by Title 2, Chapter 17, Part 8, Section 811, MCA. The bureau currently has 34.15 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06528	Rent and Maintenance	61010	Administration	General Services Division		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Facilities Management Rate		10,143,763	10,071,285	10,784,952	10,977,835
	Non-Office Rental Rate		784,518	752,925	788,620	789,204
	Maintenance Charges		186,490	169,415	169,415	169,415
	Project Work		501,951	522,725	522,725	522,725
	Construction Supervisory Fees		71,401	70,768	70,768	70,768
	Access and ID Card		22,120	22,120	22,120	22,120
	Other Operating Revenues		49,119	46,609	46,609	46,609
Total Operating Revenues			11,759,362	11,655,847	12,405,209	12,598,676
Expenses						
	Personal Services		3,038,186	2,645,628	2,610,587	2,624,131
	Operating Expense		7,379,764	8,367,910	8,486,126	8,585,066
	Equipment		-	141,394	300,000	300,000
Total Operating Expense			10,417,950	11,154,932	11,396,713	11,509,197
Operating Income (Loss)			1,341,412	500,915	1,008,496	1,089,479
	Nonoperating Revenues		211			
	Gain on the sale of Fixed Asset		4,210			
	Nonoperating Expenses					
Total Nonoperating Revenues (Expenses)			4,421	-	-	-
Income (Loss) Before Contributions/Transfers			1,345,833	500,915	1,008,496	1,089,479
	Capital Contributions					
	Transfers In					
	Transfers Out		(366,795)	(201,000)	(201,000)	(159,000)
	Loans and Lease Payments		(29,128)	(151,938)	(151,938)	(151,938)
Change in Net Position			949,910	147,977	655,558	778,541
Beginning Net Position - July 1			1,768,005	2,723,601	2,871,578	3,527,136
	Prior Period Adjustments		5,686			
	Change in Net Position		949,910	147,977	655,558	778,541
Ending Net Position - June 30			2,723,601	2,871,578	3,527,136	4,305,677

The executive proposes to increase expenses by approximately \$242,000 in FY 2024 and \$354,000 in FY 2025, when compared to the FY 2023 base budget. The proposed present law adjustments to increase expenses are partially offset by decreases proposed in the statewide present law adjustments. The following table shows the changes as proposed by the executive, as reflected in the budgeting system.

Department of Administration General Services Division Capitol Facilities Management Proposed Changes for the 2025 Biennium in the Budgeting System		
	FY 2024	FY 2025
Personal Services		
Statewide Present Law Adjustment	<u>\$ (35,041)</u>	<u>\$ (21,497)</u>
Total	(35,041)	(21,497)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	(751,680)	(770,278)
Statewide Present Law Adjustment - Inflation	416,455	514,193
Allocate Department Indirect/Administrative Costs	47,313	47,313
Increase for new MHS building	404,700	424,500
Increase for Equipment	158,606	158,606
New Fixed Costs	<u>1,428</u>	<u>1,428</u>
Operating Expenses Total	276,822	375,762
Transfers		
State Building Energy Conservation Program Adjustment	-	<u>(42,000)</u>
Transfers Total	-	(42,000)
Total Proposed Increase	<u>\$ 241,781</u>	<u>\$ 312,265</u>

The executive is requesting an increase in operating expenses due to the addition of the new Montana Historical Society building in the fall of 2023, approximately \$405,000 in FY 2024 and approximately \$425,000 in FY 2025. The executive is also requesting an increase in equipment for current equipment replacement of approximately \$159,000 in each fiscal year. These increases are primarily offset by an overall reduction in operating expenses of approximately \$752,000 in FY 2024 and approximately \$770,000 in FY 2025 in statewide present law adjustments for fixed costs. The decrease in fixed costs is primarily due to the elimination of insurance premiums to the Risk Management and Tort Defense Division for the 2025 biennium.

Revenues are based on square footage rental rates charged for office and non-office space billed to agencies occupying space in state owned buildings overseen by the Department of Administration. The overall square footage space is increasing with the addition of the new Montana Historical Society building.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the 2023 biennium are shown for comparison purposes. The executive is proposing rate increases of approximately 0.5% for office rent and 8.6% for non-office rent when compared to the base year of FY 2023.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY22	Estimated FY23	Projected FY24	Projected FY25
Fee Description:				
Office Rent (per sq. ft.)	11.357	11.369	11.415	11.421
Non-office Rent (per sq. ft.)	7.000	7.000	7.599	7.605
Grounds Maintenance (per sq. ft.)	0.615	0.615	0.615	0.615
Project Mgmt. (In-house)	15%	15%	15%	15%
Project Mgmt. (Consultation)	Actual Cost	Actual Cost	Actual Cost	Actual Cost
State Employee Access ID Card	Actual Cost	Actual Cost	Actual Cost	Actual Cost

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Rent is based on the number of square feet occupied and is assessed to each agency in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services, operating expenses, maintenance, and equipment. Ground's maintenance is included in the rate, with one exception for the Department of Revenue's liquor warehouse.

Print and Mail Bureau - 06530

Proprietary Program Description

The State Print and Mail Bureau provides printing and mail services to all agencies within state government. The bureau has seven components: 1) internal printing; 2) external (contracted) printing; 3) managed print; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead) mail; and 7) the postal station in the Capitol. All printing or purchasing of printing is requested through print and mail services, which determines the most cost-effective method of project completion. Approximately 47.7% of printing expenditures are procured through commercial vendors.

Section 18-7-101, MCA, requires the Department of Administration to supervise and attend to all public printing within the state and to contract for any printing used by the state. Section 2-17-301, MCA, charges the department with the responsibility of administering the state managed print program. Section 2-17-301, MCA, also requires the department to maintain and supervise any central mailing messenger service.

The State Print and Mail Bureau has authority for 32.50 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06530	Print & Mail Services	61010	Administration	General Services Division		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
Charges for Services						
Other Operating Revenues						
Total Operating Revenues						
Expenses						
Personal Services						
Other Operating Expense						
Equipment						
Total Operating Expense						
Operating Income (Loss)						
Nonoperating Revenues						
Other Revenue A						
Nonoperating Expenses						
Other Expense A						
Other Expense B						
Total Nonoperating Revenues (Expenses)						
Income (Loss) Before Contributions/Transfers						
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position						
Beginning Net Position - July 1						
Prior Period Adjustments						
Change in Net Position						
Ending Net Position - June 30						

The executive proposes to increase expenditures by approximately \$224,000 in FY 2024 and \$273,000 in FY 2025, when compared to the FY 2023 base budget. Increases are primarily due to statewide present law increases for personal services, fixed costs, and inflation. The following table shows the changes as proposed by the executive, as reflected in the budgeting system.

Department of Administration General Services Division Print and Mail Services Proposed Changes for the 2025 Biennium in the Budgeting System		
	FY 2024	FY 2025
Personal Services		
Statewide Present Law Adjustment	<u>\$ 50,549</u>	<u>\$ 65,249</u>
Total	50,549	65,249
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	48,665	34,022
Statewide Present Law Adjustment - Inflation	363,003	411,618
Allocate Department Indirect/Administrative Costs	21,148	21,148
New Fixed Costs	<u>1,272</u>	<u>1,272</u>
Operating Expenses Total	434,088	468,060
Total Proposed Increase	<u>\$ 484,637</u>	<u>\$ 533,309</u>

Increases are primarily due to statewide present law adjustments for inflation. All state agencies in Helena use the services of the State Print and Mail Bureau depending on their printing and mail needs. Printing revenue is based on the actual type and volume of printing provided and mail services is based on agency service frequency.

Proprietary Rates

All print and mail service projects are unique, and the State Print and Mail Bureau has many rates to provide services to agencies. Direct and administrative overhead is allocated to each program, and costs are recovered by charging for each unit of service provided. External printing and the managed print program recover costs by charging a percentage markup on the invoice for the printing job and/or multi-function device.

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the 2023 biennium are shown for comparison purposes. The executive is proposing to keep the majority of the rates unchanged. The only rates proposed to increase are \$0.05 for warrant printing and \$0.25 for the flat sorter rate. Warrant stock has gone up \$0.04 a sheet and costs continue to rise with each order placed, and envelopes have gone up approximately \$0.01 each. The increase to the flat sorter rate is due to increased costs of equipment and overhead costs since 2018, when the current rate was established. They are proposing a decrease of approximately \$10,000 or 2.8% each year for inter-agency mail when compared to the base year of FY 2023. The decrease is due to a decrease in agency needs.

**Requested Rates for Internal Service or Enterprise Funds
Fee/Rate Information**

Actual FY 22	Actual FY 23	Proposed FY 24	Proposed FY 25
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Fee Description:

Fee Group

Internal Printing

Impressions	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Ink	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Bindery work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Pre-Press work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
CD/DVD duplicating	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Variable data printing	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
Large Format Color per ft.	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%

Scan	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%
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Pick and Pack Fulfillment	1.00	1.00	1.00	1.00
Overtime	30.00	30.00	30.00	30.00
Desktop	75.00	75.00	75.00	75.00
IT Programming	95.00	95.00	95.00	95.00
File Transfer	25.00	25.00	25.00	25.00

Mainframe Print	0.071	0.071	0.071	0.071
Warrant Printing	0.25	0.250	0.300	0.300
Inventory Mark Up	20.0%	20.0%	20.0%	20.0%

Fee Group

External Printing

Percent of Invoice Mark-up	8.8%	8.8%	8.8%	8.8%
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Fee Group

Managed Print

Percent of Invoice Mark-up	15.9%	15.9%	15.9%	15.9%
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Fee Group				
Mail Preparation				
Tabbing	0.023	0.023	0.023	0.023
Labeling	0.023	0.023	0.023	0.023
Ink Jet	0.036	0.036	0.036	0.036
Inserting	0.045	0.045	0.045	0.045
Waymark	0.069	0.069	0.069	0.069
Permit mailings	0.069	0.069	0.069	0.069
Fee Group				
Mail Operations				
Service Type (each)				
Machinable	0.043	0.043	0.043	0.043
Non-Machinable	0.11	0.11	0.11	0.11
Seal Only	0.020	0.020	0.020	0.020
Post cards	0.07	0.07	0.07	0.07
Certified Mail	0.62	0.62	0.62	0.62
Registered Mail	0.614	0.614	0.614	0.614
Internatl Mail	0.51	0.51	0.51	0.51
Flats	0.15	0.15	0.15	0.15
Priority	0.614	0.614	0.614	0.614
Express Mail	0.614	0.614	0.614	0.614
USPS Parcels	0.51	0.51	0.51	0.51
Insured mail	0.614	0.614	0.614	0.614
Media Mail	0.32	0.32	0.32	0.32
Standard Mail	0.200	0.200	0.200	0.200
Postage Due	0.061	0.061	0.061	0.061
Fee Due	0.061	0.061	0.061	0.061
Tapes	0.245	0.245	0.245	0.245
Express Services	0.500	0.500	0.500	0.500
Mail tracking	0.250	0.250	0.250	0.250
Cass letters/postcards	0.047	0.047	0.047	0.047
Cass flats	0.100	0.100	0.100	0.100
Flat sorter	0.250	0.250	0.500	0.500
Fee Group				
Inter-agency				
Mail				
Dollars-yearly	376,025	376,025	365,550	365,550
Fee Group				
Postal Contract				
(Capitol)				
Dollars-yearly	38,976	38,976	38,976	38,976

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Surplus Property – 06066

Proprietary Program Description

The surplus property and recycling program administers the sale of surplus property no longer needed by agencies. This property is distributed either to state agencies or other eligible organizations.

Section 18-4-221, MCA, requires the department to sell, trade, or otherwise dispose of surplus supplies belonging to the state. The program sells property through online auction, fixed-price warehouse sales, public auction, and garage sales. Program services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies.

The program has authority for 5.70 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06066	Surplus Property	61010	Administration	General Services Division		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Surplus Property Handling Fee		937,457	750,000	841,000	841,000
	Other Operating Revenues					
Total Operating Revenues			937,457	750,000	841,000	841,000
Expenses						
	Personal Services		437,823	475,379	418,244	420,469
	Other Operating Expense		1,228,760	320,306	347,585	347,541
	Equipment		-	11,150	11,150	11,150
Total Operating Expense			1,666,583	806,835	776,979	779,160
Operating Income (Loss)			(729,126)	(56,835)	64,021	61,840
Nonoperating Revenues						
	Other Revenue A		1,536			
	Other Revenue B					
Nonoperating Expenses						
	Other Expense A					
	Other Expense B					
Total Nonoperating Revenues (Expenses)			1,536	-	-	-
Income (Loss) Before Contributions/Transfers			(727,589)	(56,835)	64,021	61,840
Capital Contributions			872,826	700,000	700,000	700,000
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			145,236	643,165	764,021	761,840
Beginning Net Position - July 1			1,249,779	1,395,700	2,038,865	2,802,886
Prior Period Adjustments			685			
Change in Net Position			145,236	643,165	764,021	761,840
Ending Net Position - June 30			1,395,700	2,038,865	2,802,886	3,564,726

The executive proposes to decrease expenditures by approximately \$30,000 in FY 2024 and \$28,000 in FY 2025, when compared to the FY 2023 base appropriations. The following table shows the changes as proposed by the executive, as reflected in the budgeting system.

Department of Administration General Services Division Surplus Property Proposed Changes for the 2025 Biennium in the Budgeting System		
	FY 2024	FY 2025
Personal Services		
Statewide Present Law Adjustment	\$ (57,135)	\$ (54,910)
Total	(57,135)	(54,910)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	13,887	12,484
Statewide Present Law Adjustment - Inflation	10,123	11,482
Allocate Department Indirect/Administrative Costs	3,269	3,269
Operating Expenses Total	27,279	27,235
Total Proposed Decrease	\$ (29,856)	\$ (27,675)

The proposed decrease is primarily due to the statewide present law adjustment for personal services. This decrease is primarily due to the inclusion of funding for a modified position in the 2023 biennium personal services. The snapshot for personal services does not include funding for modified positions, so personal services appropriations for the 2025 biennium is reduced. The proposed decrease is partially offset by the statewide present law adjustments for fixed costs, inflation, and the allocation of department indirect costs. The increasing fund balance is needed for future expenses. The lease on the current property expires in 2028. The program may need to acquire a new facility prior to the lease expiration.

The surplus property and recycling program is an enterprise fund which sells property to the general public. The program operates by charging up to \$750 plus 5.0% per item sold.

Proprietary Rates

The figure below explains the rates proposed by the executive for the 2025 biennium. The executive is not proposing to change the rate criteria in the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
<p>Fee Description: The State Surplus handling fees are: If property is sold for less than \$750, the program retains the proceeds. The program retains \$750 plus 5.0% and unusual expenses for property sold for more than \$750. The Federal Surplus Property program fees are an allocation of freight expense and 14.0% of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.</p>			

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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	36,916,595	41,327,436	4,410,841	11.95 %
Operating Expenses	76,546,571	94,448,471	17,901,900	23.39 %
Equipment & Intangible Assets	1,200,861	741,722	(459,139)	(38.23)%
Debt Service	3,937,000	2,340,000	(1,597,000)	(40.56)%
Total Expenditures	\$118,601,027	\$138,857,629	\$20,256,602	17.08 %
Proprietary Funds	118,601,027	138,857,629	20,256,602	17.08 %
Total Funds	\$118,601,027	\$138,857,629	\$20,256,602	17.08 %
Total Ongoing	\$118,601,027	\$138,857,629	\$20,256,602	17.08 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology (IT) services to all branches of state government, the Office of Public Instruction, and various city and county municipalities.

Program Highlights

State Information Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The State Information Technology Services Division is funded with non-budgeted proprietary funding and is not appropriated in HB 2 • The State Information Technology Services Division’s 2025 biennium proposed appropriations are approximately \$20.3 million or 17.1% higher than the 2023 biennium. Significant changes include: <ul style="list-style-type: none"> ◦ An increase in rates of \$2.7 million each fiscal year for new proposed rates for information technology security consolidation, snowflake pass thru, and Esper pass thru ◦ A proposed increase in rates of \$4.9 million in FY 2024 and \$5.3 million in FY 2025 for rated services ◦ A proposed increase in the ServiceNow enterprise agreement of \$1.2 million each fiscal year and the cybersecurity enterprise rate of \$2.1 million each fiscal year

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	199.00	199.00	213.00	213.00
Personal Services	18,268,686	18,200,000	18,716,595	20,607,646	20,719,790
Operating Expenses	36,709,187	41,036,958	35,509,613	47,276,024	47,172,447
Equipment & Intangible Assets	1,303,910	830,000	370,861	370,861	370,861
Debt Service	2,573,651	2,767,000	1,170,000	1,170,000	1,170,000
Total Expenditures	\$58,855,434	\$62,833,958	\$55,767,069	\$69,424,531	\$69,433,098
Proprietary Funds	58,855,434	62,833,958	55,767,069	69,424,531	69,433,098
Total Funds	\$58,855,434	\$62,833,958	\$55,767,069	\$69,424,531	\$69,433,098
Total Ongoing	\$58,855,434	\$62,833,958	\$55,767,069	\$69,424,531	\$69,433,098
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The State Information Technology Services Division is funded entirely with nonbudgeted proprietary funds. The budget of approximately \$62.8 million was 93.7% expended as of the end of FY 2022. There are two nonbudgeted proprietary funds in this program: the SITSD proprietary fund and the electronic government services proprietary fund.

The SITSD proprietary fund made up the majority of the State Information Technology Services Division’s budget in FY 2022. Appropriations of \$59.7 million were 95.5% expended at the end of the fiscal year. At the end of the fiscal year, the budget for this fund was increased by \$5.2 million. Although the budget was increased, approximately \$2.7 million remained in the FY 2022 budget. Anticipated expenditures for equipment and specific contracts will not occur until FY 2023.

The electronic government services proprietary fund had appropriations of \$3.1 million, which were 58.2% expended at the end of FY 2022. Lower expenditures were due to a decrease in revenue. The budget was based on the revenues and expenses made by the contractor that previously provided this service. There were various transaction fees charged to the customers by the contractor. When this service was transferred to SITSD it was determined that all transactions would be charged a \$1.00 fee, which reduced revenues.

FY 2022 Appropriations Compared to FY 2023 Appropriations

Overall, the FY 2023 appropriation is approximately \$7.1 million or 11.2% lower than the FY 2022 appropriation. There are several primary reasons for the difference:

- The electronic government services proprietary fund was a newly established proprietary fund in the 2023 biennium because the contract with a vendor expired. The appropriations for the fund were \$2.0 million lower in FY 2023, as proposed by the Department of Administration
- The State Information Technology Services Division increased the FY 2022 budget by \$5.2 million for anticipated equipment needs and contract costs
- The budget for the State Information Technology Services Division increased by approximately \$686,000 in FY 2022 and \$1.4 million in FY 2023 because of 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

Executive Request

The executive is proposing an increase in rates of approximately \$11.6 million in FY 2024 and \$12.0 million in FY 2025. The proposed increase in rates is primarily due to rated services, cybersecurity, ServiceNow, and additional services. These proposals will be discussed in further detail in the Proprietary Rates section of the budget analysis.

Funding

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

Department of Administration, 07-State It Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03254 Coronavirus Relief Fund DOA SI	0	0	0	0	0	0.00 %	
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06522 ISD Proprietary	0	0	135,208,207	0	135,208,207	97.37 %	
06004 Electronic Government Services	0	0	3,649,422	0	3,649,422	2.63 %	
Proprietary Total	\$0	\$0	\$138,857,629	\$0	\$138,857,629	100.00 %	
Total All Funds	\$0	\$0	\$138,857,629	\$0	\$138,857,629		

The functions within the State Information Technology Services Division are funded with nonbudgeted proprietary funds. The executive has an internal services fund that receives revenues from information technology costs charged to state agencies. Additionally, SITSD has an enterprise fund for eGovernment services. These proprietary funds are discussed in more detail in the Proprietary Rates section of the narrative.

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 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	0	0	0	0.00 %	55,767,069	55,767,069	111,534,138	80.32 %
SWPL Adjustments	0	0	0	0.00 %	4,193,118	4,988,772	9,181,890	6.61 %
PL Adjustments	0	0	0	0.00 %	8,066,622	7,346,329	15,412,951	11.10 %
New Proposals	0	0	0	0.00 %	1,397,722	1,330,928	2,728,650	1.97 %
Total Budget	\$0	\$0	\$0		\$69,424,531	\$69,433,098	\$138,857,629	

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.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	571,504	0.00	0	0	0	683,242
DP 2 - Fixed Costs	0.00	0	0	0	4,410	0.00	0	0	0	(71,301)
DP 3 - Inflation Deflation	0.00	0	0	0	3,617,204	0.00	0	0	0	4,376,831
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	156,056	0.00	0	0	0	156,056
DP 701 - Increase for ITSD Operations	0.00	0	0	0	7,300,000	0.00	0	0	0	6,600,000
DP 703 - Increase eGov Operating Expenses	0.00	0	0	0	610,566	0.00	0	0	0	590,273
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$12,259,740	0.00	\$0	\$0	\$0	\$12,335,101

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an increase in proprietary funds to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by department employees, including accounting, human resources, and legal support.

DP 701 - Increase for ITSD Operations -

The executive proposes an increase in proprietary funds to align with the established rates and budgetary needs for the SITSD proprietary fund. This includes proposed increases to the state's cybersecurity enterprise services, network security, and Microsoft and ServiceNow enterprise agreements.

DP 703 - Increase eGov Operating Expenses -

The executive proposes an increase in proprietary funds for anticipated increases in the state's electronic government services program.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	10,975	0.00	0	0	0	10,975
DP 702 - Centralize IT Security	14.00	0	0	0	1,386,747	14.00	0	0	0	1,319,953
Total	14.00	\$0	\$0	\$0	\$1,397,722	14.00	\$0	\$0	\$0	\$1,330,928

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of approximately \$7,000 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

DP 702 - Centralize IT Security -

The executive proposes an increase in proprietary funds for the centralization of IT security. Part of the current statewide strategic IT plan is to ensure that citizens' data is protected along with the state's information assets. This includes the goal of consolidating state security operations under the state chief information security officer (CISO). The primary objective on centralizing cybersecurity is to enhance the state government's overall cybersecurity posture by unifying the state's cybersecurity resources under a single strategy and governance structure.

LFD ISSUE	In the November 15th budget submission, the proposed revenues for IT security consolidation totaled \$1.6 million in FY 2024 and \$1.5 million in FY 2025, while proposed expenditures totaled \$1.4 million in FY 2024 and \$1.3 million in FY 2025. The difference is primarily related to training costs of \$170,000 per fiscal year for 17.00 FTE (the proposed additional 14.00 FTE and an existing 3.00 FTE). The executive will revise the new proposal in its December 15th budget submission.
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Other Issues -

Proprietary Rates

The State Information Technology Services Division provides the following functions with proprietary funds:

- State Information Technology Services
- eGovernment Services

SITSD Proprietary Fund - 06522*Proprietary Program Description*

SITSD is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology (IT) services to all branches of state government, the Office of Public Instruction, and various city and county governments.

Under the direction of the state chief information officer, the division supports and manages the following IT programs and services:

- Information Systems Security
 - Manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing
 - Coordinates security policies and procedures
- Network Technology Services
 - Manages the statewide network which connects 22,000 devices at over 600 locations and provides prioritized voice, video, data, and wireless services
 - Develops and implements network solutions that support customer needs for bandwidth and connectivity
- Enterprise Technology Services
 - Designs, implements, and manages shared IT hardware and software infrastructure in a highly efficient virtualized environment
 - Provides platforms for application and database hosting services using enterprise-class computing and storage capacity
- Enterprise Support Services
 - Manages the service desk to assist customers regarding hardware and software applications, including email and telecommunications
 - Manages desktop lifecycle for customers, including software and hardware ordering, deployment, updates, remote control, and disposal
- Montana Data Centers
 - Manages state data center facilities in Helena (primary) and Miles City (disaster recovery)
 - Maintains the reliability, efficiency, security, and availability of computer processing and storage for all customers
- Application Technology Services
 - Supports the state's mt.gov websites
 - Assists customers with designing and deploying customized applications and online services, including eGovernment applications
- Strategic Planning Services
 - Ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans
 - Publishes the state IT strategic plan and biennial report
- Financial Management Services
 - Manages budget, billing, acquisition, and contract management services for SITSD
 - Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers
- Contract, procurement, and vendor management services
- State IT Project Management Services
 - Provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency Name	Program Name	
06522	SITSD	Department of	State Information	
	Proprietary	Administration	Technology Services	
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Charges for Services - Agency Security Consolidation	58,314,078	42,214,963	52,020,873	52,480,468
ServiceNow - Agency Offset		2,405,133	-	-
Cybersecurity		8,155,640	10,300,097	10,300,097
Other Operating Revenues				
Revenue - External Users	632,291	619,470	619,470	619,470
Revenue - eGOV Receipts			2,463,176	2,463,289
Revenue - Projected Growth			728,450	726,583
Total Operating Revenues	58,946,369	53,395,206	67,726,071	68,117,939
Expenses				
Personal Services	18,120,570	20,775,890	20,607,646	20,719,790
Operating Expense	37,840,103	34,356,579	45,451,313	45,347,736
Equipment	-	370,861	370,861	370,861
Total Operating Expense	55,960,673	55,503,330	66,429,820	66,438,387
Operating Income (Loss)	2,985,696	(2,108,124)	1,296,251	1,679,552
Nonoperating Revenues				
Other Revenue	77,887			
Total Nonoperating Revenues (Expenses)	77,887	-	-	-
Income (Loss) Before Contributions and Transfers	3,063,583	(2,108,124)	1,296,251	1,679,552
Capital Contributions				
Transfers In		1,020,000	1,020,000	1,020,000
Transfers Out				
Loans and Lease Payments	(132,154)	(1,170,000)	(1,170,000)	(1,170,000)
Change in Net Position	2,931,429	(2,258,124)	1,146,251	1,529,552
Beginning Net Position - July 1	724,199	3,654,302	1,396,178	2,542,429
Prior Period Adjustments	(1,326)			
Change in Net Position	2,931,429	(2,258,124)	1,146,251	1,529,552
Ending Net Position - June 30	3,654,302	1,396,178	2,542,429	4,071,981

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed costs for information technology included in the executive proposal are \$11.6 million higher in FY 2024 and \$12.0 million higher in FY 2025 when compared to the FY 2023 base year. The table below shows the overall amount proposed, by agency, for FY 2024 and FY 2025 and the change when compared the FY 2023 base appropriation.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology					
	Budgeted	Requested	Change	Requested	Change
	FY 2023	FY 2024	Between FY 2023 and FY 2024	FY 2025	Between FY 2023 and FY 2025
Legislative Branch	\$ 1,109,988	\$ 1,095,738	\$ (14,251)	\$ 1,596,524	\$ 486,535
Consumer Counsel	32,649	20,571	(12,078)	20,764	(11,885)
Judiciary	2,958,088	3,162,514	204,426	3,240,425	282,337
Governor's Office	298,052	559,765	261,713	558,534	260,482
Secretary of State's Office	510,410	1,003,093	492,683	1,005,066	494,656
Commissioner of Political Practice	92,170	119,435	27,265	119,825	27,655
State Auditor's Office	187,107	343,855	156,748	345,273	158,166
Office of Public Instruction	801,995	950,497	148,502	952,778	150,783
Department of Justice	3,673,070	4,264,695	591,625	4,260,479	587,409
Public Service Regulation	138,935	214,696	75,761	212,144	73,209
Board of Public Education	16,392	44,480	28,088	44,480	28,088
Commissioner of Higher Education	2,017	2,695	678	2,455	438
University of Montana	563	942	379	942	379
Montana State University	14,512	154	(14,359)	154	(14,359)
School for the Deaf & Blind	103,728	158,547	54,819	158,547	54,819
Montana Arts Council	28,438	72,301	43,863	71,123	42,685
Library Commission	591,551	658,963	67,412	658,905	67,354
Historical Society	301,851	533,373	231,522	557,531	255,680
Department of Fish, Wildlife & Parks	2,356,772	2,970,153	613,381	2,956,411	599,639
Department of Environmental Quality	1,624,400	1,895,177	270,777	1,894,343	269,944
Department of Transportation	6,129,748	7,125,740	995,992	7,125,883	996,135
Department of Livestock	320,335	620,974	300,639	618,469	298,134
Natural Resource & Conservation	2,664,996	3,145,608	480,612	3,140,335	475,339
Department of Revenue	2,631,882	3,123,493	491,611	3,145,467	513,585
Department of Administration	2,722,334	3,332,006	609,672	3,174,505	452,171
Montana State Fund	1,005,583	1,196,221	190,639	1,203,541	197,958
MT Public Employee Retirement	323,926	365,209	41,282	365,329	41,402
Teachers Retirement Board	156,706	171,628	14,922	171,260	14,555
Public Defender	942,250	1,105,514	163,264	1,101,274	159,024
Department of Agriculture	425,639	612,638	186,999	610,318	184,680
Department of Corrections	3,945,525	4,177,279	231,754	4,187,630	242,104
Department of Commerce	697,513	1,058,268	360,755	1,054,320	356,807
Department Labor & Industry	3,457,368	5,140,481	1,683,113	5,154,877	1,697,509
Department of Military Affairs	181,933	335,944	154,011	335,065	153,132
Public Health & Human Services	<u>11,847,312</u>	<u>14,332,329</u>	<u>2,485,017</u>	<u>14,263,624</u>	<u>2,416,312</u>
Total	<u>\$52,295,736</u>	<u>\$63,914,975</u>	<u>\$11,619,239</u>	<u>\$64,308,597</u>	<u>\$ 12,012,861</u>

The State Information Technology Services Division has revised the rate structure for the 2025 biennium. In the 2021 biennium, there were five established rates, which include:

- Enterprise service allocation
- Microsoft enterprise agreement
- Cybersecurity enterprise rate
- ServiceNow enterprise agreement
- Rated Services

In the 2025 biennium, there are nine proposed rates, which include

- Enterprise service allocation (ESA)
- Microsoft enterprise agreement
- Cybersecurity enterprise rate
- ServiceNow enterprise agreement
- Rated Services
- IT security consolidation
- Snowflake pass thru
- Esper pass thru
- General pass thru

The table below shows the FY 2023 base year information technology rates to the requested FY 2024 and FY 2025 rates. The executive is requesting an increase of revenues of \$23.6 million or 22.6% when comparing the FY 2023 base year to the 2025 biennium.

Department of Administration					
State Information Technology Services Division					
State Agency Fixed Costs for Information Technology by Service					
	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Enterprise Services Allocation	\$ 5,772,668	\$ 5,964,003	\$ 5,964,003	\$ 382,669	3.3%
Microsoft Enterprise Agreement	4,117,785	4,813,632	4,813,944	1,392,006	16.9%
Cybersecurity Enterprise Rate	8,155,640	10,300,097	10,300,097	4,288,914	26.3%
ServiceNow Enterprise Agreement	2,405,133	3,573,587	3,573,587	2,336,907	48.6%
Rated Services	27,573,986	32,459,934	32,916,519	10,228,481	18.5%
IT Security Consolidation		1,594,005	1,528,032	3,122,037	100.0%
Snowflake Pass Thru		610,500	610,500	1,221,000	100.0%
Esper Pass Thru		530,500	530,500	1,061,000	100.0%
General Pass Thru	4,270,524	4,068,717	4,071,415	(400,916)	-4.7%
Grand Total	\$ 52,295,736	\$ 63,914,975	\$ 64,308,597	\$ 23,632,100	22.6%

The following sections will provide additional information on each of these rates.

Enterprise Service Allocation

Enterprise services are information technology services and staff time provided by SITSD that are used by and benefit the entire enterprise (all state agencies). State agencies are charged for their portion of the enterprise services allocation (ESA) based on the active directory within an agency. The enterprise allocation totaled \$5.8 million in the FY 2023 base year. The executive is proposing that the ESA rate will be \$6.0 million in each fiscal year of the biennium, which is a 3.3% increase in the rate.

Microsoft Enterprise Agreement

The Microsoft enterprise agreement is the cost of the licensing agreement for Microsoft services. The Microsoft enterprise agreement totaled \$4.1 million in the FY 2023 base year. The executive is proposing that the rate will be \$4.8 million in each fiscal year of the 2025 biennium, which is a 16.9% increase in the rate. The State Information Technology Services Division realizes that this rate is substantially higher than the previous contract and is having discussions to determine what they can do about this cost.

LFD COMMENT	The legislature may wish to discuss whether or not any determinations have been made about the cost of the Microsoft Enterprise Agreement with the State Information Technology Services Division.
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Cybersecurity Enterprise Rate

The cybersecurity enterprise rate provides revenue to pay for cybersecurity services and staff time provided by SITSD that are used by and benefit the entire enterprise. The cybersecurity enterprise rate totaled \$8.2 million in the FY 2023 base year. The executive is proposing that the rate will be \$10.3 million in each fiscal year of the 2025 biennium, which is a 26.3% increase. The table below shows the FY 2023 base year cybersecurity enterprise rate, the requested FY 2024 and FY 2025 rate, and the change between the FY 2023 rate and the 2025 biennium.

Department of Administration State Information Technology Services Division Cybersecurity Enterprise Rate					
Service	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
File and Object Storage	\$ 18,778	\$ 28,529	\$ 28,529	\$ 19,501	51.9%
Live Storage	95,189	8,705	8,705	(172,968)	-90.9%
Virtual Server	301,446	76,749	76,749	(449,395)	-74.5%
Directory Services - Identity Management	168,587	651,265	651,265	965,356	286.3%
eGov Identity Management	57,378	391,497	391,497	668,238	582.3%
Software Configuration Management	95,314	77,052	77,052	(36,524)	-19.2%
Splunk Service	818,482	310,208	310,208	(1,016,548)	-62.1%
Application Development	24,000			(48,000)	-100.0%
Cybersecurity Enterprise Services - ESP	702,415	1,346,852	1,346,852	1,288,874	91.7%
Cybersecurity Enterprise Services - IRTS	1,292,132	2,158,495	2,158,495	1,732,725	67.0%
Expert Time					
AHS	336,000	228,000	228,000	(216,000)	-32.1%
Enterprise Security Risk Mgmt	518,625	620,857	620,857	204,464	19.7%
ESS	-	235,232	235,232	470,463	100.0%
Forensic Investigations/Technical Security	618,638	619,158	619,158	1,041	0.1%
NOSC	939,136	1,328,409	1,328,409	778,546	41.5%
Supervision CISO	444,053	344,357	344,357	(199,391)	-22.5%
MFA Service	934,424	375,694	375,694	(1,117,460)	-59.8%
Network Security	<u>791,042</u>	<u>1,499,038</u>	<u>1,499,038</u>	<u>1,415,993</u>	<u>89.5%</u>
Totals	<u>\$ 8,155,640</u>	<u>\$ 10,300,097</u>	<u>\$ 10,300,097</u>	<u>\$ 4,288,914</u>	<u>26.3%</u>

There are several services that are contributing to the increase in rates, which include:

- Directory services – identity management – this service provides a single identity for citizens to securely access government services. According to SITSD, this service was previously funded with the eGovernment services proprietary fund
- eGovernment identity management – the Cloud Access Security Broker (CASB) creates a security policy enforcement point between state employees and the cloud service providers. This was included in HB 10 (2021 Legislative Session) for the 2023 biennium
- Cybersecurity enterprise services – Enterprise Security Program (ESP) – this includes a new purchase of business continuity and disaster recovery modules and an additional 3.00 FTE from the State Continuity and Emergency Management Office
- Cybersecurity enterprise services – Incident Response and Technical Security Bureau (IRTS) – this includes a security automation and response platform (PALO XSOAR) and an additional 2.00 FTE
- Expert time – Network Operations and Support Center (NOSC) – the hourly rate for staff increased from \$106 per hour in the 2023 biennium to \$143 per hour in the 2025 biennium
- Network security – according to SITSD, the external firewalls are at end of life and require hardware replacement

ServiceNow Enterprise Agreement

ServiceNow is intended to improve workflow for agencies. Some of the functions of ServiceNow include:

- Integrating with applications like Microsoft Teams, Zoom, and DocuSign for improved automation
- Decreasing call volumes and quickly answering customer questions by using virtual agents
- Digitizing forms to reduce in person requests and eliminate manual effort

The Governor's Office has launched a digital initiative, which includes an enterprise-wide digital redesign and digitization in an effort to streamline operations. ServiceNow is the primary platform that is assisting state agencies with this initiative.

The table below shows the FY 2023 base year ServiceNow enterprise rate, the requested FY 2024 and FY 2025 rate and the change in the rate.

Department of Administration State Information Technology Services Division ServiceNow Enterprise Rate					
	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Legislative Branch	\$ 26,237	\$	\$	\$ (52,474)	-100.0%
Consumer Counsel	1,109			(2,217)	-100.0%
Judiciary	81,035	121,675	121,675	81,279	50.2%
Governor's Office	11,271	16,923	16,923	11,305	50.2%
Secretary of State's Office	10,070	15,120	15,120	10,100	50.2%
Commissioner of Political Practice	1,663	2,497	2,497	1,668	50.2%
State Auditor's Office	15,358	23,060	23,060	15,404	50.2%
Office of Public Instruction	33,997	51,047	51,047	34,099	50.2%
Department of Justice	144,933	217,618	217,618	145,369	50.2%
Public Service Regulation	4,250	9,710	9,710	10,921	128.5%
Board of Public Education	554	832	832	556	50.2%
School for the Deaf & Blind	15,698	23,570	23,570	15,745	50.2%
Montana Arts Council	1,293	1,942	1,942	1,297	50.2%
Library Commission	3,930	5,901	5,901	3,942	50.2%
Historical Society	10,971	16,474	16,474	11,004	50.2%
Department of Fish, Wildlife & Parks	129,337	194,200	194,200	129,726	50.2%
Department of Environmental Quality	77,794	116,808	116,808	78,028	50.2%
Department of Transportation	391,941	588,501	588,501	393,120	50.2%
Department of Livestock	25,058	37,625	37,625	25,133	50.2%
Natural Resource & Conservation	101,855	152,935	152,935	102,161	50.2%
Department of Revenue	122,870	184,490	184,490	123,240	50.2%
Department of Administration	60,788	91,274	91,274	60,971	50.2%
Montana State Fund	56,723	85,171	85,171	56,894	50.2%
MT Public Employee Retirement	9,054	13,594	13,594	9,081	50.2%
Teachers Retirement Board	3,880	5,826	5,826	3,892	50.2%
Public Defender	50,246	75,444	75,444	50,397	50.2%
Department of Agriculture	21,200	31,832	31,832	21,264	50.2%
Department of Corrections	253,397	380,477	380,477	254,159	50.2%
Department of Commerce	38,594	57,949	57,949	38,710	50.2%
Department Labor & Industry	142,406	213,822	213,822	142,834	50.2%
Department of Military Affairs	14,412	21,639	21,639	14,455	50.2%
Public Health & Human Services	543,210	815,631	815,631	544,844	50.2%
Total	\$2,405,133	\$3,573,587	\$3,573,587	\$2,336,907	48.6%

The ServiceNow enterprise rate totaled \$2.4 million in the FY 2023 base year. The executive is proposing that the rate will be approximately \$3.6 million in each fiscal year of the 2025 biennium, which is a 48.6% increase. According to SITSD, the primary reasons for the increase include:

- Implementing ServiceNow’s premium support package, which costs \$435,000 each fiscal year. The premium support provides a customer success manager, success architect, support account manager, and platform architect. Additionally, this provides subject matter expert support, developer support to review and troubleshoot code, on demand training courses, and a training credit that the state used to build a custom process training for all agency staff as they moved to customer service management
- Allocating three SITSD staff to ServiceNow. These staff will review, approve, and guide agencies with upgrades, changes, and development in ServiceNow. They will also maintain the overall health of the ServiceNow platform for the state. The time for these staff was previously allocated to the enterprise service allocation rate

Rated Services

The State Information Technology Services Division uses an activity-based budgeting model that allocates costs to individual services. This model employs a separate unit for each service and the unit is the increment in which the agency buys the service or product. There are 63 services included in the budget for rated services for the 2025 biennium. The number of units budgeted is based on the planned utilization of each agency.

The following table shows the FY 2023 base budget, requests for FY 2024 and FY 2025, and the change between the 2025 biennium and the base year by service.

Department of Administration State Information Technology Services Division Rated Services					
Service	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Additional Line	\$ 209,365	\$ 339,243	\$ 339,243	\$ 259,756	62.0%
Address Certification Service	129,316			(258,632)	-100.0%
Advanced Contact Center	58,938	419,535	419,535	721,195	611.8%
Application Development	913,260	1,003,320	981,720	158,520	8.7%
Application Hosting					
Citrix	370,837	275,094	275,094	(191,486)	-25.8%
.NET Initial Setup	348			(697)	-100.0%
.NET Ongoing Support	57,231	60,699	58,860	5,098	4.5%
.NET Server Environment	66,677	119,031	120,414	106,091	79.6%
App Server Environment	76,050	88,004	88,004	23,908	15.7%
App Server Ongoing Support	198,102	409,999	409,999	423,794	107.0%
Backup Service	300,633	492,792	515,086	406,611	67.6%
Basic Contact Center	156,283	969,734	969,734	1,626,902	520.5%
Contact Center - Call Back Assist	46,511	-	-	(93,022)	-100.0%
Contact Center - Call Recording	95,023	-	-	(190,045)	-100.0%
Contact Center Pass Thru	174,306			(348,613)	-100.0%
Data Center Rack Space - MCDC	65,339	74,205	74,205	17,730	13.6%
Data Center Rack Space - SMDC	24,939	23,437	23,039	(3,402)	-6.8%
Database Hosting - Oracle	304,436	417,077	417,077	225,282	37.0%
Database Hosting - SQL	444,887	328,078	326,416	(235,281)	-26.4%
Database Hosting - SQL Licensing	215,389	257,530	257,012	83,764	19.4%
DBA Professional Services	78,210	108,000	111,360	62,940	40.2%
Directory Services - Active Directory	53,790	68,539	68,539	29,498	27.4%
DocuSign	4,606			(9,212)	-100.0%
Dynamics 365 - On Premise	97,222	87,534	68,777	(38,134)	-19.6%
Dynamics 365 - Online	51,339	7,622	7,622	(87,435)	-85.2%
ECM Enterprise Licensing	83,613	58,168	52,302	(56,756)	-33.9%
ECM Ongoing Support	70,775	37,545	37,545	(66,462)	-47.0%
ECM Server Environment	40,742	36,456	36,555	(8,472)	-10.4%
Email - Public Folder	115,250	123,280	123,280	16,059	7.0%
Expert Time					
AHS	70,800	200,760	200,760	259,920	183.6%
Contract and Vendor Management	5,604			(11,208)	-100.0%
Data Center/Remote Hands	5,897	9,442	9,442	7,090	60.1%
Desktop Support	286,318	1,217,269	1,217,269	1,861,902	325.1%
EAS	22,496	24,050	24,050	3,109	6.9%
EIS	841	5,138	5,138	8,595	511.3%
Enterprise Security Risk Management		65,887	65,887	131,774	100.0%
ESS	2,871	14,973	14,973	24,204	421.5%

NET	17,795	-	-	(35,591)	-100.0%
NOSC	28,384	-	-	(56,768)	-100.0%
PMO	25,180	33,504	33,504	16,649	33.1%
Service Desk	3,652	225,877	225,877	444,450	6085.3%
ServiceNow	40,028	1,613,462	1,505,144	3,038,550	3795.5%
File & Print Shared Server	6,401	54,621	54,621	96,440	753.3%
File and Object Storage	214,894	228,197	234,809	33,217	7.7%
Financial Management Service	41,820			(83,639)	-100.0%
Firewall Administration - Advanced	18,170	55,470	55,470	74,599	205.3%
Floor Space	20,158			(40,316)	-100.0%
Helena Campus Network Access	3,020,952			(6,041,905)	-100.0%
InTune	3,204			(6,408)	-100.0%
Job Scheduling Distribution	373,936	457,608	457,608	167,345	22.4%
Live Storage	1,031,390	1,353,232	1,370,383	660,835	32.0%
Long Distance - Toll Free	1,206,835	1,448,523	1,448,522	483,377	20.0%
MFT Service	4,722	5,826	5,826	2,207	23.4%
Mobile Device Management	105,916	135,059	135,059	58,284	27.5%
Network Access		10,705,115	11,222,862	21,927,976	100.0%
Network Connection					
Alternate Data Center 10BG or Less	99,616	139,898	139,898	80,563	40.4%
Helena Data Center 10GB or Less	100,560	261,978	261,978	322,835	160.5%
O365 Back-Up Service	9,492	20,814	26,016	27,847	146.7%
O365 PSTN	8,544			(17,088)	-100.0%
O365 Rate	1,263,811	1,309,206	1,309,206	90,789	3.6%
Remote Network Access	8,453,550			(16,907,100)	-100.0%
SCCM as a Service	144,054	194,204	194,204	100,300	34.8%
Service Desk as a Service	204,704			(409,408)	-100.0%
ServiceNow - ITBM /user	23,088	10,923	10,923	(24,330)	-52.7%
ServiceNow App Engine		111,005	111,005	222,009	100.0%
Splunk Service	127,826	304,708	328,909	377,965	147.8%
TracerPlus	773			(1,546)	-100.0%
VDI as a Service	411,822	466,200	466,200	108,757	13.2%
Video Conference Pro License	123,306	326,820	332,554	412,761	167.4%
Video Conference Room License	253,051	303,047	303,047	99,992	19.8%
Virtual Server	1,702,173	2,030,354	2,029,231	655,239	19.2%
Virtual Server Platform Base	265,893	282,866	282,866	33,946	6.4%
Virtual Server Platform Host	514,567	644,971	658,134	273,971	26.6%
VoIP Phone Service	2,721,365	2,182,918	2,182,691	(1,077,119)	-19.8%
VPN Client	84,107	211,087	211,036	253,909	150.9%
Total	\$27,573,986	\$32,459,934	\$32,916,519	\$10,228,481	18.5%

The rated services totaled \$27.6 million in the FY 2023 base year. The executive is proposing that the rate will be \$32.5 million in FY 2024 and \$32.9 million in FY 2025, which is an increase of 18.5%. Significant changes in rates include:

- An increase of \$1.6 million in FY 2024 and \$1.5 million in FY 2025 for expert time related to ServiceNow. The addition of hours was due to an increase in staff time assisting agencies with moving towards the goals included in the Governor’s digital initiative to streamline operations
- An increase of approximately \$931,000 each fiscal year for expert time related to desktop support. In the 2023 biennium, the Department of Labor and Industry (DLI) and SITSD entered into a memorandum of understanding in which DLI transferred certain information technology functions to SITSD. Desktop support was one of these services and the primary reason for the increase in this function
- A net increase of \$858,000 each fiscal year for the contact center. The State Information Technology Services Division is transitioning from one contractor to another. According to SITSD, the new contractor is a cloud-based solution, which allows for a more reliable means of disaster recovery
- An increase of approximately \$212,000 each fiscal year for application hosting app server ongoing support. More staff time was allocated to this service because the complexity of applications was utilizing more staff time and effort to support
- An increase of approximately \$129,000 each fiscal year for expert time related to application hosting service. This increase is primarily attributable to hours requested by the Department of Health and Human Services (DPHHS). Existing systems have migrated off the mainframe, historically have required more hours than budgeted, or will be moved to SITSD, which increase the number hours requested
- The increase in network access is offset by the reductions in rates for Helena campus network access and remote network access. These two rates were consolidated into one rate

IT Security Consolidation

Information technology security consolidation is part of the current statewide strategic IT plan to ensure that citizens’ data is protected along with the state’s information assets. This includes the goal of consolidating state security operations under the state chief information security officer (CISO). The primary objective of centralizing cybersecurity is to enhance the state government’s overall cybersecurity posture by unifying the state’s cybersecurity resources under a single strategy and governance structure.

IT security consolidation is a new rate in the 2025 biennium. The executive proposes that the rate will be approximately \$1.6 million in FY 2024 and \$1.5 million in FY 2025.

LFD COMMENT	The executive is proposing an increase in personal services appropriations of approximately \$1.3 million each fiscal year for 14.00 FTE. There is no corresponding reduction in FTE in state agencies. The executive indicated that these changes will be addressed later in session with an enterprise solution. The legislature may wish to discuss the details of the enterprise solution with the executive.
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Snowflake Pass Thru

Snowflake is a platform that provides cloud-based data storage and analytical services. All state agencies can load data into Snowflake from existing information technology systems. The state is able to negotiate a statewide rate and have the platform available for all state agencies, but each agency has its own, discrete area within Snowflake that includes its own firewall rules, identity management, and user lists. However, since this information is in the same platform, agencies are able to easily share databases with other agencies, provided the agency has granted permission. Information is shared on a real-time feed and an agency can change permissions at any time.

The Snowflake pass thru is a new rate in the 2025 biennium. The executive proposes that the rate will be approximately \$611,000 each fiscal year. The table below shows rates requested for each fiscal year for the Snowflake pass thru.

Department of Administration State Information Technology Services Division Snowflake Pass Thru		
Agency	FY 2024	FY 2025
Consumer Counsel	\$ 2,500	\$ 2,500
Governor's Office	30,000	30,000
Secretary of State's Office	10,000	10,000
Commissioner of Political Practices	5,000	5,000
State Auditor's Office	20,000	20,000
Department of Justice	30,000	30,000
Public Service Regulation	5,000	5,000
Board of Public Education	1,000	1,000
Montana Arts Council	3,000	3,000
Library Commission	15,000	15,000
Historical Society	10,000	10,000
Department of Fish, Wildlife & Parks	30,000	30,000
Department of Environmental Quality	30,000	30,000
Department of Transportation	30,000	30,000
Department of Livestock	20,000	20,000
Department Natural Resource & Conservation	30,000	30,000
Department of Revenue	30,000	30,000
Department of Administration	30,000	30,000
Montana State Fund	30,000	30,000
MT Public Employee Retirement	2,000	2,000
Teachers Retirement Board	2,000	2,000
Public Defender	10,000	10,000
Department of Agriculture	15,000	15,000
Department of Corrections	30,000	30,000
Department of Commerce	50,000	50,000
Department Labor & Industry	50,000	50,000
Department of Military Affairs	20,000	20,000
Public Health & Human Services	70,000	70,000
Grand Total	\$ 610,500	\$ 610,500

Esper Pass Thru

Esper is software that the Governor's office will use to support the review and rulemaking needs of state agencies. This software assists in:

- Identifying outdated regulations
- Tracking rulemaking activity
- Automating workflows
- Comparing agency regulations
- Incorporating policy documents and rules into one system
- Creating a system of record
- Standardizing the rulemaking process

This software provides a dedicated technology solution for regulatory clean-up, a repository of relevant code, streamlined rulemaking and collaboration, comparative analysis, automated alerts on regulatory changes, and impact estimation tools.

The Esper pass thru is a new rate in the 2025 biennium. The executive proposes that the rate will be approximately \$531,000 each fiscal year. The table below shows the rate requested for each fiscal year for the Esper pass thru.

Department of Administration State Information Technology Services Division Esper Pass Thru		
Agency	FY 2024	FY 2025
Governor's Office	\$ 170,000	\$ 170,000
Department of Fish, Wildlife & Parks	23,500	23,500
Department of Environmental Quality	54,000	54,000
Department of Transportation	15,000	15,000
Department of Livestock	13,000	13,000
Department Natural Resource & Conservation	24,500	24,500
Department of Revenue	32,000	32,000
Department of Administration	17,500	17,500
Department of Agriculture	14,500	14,500
Department of Corrections	10,000	10,000
Department of Commerce	18,000	18,000
Department Labor & Industry	54,000	54,000
Department of Military Affairs	7,000	7,000
Public Health & Human Services	77,500	77,500
Total	\$ 530,500	\$ 530,500

General Pass Thru

The general pass thru rate is for additional services that state agencies have requested where the cost of the service is passed directly on to the agency. While this is a new rate in the 2025 biennium, many of these services existed in other rates during the 2023 biennium.

The general fund pass thru had rates that totaled \$4.3 million in the FY 2023 base year. The executive is proposing that the rate will be \$4.1 million in each fiscal year of the 2025 biennium, which is a 4.7% decrease. The table below shows the FY 2023 base year rate, the requested FY 2024 and FY 2025 rate, and the change between the FY 2023 rate and the 2025 biennium for each pass thru. Overall, costs associated with Oracle are primarily causing the decrease. This decrease is partially offset by an increase of \$494,000 each fiscal year for the Microsoft direct pass thru. Additional services associated with the Microsoft pass thru include, but are not limited to, Windows server datacenter, SQL server enterprise, Visio, and SharePoint online.

Department of Administration State Information Technology Services Division General Pass Thru					
Service	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Adobe Direct Pass Thru	\$ 31,281	\$ 31,200	\$ 32,760	\$ 1,399	2.2%
Amplifund Pass-Thru	217,380	225,086	236,340	26,667	6.1%
ESRI Enterprise Agreement	850,000	998,834	998,834	297,669	17.5%
Hyland Pass-Thru	710,243	666,461	699,784	(54,241)	-3.8%
Microsoft Direct Pass Thru	7,174	501,211	501,211	988,074	6886.5%
Monarch Report Analysis Software	5,400	11,277	11,841	12,318	114.1%
Network Cabling Pass-Thru	388,275	304,047	304,047	(168,456)	-21.7%
Oracle Direct Pass Thru	1,960,795	142,340	149,457	(3,629,794)	-92.6%
Oracle License Agreement	-	902,648	947,780	1,850,428	100.0%
RSA Token	-	184,280	82,960	267,240	100.0%
SAS Pass Thru	<u>99,976</u>	<u>101,334</u>	<u>106,400</u>	<u>7,783</u>	<u>3.9%</u>
Total	<u>\$ 4,270,524</u>	<u>\$ 4,068,717</u>	<u>\$ 4,071,415</u>	<u>\$ (400,916)</u>	<u>-4.7%</u>

eGovernment Services – 06004

Proprietary Program Description

Digital government (eGovernment) services include permitting, registration, licensing, inspections, financial reconciliation, reporting, point of sale card swipe devices and mobile payments, monthly billing, and management and collection of customer accounts. The State Information Technology Services Division has established an enterprise fund for the management of these fees.

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund 06004	Fund Name eGovernment Services	Program Name State Information Technology Services Div.			
	Actual FY 22	Projected FY 23	Proposed FY 24	Proposed FY 25	
Operating Revenues					
Fees and Charges					
Revenue	1,003,737	1,003,737	1,003,737	1,003,737	
Total Operating Revenues	1,003,737	1,003,737	1,003,737	1,003,737	
Expenses					
Other Operating Expense	434,049	1,824,711	1,824,711	1,824,711	
Total Operating Expense	434,049	1,824,711	1,824,711	1,824,711	
Operating Income (Loss)	569,688	(820,974)	(820,974)	(820,974)	
Income (Loss) Before Contributions and Transfers	569,688	(820,974)	(820,974)	(820,974)	
Change in Net Position	569,688	(820,974)	(820,974)	(820,974)	
Beginning Net Position - July 1	(1,813,159)	(1,243,471)	(2,064,445)	(2,885,419)	
Prior Period Adjustments					
Change in Net Position	569,688	(820,974)	(820,974)	(820,974)	
Ending Net Position - June 30	(1,243,471)	(2,064,445)	(2,885,419)	(3,706,393)	

Revenues are earned through a fee that is charged to each eGovernment transaction. Fees earned will be used to help offset the costs for the payment processing vendor, as well as for costs to administer the program and other expenses associated with the development of enterprise electronic government services.

In December 2020, the contract with the vendor providing eGovernment services expired. When this contract expired, the State Information Technology Services Division took over the responsibility for managing these services. During this time, SITSD took out a general fund loan of \$2.5 million.

Proprietary Rate

Transaction fees are a set rate per transaction or the cost of application development and maintenance.

The eGovernment services program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**LFD
ISSUE**

The State Information Technology Services Division currently has not proposed rates for the 2025 biennium and a plan for obtaining sufficient revenues to cover expenses and to repay the general fund loan has not been established. SITSD stated that they are currently analyzing the fees charged for eGovernment transactions and expenditures to determine when the loan will be repaid. The legislature may wish to discuss the details of this plan with SITSD.

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	6,762,567	7,255,105	492,538	7.28 %
Operating Expenses	1,678,735	1,972,591	293,856	17.50 %
Debt Service	324,590	324,590	0	0.00 %
Total Expenditures	\$8,765,892	\$9,552,286	\$786,394	8.97 %
State/Other Special Rev. Funds	8,765,892	9,552,286	786,394	8.97 %
Total Funds	\$8,765,892	\$9,552,286	\$786,394	8.97 %
Total Ongoing	\$8,765,892	\$9,552,286	\$786,394	8.97 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Division of Banking and Financial Institutions licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include 36 banks and trust companies, with 700 branch banks, 10 credit unions, 224 consumer finance companies, 128 sales finance companies, and 9 escrow businesses. The division also licenses and examines residential mortgage loan service providers which includes 314 mortgage brokers, 286 mortgage lenders, 206 mortgage servicers and 4,400 mortgage loan originators. All program functions are statutorily mandated in Title 32, Chapters 1-11, and Title 31, Chapter 1, Parts 2 & 7, MCA.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations on applications for new bank charters and trust companies, hearing appeals of division decisions on branch bank, merger, or relocation applications, and may also act in an advisory capacity with respect to the duties and powers given by statute to the department when requested by the division.

Program Highlights

Division of Banking and Financial Institutions Major Budget Highlights
<ul style="list-style-type: none"> • The Division of Banking and Financial Institution’s 2025 biennium budget request is about \$786,000 or 9.0% higher than the 2023 biennium budget • 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 • The executive is requesting \$30,000 of state special revenue appropriations in each fiscal year of the 2025 biennium for differential pay for bank examiners in personal services • The executive is proposing an addition of \$195,000 of state special revenue appropriations in each fiscal year of the 2025 biennium for 2.00 FTE for IT examiners due to the growing cybersecurity risks

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	34.00	34.00	36.00	36.00
Personal Services	3,215,276	3,321,764	3,440,803	3,616,810	3,638,295
Operating Expenses	942,192	840,706	838,029	986,992	985,599
Debt Service	162,293	162,295	162,295	162,295	162,295
Total Expenditures	\$4,319,761	\$4,324,765	\$4,441,127	\$4,766,097	\$4,786,189
State/Other Special Rev. Funds	4,319,761	4,324,765	4,441,127	4,766,097	4,786,189
Total Funds	\$4,319,761	\$4,324,765	\$4,441,127	\$4,766,097	\$4,786,189
Total Ongoing	\$4,319,761	\$4,324,765	\$4,441,127	\$4,766,097	\$4,786,189
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Division of Banking and Financial Institutions expended 99.9% of its \$4.3 million HB 2 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 \$116,000 or 2.7% higher than the FY 2022 appropriation. The increase is partially due to increases in the statewide present law adjustments for personal services, fixed costs, and inflation in FY 2023 approved by the 2021 Legislature. The Division of Banking and Financial Institutions also transferred \$60,000 in personal services budget authority to the State Financial Services Division/Procurement Bureau in FY 2022.

Executive Request

The Division of Banking and Financial Institution's executive request is an increase of approximately \$325,000 in FY 2024 and \$345,000 in FY 2025 above the FY 2023 base appropriations. The largest factor affecting the increase is the executive's requested increase in personal services appropriations for 2.00 FTE for IT examiners, and an allocation for staff differential pay. Contributing to the increase, but to a lesser extent, are increases in the statewide present law adjustments for fixed costs, inflation, and the indirect costs paid to the Director's Office.

Program Personal Services

Personal services appropriations were about \$3.4 million or 77.5% of total FY 2023 base appropriations. The executive proposes an increase of \$176,000 in FY 2024 and \$197,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is primarily due to the new proposals for the addition of 2.00 FTE and allocation of staff differential pay totaling \$225,000 in each fiscal year of the 2025 biennium. This increase was partially reduced by present law personal services decreases of \$49,000 in FY 2024 and \$27,000 in FY 2025.

Funding

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

Department of Administration, 14-Div of Banking & Financial Ins							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02077 Financial Institutions Div	9,552,286	0	0	0	9,552,286	100.00 %	
State Special Total	\$9,552,286	\$0	\$0	\$0	\$9,552,286	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$9,552,286	\$0	\$0	\$0	\$9,552,286		

The Division of Banking and Financial Institutions is funded entirely with state special revenues generated from assessments, application fees, and examination fees paid by the regulated financial institutions.

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 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	0	0	0	0.00 %	4,441,127	4,441,127	8,882,254	92.99 %
SWPL Adjustments	0	0	0	0.00 %	74,720	95,015	169,735	1.78 %
PL Adjustments	0	0	0	0.00 %	52,795	52,795	105,590	1.11 %
New Proposals	0	0	0	0.00 %	197,455	197,252	394,707	4.13 %
Total Budget	\$0	\$0	\$0		\$4,766,097	\$4,786,189	\$9,552,286	

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.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	(48,748)	0	(48,748)	0.00	0	(27,060)	0	(27,060)
DP 2 - Fixed Costs	0.00	0	80,382	0	80,382	0.00	0	72,688	0	72,688
DP 3 - Inflation Deflation	0.00	0	43,086	0	43,086	0.00	0	49,387	0	49,387
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	22,795	0	22,795	0.00	0	22,795	0	22,795
DP 1401 - DBFI Differential Pay	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
Grand Total All Present Law Adjustments	0.00	\$0	\$127,515	\$0	\$127,515	0.00	\$0	\$147,810	\$0	\$147,810

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 1401 - DBFI Differential Pay -

The executive requests \$30,000 in FY 2024 and FY 2025 for differential pay in personal services. To reduce the amount of time an examiner is in travel status. To reduce examiner turnover, the division has developed a system to provide situational pay for its examiners who spend a significant amount of time in a travel status. Eligible travel includes financial institution examinations, in-state meetings and conferences, and out-of-state trainings if approved by the commissioner or deputy commissioner. This situational pay is reviewed and certified by the divisions senior management, paid as a one-time, lump-sum payment the following calendar year, and does not affect base pay.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	2,700	0	2,700	0.00	0	2,700	0	2,700
DP 1402 - IT Examination	2.00	0	194,755	0	194,755	2.00	0	194,552	0	194,552
Total	2.00	\$0	\$197,455	\$0	\$197,455	2.00	\$0	\$197,252	\$0	\$197,252

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

DP 1402 - IT Examination -

The executive is requesting funding for 2.00 FTE IT examiners. The division currently regulates 38 state-chartered banks and 10 state-chartered credit unions which maintain total assets in excess of \$66.0 billion. Additionally, the division licenses mortgage loan servicers that hold a total portfolio of 85,000 residential mortgage loans with a total unpaid principal balance of almost \$19.0 billion.

The division has only one IT examiner and is seeking an appropriation for the salary and benefits of 2.00 FTE IT examiners. IT examiners are in very high demand by the federal regulatory agencies and private institutions due to increasing cybersecurity risks.

Cyber incidents can include financial, operational, legal, compliance, strategic, and reputation risks resulting from fraud, data loss, or disruption of service. The increasing number and sophistication of cyber incidents affect financial institutions of all sizes, and remediation of cyber incidents can be costly.

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	5,375,076	5,784,589	409,513	7.62 %
Operating Expenses	6,307,532	6,596,494	288,962	4.58 %
Equipment & Intangible Assets	100,000	135,000	35,000	35.00 %
Debt Service	433,632	433,632	0	0.00 %
Total Expenditures	\$12,216,240	\$12,949,715	\$733,475	6.00 %
Proprietary Funds	12,216,240	12,949,715	733,475	6.00 %
Total Funds	\$12,216,240	\$12,949,715	\$733,475	6.00 %
Total Ongoing	\$12,216,240	\$12,949,715	\$733,475	6.00 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana State Lottery was created in November 1986 by a referendum vote of the people of Montana. The general purpose is to allow lottery games for purchase from the state, through the administration of the lottery, a chance to win a prize. A five-member Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures. Lottery's operations are accounted for in an enterprise fund. Starting in fiscal year 2020, the Lottery is required to transfer the first \$500,000 of net revenue to the Science, Technology, Engineering, and Mathematics (STEM) scholarship program. The transfer to the STEM scholarship program is scheduled to increase each fiscal year: \$1.0 million in 2021, \$1.5 million in 2022, \$2.0 million in 2023, and capping at \$2.25 million in 2024 and in subsequent fiscal years. Net revenue is transferred to the STEM scholarship program in quarterly payments, and any additional revenue is placed in the general fund. The Montana State Lottery is attached to the Department of Administration for administrative purposes only.

Program Highlights

Montana State Lottery Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Lottery’s 2025 biennium budget request is about \$733,000 or 6.0% higher than the 2023 biennium budget • 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 • The executive requests to make permanent 0.25 FTE for a sports betting coordinator position. This request is for approximately \$11,000 in each fiscal year of the 2025 biennium to make the 0.25 FTE permanent and ongoing in the budget • The executive is requesting additional funding of \$12,225 in both fiscal years of the 2025 biennium for Lottery staff overtime pay • The executive requests funding for 1.00 FTE for an additional sales representative. This funding request is for personal services, operating, and equipment authority totaling approximately \$109,000 in FY 2024 and personal services and operating authority of approximately \$76,000 in FY 2025. The equipment funding requested only in FY 2024 is for a vehicle. The position requirements include daily travel

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	36.00	36.00	37.25	37.25
Personal Services	2,624,358	2,667,021	2,708,055	2,884,170	2,900,419
Operating Expenses	3,147,393	3,224,366	3,083,166	3,369,286	3,227,208
Equipment & Intangible Assets	0	50,000	50,000	85,000	50,000
Debt Service	216,816	216,816	216,816	216,816	216,816
Total Expenditures	\$5,988,567	\$6,158,203	\$6,058,037	\$6,555,272	\$6,394,443
Proprietary Funds	5,988,567	6,158,203	6,058,037	6,555,272	6,394,443
Total Funds	\$5,988,567	\$6,158,203	\$6,058,037	\$6,555,272	\$6,394,443
Total Ongoing	\$5,988,567	\$6,158,203	\$6,058,037	\$6,555,272	\$6,394,443
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Montana Lottery expended 97.2% of its \$6.2 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 \$100,000 or 1.6% lower than the FY 2022 appropriation. The difference is attributed to an approximately \$144,000 biennial legislative audit appropriation included in FY 2022 appropriations, the amount remaining at the end of FY 2022, is carried forward into the FY 2023 appropriations. The statewide present law adjustment increase in personal services due to the legislatively approved pay plan for FY 2023 offsets a portion of the difference.

Executive Request

The executive is requesting an increase of approximately \$497,000 in FY 2024 and \$336,000 in FY 2025 above the FY 2023 base appropriations. The majority of the increase is due to increases in the statewide present law adjustments for personal services, fixed costs, inflation, and an increase in indirect costs paid to the Director’s Office. In addition, the executive is requesting an increase for additional staff overtime, funding for 1.00 FTE for a sales representative, and an additional 0.25 FTE for the sports betting coordinator position. The additional sales representative is being requested to support the increased retailer population and product growth by the Montana Lottery. The 0.25 FTE request for the Sports Betting Program is also due to increased retailer population and product growth of the sports wagering, which now makes on average 38.0% of the Lottery’s total sales. The executive is requesting this position be increased to 1.00 FTE, or 0.25 FTE above the originally designated 0.75 FTE.

Program Personal Services

Personal services appropriations were about \$2.7 million or 44.7% of total FY 2023 base appropriations. The executive proposes an increase of \$176,000 in FY 2024 and \$192,000 in FY 2025 when compared to the FY 2023 base appropriations. This increase is due to statewide present law personal services increases of approximately \$82,000 in FY 2024 and \$97,000 in FY 2025, as well as proposals for additional staff overtime, funding for 1.00 FTE for a sales representative, and an additional 0.25 FTE for the sports betting coordinator position.

Funding

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

Department of Administration, 15-Montana State Lottery							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02029 Board of Horse Racing	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06001 State Lottery Fund	12,949,715	0	0	201,828,700	214,778,415	100.00 %	
Proprietary Total	\$12,949,715	\$0	\$0	\$201,828,700	\$214,778,415	100.00 %	
Total All Funds	\$12,949,715	\$0	\$0	\$201,828,700	\$214,778,415		

HB 2 Appropriations

The Montana Lottery is funded entirely with an enterprise proprietary fund derived from lottery game revenues. Net revenue is transferred quarterly to the general fund.

Statutory Appropriations

The Montana Lottery has statutory appropriations for expenditures in three main areas:

- Lottery prizes
- Commissions paid to lottery ticket or chance sales agents
- Lottery contractor fees

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 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	0	0	0	0.00 %	6,058,037	6,058,037	12,116,074	93.56 %
SWPL Adjustments	0	0	0	0.00 %	346,332	218,835	565,167	4.36 %
PL Adjustments	0	0	0	0.00 %	28,984	28,984	57,968	0.45 %
New Proposals	0	0	0	0.00 %	121,919	88,587	210,506	1.63 %
Total Budget	\$0	\$0	\$0		\$6,555,272	\$6,394,443	\$12,949,715	

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.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	82,359	0.00	0	0	0	96,940
DP 2 - Fixed Costs	0.00	0	0	0	149,269	0.00	0	0	0	(7,014)
DP 3 - Inflation Deflation	0.00	0	0	0	114,704	0.00	0	0	0	128,909
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	16,759	0.00	0	0	0	16,759
DP 1501 - Additional Overtime for Lottery Staff	0.00	0	0	0	12,225	0.00	0	0	0	12,225
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$375,316	0.00	\$0	\$0	\$0	\$247,819

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 1501 - Additional Overtime for Lottery Staff -

The executive requests an additional \$12,225 in FY 2024 and FY 2025 to pay for Montana Lottery staff overtime. The Montana Lottery lost its part-time workers that previously supervised the nightly drawing process, so the agency is currently relying on existing employees to fulfill these duties.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	1,388	0.00	0	0	0	1,388
DP 1502 - Change .25 Modified position to Permanent	0.25	0	0	0	11,234	0.25	0	0	0	11,228
DP 1503 - Additional Sales Representative	1.00	0	0	0	109,297	1.00	0	0	0	75,971
Total	1.25	\$0	\$0	\$0	\$121,919	1.25	\$0	\$0	\$0	\$88,587

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

DP 1502 - Change .25 Modified position to Permanent -

The executive requests 0.25 FTE for the sports betting coordinator to support the increased retailer population and product growth experienced by the agency. In just two years since its start, the sports wagering product now makes up on average 38.0% of the agency's total sales. With total revenue in fiscal year 2021 equaling \$41.5 million, and this year's revenue increasing beyond \$43.0 million, the product growth requires full-time staff support. This position's current part-time status is not able to keep up with the demanding day-to-day requirements, which include addressing retailer issues, player inquiries, and coordinating daily sports bet product advertising.

DP 1503 - Additional Sales Representative -

The executive requests an additional lottery sales representative to support the increased retailer population and product growth experienced by the agency. With the addition of the sports wagering product, the retailer base has increased by 24.0% since fiscal year 2020, which has over-extended the agency's existing staff. Montana Lottery is in the process of increasing the number of sales representatives in order to address the agency's day to day sales strategies with current retailers and recruit new retailers.

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	3,804,564	3,813,836	9,272	0.24 %
Operating Expenses	33,248,630	32,132,783	(1,115,847)	(3.36)%
Benefits & Claims	432,058,808	429,621,104	(2,437,704)	(0.56)%
Total Expenditures	\$469,112,002	\$465,567,723	(\$3,544,279)	(0.76)%
Proprietary Funds	469,112,002	465,567,723	(3,544,279)	(0.76)%
Total Funds	\$469,112,002	\$465,567,723	(\$3,544,279)	(0.76)%

Program Biennium Comparison -

The biennium comparison table shows a decrease of 0.8%, which for the Health Care and Benefits Division is influenced by a decrease in FY 2023 appropriations to match anticipated expenditures. Compared to the FY 2023 base appropriation, the growth is proposed to be 0.4%.

Program Description

The Health Care and Benefits Division (HCBD) provides state employees, retirees, members of the legislature, judges and judicial branch employees, and their dependents with group benefits in an efficient manner and at an affordable cost by administering a solvent, prudent benefits program. The division administers benefits plans including health, dental, prescription drug, life, vision coverage, long-term disability, flexible spending accounts, a sick leave fund, employee assistance services, health promotion, and a voluntary employee benefit health care expense trust. Finally, the division is responsible for the centralized oversight and management of workers' compensation related matters impacting the state as an employer.

Employee benefits are governed by 2-18-701 et seq., 2-18-801 et seq., 2-18-1301 et seq., and 33-2-712, MCA. The Workers' Compensation Program is governed by 39-71-403, MCA. The Montana Safety Culture Act, as it applies to state government, is found in 39-71-1501 et seq.

The division is entirely funded from proprietary funds, which are not appropriated in HB 2. The various accounts provide for two programs and a third function within the division:

- Health Care Benefits Bureau provides oversight and administrative functions for the state employee group benefit plan, including administration of health, dental, vision, life insurance, and flexible spending accounts. It is funded from the group benefits claims fund, which funds the administrative costs of the bureau and benefit and claim costs
- Workers' Compensation Management Bureau is the central resource for state agencies in working to:
 - Enhance worker safety
 - Provide for loss-prevention
 - Develop and provide return-to-work programs
 - Coordinate workers' compensation coverage and policy management issues
- Flexible spending accounts are for employee contributions to a flexible spending account, including medical and childcare

Program Highlights

Health Care and Benefits Division Major Budget Highlights
<ul style="list-style-type: none"> • The Health Care and Benefits Division’s 2025 biennium budget request is about \$3.5 million or 0.8% lower than the 2023 biennium budget • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, inflation, and an increase in indirect costs paid to the Director’s Office

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	21.87	21.87	21.87	21.87
Personal Services	1,323,249	1,887,968	1,916,596	1,903,445	1,910,391
Operating Expenses	17,680,740	18,145,142	15,103,488	15,951,707	16,181,076
Benefits & Claims	210,867,116	217,248,256	214,810,552	214,810,552	214,810,552
Total Expenditures	\$229,871,105	\$237,281,366	\$231,830,636	\$232,665,704	\$232,902,019
Proprietary Funds	229,871,105	237,281,366	231,830,636	232,665,704	232,902,019
Total Funds	\$229,871,105	\$237,281,366	\$231,830,636	\$232,665,704	\$232,902,019

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Health Care and Benefits Division is funded entirely with proprietary funds and is not included in HB 2. The FY 2022 budget of \$237.3 million was 96.9% expended as of the end of the fiscal year.

FY 2022 Appropriations Compared to FY 2023 Appropriations

Overall, the FY 2023 appropriation is approximately \$5.5 million or 2.3% lower than the FY 2022 appropriation. The difference is primarily in benefits and claims. HCBBD reduced appropriation authority in FY 2023 to match anticipated benefits and claims more closely.

Executive Request

The Health Care and Benefits Division is proposing an increase of approximately \$835,000 in FY 2024 and \$1.1 million in FY 2025 above the FY 2023 base appropriations. These proposed changes are primarily to align the budget with the division's administration and claims expense projections. Additional information on these proposed adjustments is included in the Present Law Adjustments section below.

Program Personal Services

Personal services were about \$1.9 million or 0.8% of the FY 2023 base budget. The executive proposes a statewide present law decrease of approximately \$13,000 in FY 2024 and \$6,000 in FY 2025.

Funding

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

Department of Administration, 21-Health Care & Benefits Div Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06027 Flexible Spending Funds	0	0	15,779,427	0	15,779,427	3.39 %	
06559 Group Benefits Claims A/C	0	0	449,128,113	0	449,128,113	96.47 %	
06575 Workers Comp Mgmt Program	0	0	660,183	0	660,183	0.14 %	
Proprietary Total	\$0	\$0	\$465,567,723	\$0	\$465,567,723	100.00 %	
Total All Funds	\$0	\$0	\$465,567,723	\$0	\$465,567,723		

The Health Care and Benefits Division is funded entirely with proprietary funds which are not appropriated in HB 2. The three funds provide funding for two programs and a third function within the HCBD:

- Employee Benefits Program – provides oversight and administrative functions for the state employee group health plan including administration of the health, dental, vision, and life insurance. It is funded from the group benefits claims proprietary fund, which is an account used for the administrative costs of the program as well as benefits and claims costs
- Workers’ Compensation Management Bureau – is the central resource for state agencies in working to enhance worker safety, provide loss preventions, develop, and provide return-to-work programs, and coordinate workers’ compensation coverage and policy management issues. It is funded from workers’ compensation management program fees which are fixed costs allocated to each state agency
- Flexible spending funds – accounts for employee contributions to a flexible spending account, including medical and childcare

These funds are discussed in the Proprietary Rates section of the narrative.

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 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	0	0	0	0.00 %	231,830,636	231,830,636	463,661,272	99.59 %
SWPL Adjustments	0	0	0	0.00 %	819,078	1,055,393	1,874,471	0.40 %
PL Adjustments	0	0	0	0.00 %	13,290	13,290	26,580	0.01 %
New Proposals	0	0	0	0.00 %	2,700	2,700	5,400	0.00 %
Total Budget	\$0	\$0	\$0		\$232,665,704	\$232,902,019	\$465,567,723	

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.

Present Law Adjustments										
-----Fiscal 2024-----						-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(13,151)	0.00	0	0	0	(6,205)
DP 2 - Fixed Costs	0.00	0	0	0	59,077	0.00	0	0	0	36,798
DP 3 - Inflation Deflation	0.00	0	0	0	773,152	0.00	0	0	0	1,024,800
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	13,290	0.00	0	0	0	13,290
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$832,368	0.00	\$0	\$0	\$0	\$1,068,683

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	2,700	0.00	0	0	0	2,700
Total	0.00	\$0	\$0	\$0	\$2,700	0.00	\$0	\$0	\$0	\$2,700

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

Other Issues -

Proprietary Rates

The Health Care and Benefits Division manages two proprietary programs:

- Employee benefits, which includes
 - State’s health and other benefit plans
 - Contract administration of the flexible spending account
- Management of the state agency workers’ compensation insurance

Employee Benefits Program – Group Benefits and Claims – 06559

Proprietary Program Description

The employee benefits program is charged with providing state employees, retirees, members of the legislature, judges, judicial branch employees, and their families with adequate medical, dental, prescription drug, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-funded health, prescription drug, dental, and vision plan. Life and long-term disability are purchased from private sector vendors on a fully insured basis. The program contracts with private companies to provide claims processing services, health screenings, and wellness plan administration.

The core benefit provided by the program is a medical plan, which includes medical, prescription drug, vision exam coverage, and basic life insurance benefits. The medical plan is administered by Blue Cross Blue Shield of Montana, and the pharmacy plan is administered by Navitus, and the dental plan is administered by Delta Dental, through their provider networks. The life and long-term disability are fully insured products offered through Blue Cross Blue Shield of Montana.

The division has developed on-site employee health centers in Helena, Billings, Missoula, Butte, and Anaconda. The division has contracted with Premise Health to staff and operate the health centers.

The program is funded by the state contribution for group benefits and by contributions and fees paid by plan members. The program currently supports 18.64 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name		Program Name	
06559	Group Benefits Claims A/C	61010	Department of Administration		Health Care Benefits Division	
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
Fee Revenue A						
Other Operating Revenues						
Investment Earnings						
			(958,851)	650,000	650,000	650,000
Group Benefit Plan Contributions						
			190,995,534	214,000,000	218,000,000	218,000,000
Other Operating Revenues						
			4,658,636	5,300,000	4,500,000	4,500,000
Total Operating Revenues						
			194,695,319	219,950,000	223,150,000	223,150,000
Expenses						
Personal Services						
			1,252,079	1,610,797	1,626,594	1,632,625
Other Operating Expense						
Operating						
			17,557,120	14,885,519	15,717,719	15,944,531
Claims						
			210,484,070	207,103,322	207,103,322	207,103,322
Total Operating Expense						
			229,293,269	223,599,638	224,447,635	224,680,478
Operating Income (Loss)						
			(34,597,950)	(3,649,638)	(1,297,635)	(1,530,478)
Nonoperating Revenues						
			172,938	-	-	-
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)						
			172,938	-	-	-
Income (Loss) Before Contributions/Transfers						
			(34,425,012)	(3,649,638)	(1,297,635)	(1,530,478)
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
			-	-	-	-
Change in Net Position						
			(34,425,012)	(3,649,638)	(1,297,635)	(1,530,478)
Beginning Net Position - July 1						
			161,536,358	128,218,647	124,569,009	123,271,374
Prior Period Adjustments						
			1,107,302			
Change in Net Position						
			(34,425,012)	(3,649,638)	(1,297,635)	(1,530,478)
Ending Net Position - June 30						
			128,218,647	124,569,009	123,271,374	121,740,896

Expenses

COVID-19 affected claims in a delayed fashion. With the shutdown of businesses, including medical providers, benefit members had to forego or delay care during 2020 and early 2021, which resulted in a decrease in claims expense for the plan. As things started to open back up and go back to normal, members started seeking the care that was put off during the pandemic. However, the later diagnoses of conditions that were present in 2020 but not detected or addressed, are now in more advanced stages. In turn, the care for more advanced illnesses greatly increased claims dollars. Going forward, HCBD expects to see expenses start to normalize back to projected levels.

HCBD is continuing to see increases in medical, dental and pharmacy trends. Specialty medications continue to have a large impact, since they are more cost consuming to the plan. During COVID-19 a large number of members moved to 90-day prescription fills.

The Health Care and Benefits Division receives an actuarial analysis from Actuaries Northwest, LLC that analyzes both medical and prescription drug claims. The table below shows two trend scenarios that were included in the June 2022 actuarial report. One scenario calculates projections based on an increase in medical costs of 6.0% and prescription costs of 9.0%. A second scenario calculates projections based on an increase in medical costs of 9.0% and prescription costs of 12.0%.

Health Care and Benefits Division Group Benefits Claims 6.0% Medical Trend and 9.0% Prescription Trend Trend Assumptions by Actuaries Northwest, LLC						
	Projected Plan Year 2022	Projected Plan Year 2023	Projected Plan Year 2024	Projected Plan Year 2025	\$ Change 23B - 25B	% Change 23B - 25B
Medical Claims	\$ 158,795,472	\$ 168,019,599	\$ 178,100,775	\$ 188,786,822	\$ 40,072,525	12.3%
Rx Claims	44,993,124	48,954,048	53,359,912	58,162,305	17,575,045	18.7%
Part D	(20,849,943)	(22,685,447)	(24,727,137)	(26,952,579)	(8,144,326)	18.7%
Dental Claims	7,133,403	7,405,358	7,701,572	8,009,635	1,172,447	8.1%
Change in IBNR	4,972,923	622,774	1,634,008	1,731,865	(2,229,825)	-39.8%
Total Claims	\$ 195,044,980	\$ 202,316,333	\$ 216,069,131	\$ 229,738,047	\$ 48,445,866	12.2%

Health Care and Benefits Division Group Benefits Claims 9.0% Medical Trend and 12.0% Prescription Trend Trend Assumptions by Actuaries Northwest, LLC						
	Projected Plan Year 2022	Projected Plan Year 2023	Projected Plan Year 2024	Projected Plan Year 2025	\$ Change 23B - 25B	% Change 23B - 25B
Medical Claims	\$ 159,644,921	\$ 173,699,100	\$ 189,332,019	\$ 206,371,900	\$ 62,359,899	18.7%
Rx Claims	45,239,051	50,576,348	56,645,510	63,442,971	24,273,082	25.3%
Part D	(20,958,712)	(23,431,418)	(26,243,188)	(29,392,371)	(11,245,429)	25.3%
Dental Claims	7,159,022	7,574,876	8,029,368	8,511,130	1,806,601	12.3%
Change in IBNR	4,972,923	980,550	2,532,779	2,760,175	(660,520)	-11.1%
Total Claims	\$ 196,057,205	\$ 209,399,456	\$ 230,296,488	\$ 251,693,806	\$ 76,533,633	18.9%

Revenues

The state employee group benefit plan (SEGBP) is self-funded, and as such is responsible for medical costs incurred by its members. SEGBP is funded through a combination of state share paid by the State of Montana as an employer and member (employee and retiree) contribution payments. The state share is \$1,054 per month and is established in 2-18-703(2), MCA. As a component of employee compensation, the state share contribution amount is a subject of collective bargaining and is negotiated as part of the overall pay package for state employees.

Plan revenues are estimated at approximately \$223.2 million each fiscal year of the 2025 biennium.

Proprietary Rates

For the 2025 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Budgeted FY 23	Proposed FY 24	Proposed FY 25
<i>Fee Description:</i>				
State Share Contribution	\$1,054	\$1,054	\$1,054	\$1,054
<p>Rates are established to maintain adequate reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average month state share rate for each fiscal year.</p>				

The program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

The amounts shown as rates above are the state share contribution for each state employee each month. The state share contribution amounts are contained in statute. For the 2025 biennium the executive is not proposing any additional funding for the state share contribution in the pay plan. The various contribution costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claim costs for each insurance type. Any difference between the state share contribution and actual costs are made up by employee and retiree contributions and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of contributions for two years.

Workers' Compensation Management Program – 06575

Proprietary Program Description

The Health Care and Benefits Division manages the Workers' Compensation Management Program. The program assists employees and agencies in ensuring a safe working environment, reduces on-the-job injuries and accidents in the workplace, and assists employees who are injured in returning to meaningful and productive work. The program is the central resource in working with the state's workers' compensation insurer, Montana State Fund, to coordinate workers' compensation coverage and policy management issues.

The program is funded through a fixed cost rate charged to state agencies. The program currently supports 3.23 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06575	Worker's Comp Management	61010	Department of Administration	Worker's Compensation		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Fee Revenue A		141,312	349,312	349,312	349,312
Total Operating Revenues			141,312	349,312	349,312	349,312
Expenses						
	Personal Services		140,033	305,799	276,851	277,766
	Operating Expense		40,533	46,106	53,017	52,549
Total Operating Expense			180,566	351,905	329,868	330,315
Operating Income (Loss)			(39,254)	(2,593)	19,444	18,997
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			(39,254)	(2,593)	19,444	18,997
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			(39,254)	(2,593)	19,444	18,997
Beginning Net Position - July 1			36,445	(2,809)	(5,402)	14,042
Prior Period Adjustments						
Change in Net Position			(39,254)	(2,593)	19,444	18,997
Ending Net Position - June 30			(2,809)	(5,402)	14,042	33,039

Expenses

The executive requests a decrease in expenses of approximately \$22,000 in each FY 2024 and FY 2025 when compared to the FY 2023 base appropriations. The reduction is due to a decrease in personal services in the statewide present law adjustment. The following figure shows the changes as proposed by the executive, as reflected in the budgeting system.

Department of Administration Health Care and Benefits Division Workers' Compensation Management Proposed Changes for the 2025 Biennium in the Budgeting System		
	FY 2024	FY 2025
Personal Services		
Statewide Present Law Adjustment	<u>\$ (28,948)</u>	<u>\$ (28,033)</u>
Personal Services Total	(28,948)	(28,033)
Operating Expenses		
Statewide Present Law Adjustment - Fixed Costs	4,883	4,231
Statewide Present Law Adjustment - Inflation	1,009	1,193
Allocate Department Indirect/Administrative Costs	<u>1,019</u>	<u>1,019</u>
Operating Expenses Total	6,911	6,443
Total Proposed Decrease	<u>(22,037)</u>	<u>(21,590)</u>

Revenues

The Workers' Compensation Management Program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period. The largest expense for the Workers' Compensation Management Program is personal services. In FY 2022, 2.00 of the 3.00 FTE positions were vacant, as a result expenses were well below the budgeted appropriation. In the last quarter of FY 2022, 60.0% of the fees collected were refunded to the respective paying agencies.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. The rate is not changing in the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Budgeted FY 23	Proposed FY 24	Proposed FY 25
Fee Description:				
Workers' Compensation Management	\$0.97	\$0.97	\$0.97	\$0.97

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approved the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

The executive is not proposing an increase to the rate in the 2025 biennium.

Flexible Spending Account Program – 06027

Proprietary Program Description

State employees can elect to set aside a certain amount of their pay into accounts to pay dependent care and out-of-pocket medical costs. The “set aside” funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims to use the funds deposited in the accounts for allowable expenses.

Federal rules govern the use of and the amount that can be contributed to flexible spending accounts. The current contribution maximums are \$2,850 per year for medical and \$5,000 per year for dependent care. In the fall of 2013, the Internal Revenue Service announced the ability for participants to roll over up to \$570 from the medical flexible spending account into the next benefit year. Employees forfeit any unspent funds beyond the \$570 rollover for medical and any remaining dependent care balance at the end of the year.

Approximately 4,500 state employees participate in the flexible spending account program.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06027	Flexible Spending	61010	Dept of Administration	Health Care Benefits Division		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Administration Fee		113,077	171,863	171,863	171,863
	Investment Earnings		2,861	1,000	1,000	1,000
	FSA Account Contributions		7,317,525	7,741,250	7,741,250	7,741,250
Total Operating Revenues			7,433,463	7,914,113	7,914,113	7,914,113
Expenses						
	Personal Services					
	Other Operating Expense		112,827	171,863	180,971	183,996
			7,038,925	7,707,230	7,707,230	7,707,230
Total Operating Expense			7,151,751	7,879,093	7,888,201	7,891,226
Operating Income (Loss)			281,712	35,020	25,912	22,887
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			281,712	35,020	25,912	22,887
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			281,712	35,020	25,912	22,887
Beginning Net Position - July 1			3,244,384	3,526,096	3,561,116	3,587,028
Prior Period Adjustments						
Change in Net Position			281,712	35,020	25,912	22,887
Ending Net Position - June 30			3,526,096	3,561,116	3,587,028	3,609,915

Expenses

The executive proposes an increase in expenditures of approximately \$9,000 in FY 2024 and \$12,000 in FY 2025 from the FY 2023 base appropriations. The increase is due to the statewide present law adjustment for inflation.

Revenues

The flexible spending account program is funded from an administrative fee of \$2.26 per month on each account participating in the program. This fee is charged per participant whether the participant has a medical account, a dependent care account, or both.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. The rate is decreasing \$0.10 each year in the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:	\$ 2.26	\$ 2.26	\$ 2.16	\$ 2.16

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

The rate is based on the amount of funding needed to cover the costs of administering the plan.

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	3,052,630	3,329,471	276,841	9.07 %
Operating Expenses	1,047,187	1,058,772	11,585	1.11 %
Total Expenditures	\$4,099,817	\$4,388,243	\$288,426	7.04 %
General Fund	4,099,817	4,388,243	288,426	7.04 %
Total Funds	\$4,099,817	\$4,388,243	\$288,426	7.04 %
Total Ongoing	\$4,099,817	\$4,388,243	\$288,426	7.04 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The State Human Resources Division (SHRD) provides statewide human resource services and programs under the authority of Title 2, Chapter 18, and 39-31-301, MCA. The division houses:

- The Human Resources Policy and Programs Bureau, which establishes the human resource rules, policies, and standards for Montana’s executive branch
- The Human Resources Information Systems Bureau, which processes the biweekly payroll, and administers other human resources information systems, for all branches of state government

Program Highlights

State Human Resources Division Major Budget Highlights
<ul style="list-style-type: none"> • The State Human Resources Division’s 2025 biennium budget request is about \$288,000 or 7.0% higher than the 2023 biennium budget • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, inflation, and an increase in indirect costs paid to the Director’s Office • The majority of the funding in the division is from non-budgeted proprietary funds. Significant changes to the proprietary rates include: <ul style="list-style-type: none"> ◦ The executive is proposing an online learning tool available to all state employees and is requesting increases for operating expenses of \$250,000 in FY 2024 and FY 2025 ◦ The executive is requesting to eliminate the Professional Development Center (PDC) Program, reducing personal service and operating costs of \$376,000 in FY 2024 and \$379,000 in FY 2025. The executive is proposing to add the State Management Training Center to the State Human Resources Division. The request would be for \$400,000 in FY 2024 and FY 2025

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	16.25	16.25	16.25	16.25
Personal Services	1,453,033	1,503,589	1,549,041	1,660,681	1,668,790
Operating Expenses	635,151	597,711	449,476	525,608	533,164
Total Expenditures	\$2,088,184	\$2,101,300	\$1,998,517	\$2,186,289	\$2,201,954
General Fund	2,088,184	2,101,300	1,998,517	2,186,289	2,201,954
Total Funds	\$2,088,184	\$2,101,300	\$1,998,517	\$2,186,289	\$2,201,954
Total Ongoing	\$2,088,184	\$2,101,300	\$1,998,517	\$2,186,289	\$2,201,954
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The State Human Resources Division expended 99.4% of its \$2.1 million HB 2 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 \$103,000 or 4.9% lower than the FY 2022 appropriation. Personal services are approximately \$45,000 more in FY 2023 than FY 2022, due to the statewide pay plan increase approved by the 2021 Legislature and the offsetting state share holiday reduction. The increase in personal services is more than offset by the decline in operating expenses, which are approximately \$148,000 less in FY 2023 than FY 2022, due primarily to the Director's Office and State Financial Services Division transferring \$149,000 to the State Human Resources Division for a pay study.

Executive Request

The State Human Resources Division's executive request is an increase of approximately \$188,000 in FY 2024 and \$203,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to statewide present law adjustments in personal services, fixed costs, inflation/deflation, and an increase in the indirect costs paid to the Director's Office.

Program Personal Services

Personal services were about \$1.5 million or 77.5% of the FY 2023 base budget. The executive proposes a statewide present law increase of about \$112,000 in FY 2024 and \$120,000 in FY 2025.

Funding

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

Department of Administration, 23-State Human Resources Division							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,388,243	0	0	0	4,388,243	32.13 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06511 SABHRS	0	0	0	0	0	0.00 %	
06525 Intergovernmental Training	0	0	800,000	0	800,000	8.63 %	
06559 Group Benefits Claims A/C	0	0	715,503	0	715,503	7.72 %	
06563 HR Info Services	0	0	7,756,061	0	7,756,061	83.65 %	
Proprietary Total	\$0	\$0	\$9,271,564	\$0	\$9,271,564	67.87 %	
Total All Funds	\$4,388,243	\$0	\$9,271,564	\$0	\$13,659,807		

HB 2 Appropriations

The State Human Resources Division receives general fund appropriations in HB 2 for support of the Human Resources Policy and Programs Bureau. This bureau establishes the human resource rules, policies, and standards for Montana’s executive branch.

Non-Budgeted Proprietary Appropriations

The majority of the State Human Resources Division’s operations are supported by proprietary funds. The Human Resource Information Services Bureau (HRIS) is funded through a fee charged to state agencies for each employee payroll processed in a pay period. This fund is considered and approved as rates charged to other state agencies and is discussed in the Proprietary Rates section of the narrative. The executive is requesting to eliminate the Professional Development Center (PDC) Program, reducing their budget by \$376,000 in FY 2024 and \$379,000 in FY 2025. The executive is proposing to add the State Management Training Center to the State Human Resources Division. The request would be for \$400,000 in FY 2024 and FY 2025.

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 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	1,998,517	1,998,517	3,997,034	91.09 %	1,998,517	1,998,517	3,997,034	91.09 %
SWPL Adjustments	178,482	194,147	372,629	8.49 %	178,482	194,147	372,629	8.49 %
PL Adjustments	8,390	8,390	16,780	0.38 %	8,390	8,390	16,780	0.38 %
New Proposals	900	900	1,800	0.04 %	900	900	1,800	0.04 %
Total Budget	\$2,186,289	\$2,201,954	\$4,388,243		\$2,186,289	\$2,201,954	\$4,388,243	

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.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 1 - Personal Services	0.00	111,640	0	0	111,640	0.00	119,749	0	0	119,749
DP 2 - Fixed Costs	0.00	32,371	0	0	32,371	0.00	32,194	0	0	32,194
DP 3 - Inflation Deflation	0.00	34,471	0	0	34,471	0.00	42,204	0	0	42,204
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	8,390	0	0	8,390	0.00	8,390	0	0	8,390
Grand Total All Present Law Adjustments	0.00	\$186,872	\$0	\$0	\$186,872	0.00	\$202,537	\$0	\$0	\$202,537

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

New Proposals

The "New Proposals" table shows new proposals for spending.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
New Proposals										
DP 99 - New Fixed Costs	0.00	900	0	0	900	0.00	900	0	0	900
Total	0.00	\$900	\$0	\$0	\$900	0.00	\$900	\$0	\$0	\$900

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

Other Issues -

Proprietary Rates

The State Human Resources Division provides the following functions supported by proprietary rates for the Human Resources Information Services Bureau (HRIS).

Human Resources Information System Bureau (HRIS) - 06563

Proprietary Program Description

The HRIS Bureau operates the SABHRS-HR payroll, benefits, and human resources system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for almost 14,000 state employees in the executive, legislative, and judicial branches. The bureau is also responsible for the administration and maintenance of the State of Montana Recruitment System (SOMRS) which is used by all state agencies in the recruitment and selection of applicants.

The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs, including employee benefits (group insurance, flexible spending accounts, Affordable Care Act compliance, deferred compensation, and pension), classification, pay, labor relations, policy, and training.

The program staff consists of 21.75 FTE. Statutory authority is 2-18-401, MCA, and 2-18-403, MCA.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06563	Human Resources Information Services	61010	Dept of Administration	State Human Resources Div		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
HRIS Fees			3,597,100	3,607,489	3,849,451	3,849,451
Other Operating Revenues						
Revenue A			172	600	600	600
Total Operating Revenues			3,597,272	3,608,089	3,850,051	3,850,051
Expenses						
Personal Services			1,862,936	2,103,223	2,109,942	2,125,475
Other Operating Expense			1,506,360	1,314,467	1,792,063	1,728,581
Expense A						
Expense B						
Expense C						
Total Operating Expense			3,369,296	3,417,690	3,902,005	3,854,056
Operating Income (Loss)			227,976	190,399	(51,954)	(4,005)
Nonoperating Revenues						
Other Revenue						
Nonoperating Expenses						
Other Expense						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			227,976	190,399	(51,954)	(4,005)
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			227,976	190,399	(51,954)	(4,005)
Beginning Net Position - July 1			250,662	479,643	670,042	618,088
Prior Period Adjustments			1,005			
Change in Net Position			227,976	190,399	(51,954)	(4,005)
Ending Net Position - June 30			479,643	670,042	618,088	614,083

Expenses

The executive proposes an increase of approximately \$484,000 in FY 2024 and \$436,000 in FY 2025 when compared to the FY 2023 base budget. The requested increases are partially due to the statewide present law adjustments for personal services, fixed costs, and inflation. More than half of the increase is due to the executive request of \$250,000 in FY 2024 and FY 2025 for the proposed new online learning subscription. The learning content will be housed in the state’s learning management system (LMS), which is administered by the State Human Resource Information Services bureau (HRIS). Employees will access the online trainings through the LMS.

Revenues

HRIS fees charged to state agencies are determined by projecting the cost of operating the HRIS program through the next biennium. HRIS rates are set as a fixed cost and allocated out to each agency based on the number of paychecks processed during the two prior fiscal years.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. When comparing the 2023 biennium to the 2025 biennium, the rate is proposed to increase by approximately \$242,000 in FY 2024 and FY 2025.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:	9.99	9.99	10.12	10.10

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Professional Development Center / Training Program (PDC) - 06525

Proprietary Program Description

The Professional Development Center program provides training and related services throughout locations in the State of Montana. The PDC offers training directed towards improving state practices, meeting state and federal regulations, and providing professional services such as facilitation, mediation, or curriculum design. The statutory authority for this program comes from 2-18-102, MCA.

The PDC also contracts with individual agencies to provide training for their staff. The agency schedules, promotes, and provides the facility for training. The PDC provides the instruction and class materials.

The program is an internal service fund and has 3.00 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual expenditures for FY 2022 and the budgeted expenditures for FY 2023 for the Professional Development Center. The projected expenditures for FY 2024 and FY 2025 are attributed to the proposed State Management Training Center, carrying forward the current projected fund balance. The executive is proposing to use the same fund for the new training center.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06525	Intergovernmental Training	61010	Dept of Administration	State Human Resources Div		
			Actual FY 22	Budgeted FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
Charges for Services			381,296	415,000	400,000	400,000
Fee Revenue B			740	2,500		
Other Operating Revenues						
Total Operating Revenues			382,036	417,500	400,000	400,000
Expenses						
Personal Services			205,581	303,160	180,028	180,030
Other Operating Expense			136,990	153,642	219,972	219,970
Total Operating Expense			342,571	456,802	400,000	400,000
Operating Income (Loss)			39,465	(39,302)	-	-
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions/Transfers			39,465	(39,302)	-	-
Capital Contributions						
Transfers In			39,900	62,400		
Transfers Out						
Loans and Lease Payments				(366)		
Change in Net Position			79,365	22,732	-	-
Beginning Net Position - July 1			60,837	140,202	162,934	162,934
Prior Period Adjustments						
Change in Net Position			79,365	22,732	-	-
Ending Net Position - June 30			140,202	162,934	162,934	162,934

The executive is requesting to eliminate the PDC going forward and create the State Management Training Center for the 2025 biennium.

Revenues

Funding for the PDC was generated through two rates:

- Open-enrollment fees, which are a per-person tuition charged for attendance. Tuition rates are based on two factors: projected attendance and competitive pricing. The amount per person varies by length of the course and number of people attending from a single agency

- Contract fees, which are a flat fee charged for providing a service. The amount per service varies by length of the service and number of services arranged in a single contract

Funding for the proposed State Management Training Center is described in more detail in the Proprietary Rates section, below.

Proprietary Rates

The following table shows the actual rates for FY 2022 and the estimated rates for FY 2023. The executive is not proposing rates in the 2025 biennium for the PDC. The 2025 biennium rates charged for the proposed State Management Training Center are based on the number of FTE in the participating agency.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
Fee Description:	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
			\$400,000	\$400,000
OPEN ENROLLMENT COURSES				
Two-Day Course (per participant)	\$190	\$ 190		
One-Day Course (per participant)	123	123		
Half-Day Course (per participant)	95	95		
Eight-Day Management Series (per participant)	800	800		
Six-Day Management Series (per participant)	600	600		
Four-Day Administrative Series (per participant)	400	400		
CONTRACT COURSES				
Full-Day Training (flat fee)	830	830		
Half-Day Training (flat fee)	570	570		
Computer Maintenance Charges (course specific)	10	10		

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

The rates charged for the proposed State Management Training Center are based on the number of FTE in the participating agency. The following table shows the proposed rates for the State Management Training Center.

The Department of Administration State Human Resources Division Proposed Rates for the State Management Training Center				
Agency	FTE	Percent	FY 2024	FY 2025
Governor's Office	61.52	0.51%	2,048	2,048
School for Deaf & Blind	83.67	0.70%	2,786	2,786
Montana Arts Council	7.00	0.06%	233	233
Montana State Library	51.73	0.43%	1,722	1,722
Historical Society	63.88	0.53%	2,127	2,127
Department of Fish, Wildlife and Parks	905.67	7.54%	30,156	30,156
Department of Environmental Quality	446.79	3.72%	14,877	14,877
Department of Transportation	2,165.27	18.02%	72,096	72,096
Department of Livestock	138.29	1.15%	4,605	4,605
Department of Natural Resources & Conservation	638.41	5.31%	21,257	21,257
Department of Revenue	673.67	5.61%	22,431	22,431
Department of Administration	568.54	4.73%	18,930	18,930
Montana Public Employee Retirement Administration	56.00	0.47%	1,865	1,865
Teachers Retirement System	22.00	0.18%	733	733
Office of Public Defender	308.44	2.57%	10,270	10,270
Department of Agriculture	132.44	1.10%	4,410	4,410
Department of Corrections	1,366.18	11.37%	45,489	45,489
Department of Commerce	264.29	2.20%	8,800	8,800
Department of Labor and Industry	825.68	6.87%	27,492	27,492
Department of Military Affairs	246.69	2.05%	8,214	8,214
Department of Public Health & Human Services	<u>2,987.12</u>	<u>24.87%</u>	<u>99,461</u>	<u>99,461</u>
Total	12,013.28	100.00%	\$400,000	\$400,000

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	3,538,796	3,430,705	(108,091)	(3.05)%
Operating Expenses	31,990,183	40,410,725	8,420,542	26.32 %
Grants	1,040,226	1,040,226	0	0.00 %
Benefits & Claims	32,970,174	30,470,174	(2,500,000)	(7.58)%
Debt Service	155,144	155,144	0	0.00 %
Total Expenditures	\$69,694,523	\$75,506,974	\$5,812,451	8.34 %
Proprietary Funds	69,694,523	75,506,974	5,812,451	8.34 %
Total Funds	\$69,694,523	\$75,506,974	\$5,812,451	8.34 %

Program Description

The Risk Management and Tort Defense Division administers a comprehensive plan of property/casualty insurance protection on behalf of the state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles. State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers & machinery, bonds (various), crime, cyber/information security, fine art, foreign specialties, foster care, Health Insurance Portability and Accountability Act (HIPPA), medical malpractice, property, professional liability, and miscellaneous.

The state self-insures most commercial insurance risks under \$2.0 million per occurrence as well as auto, general liability, inland marine (i.e., property in-transit), and mobile/specialized equipment. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The division investigates, evaluates, and resolves tort liability claims (i.e., personal injury or property damage to third parties) and coordinates the adjudication and settlement of other claims involving property damage. This division operates under the authority of 2-9-101 through 2-9-305, MCA.

Program Highlights

Risk Management and Tort Defense Division Major Budget Highlights
<ul style="list-style-type: none"> • The Risk Management and Tort Defense Division’s 2025 biennium budget request is about \$5.8 million or 8.3% higher than the 2023 biennium budget • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, inflation, and an increase in indirect costs paid to the Director’s Office • The executive proposes increases in proprietary funds for commercial property insurance premiums. This increase is requested due to unfavorable market conditions and significant losses in the recent past • The majority of the funding in this division is from non-budgeted proprietary funds. The legislature approves the rates in HB 2. The executive is proposing a 10.0% reduction in rates when compared to the 2023 biennium approved rates • Due to insurance settlement payments received in FY 2022, the executive is proposing a biennial rate holiday, due to insurance proceeds being received to cover premium and administrative costs

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	17.00	17.00	17.00	17.00
Personal Services	1,656,468	1,758,640	1,780,156	1,709,571	1,721,134
Operating Expenses	12,768,002	15,000,443	16,989,740	20,072,339	20,338,386
Grants	140,279	520,113	520,113	520,113	520,113
Benefits & Claims	16,710,872	17,735,087	15,235,087	15,235,087	15,235,087
Debt Service	77,572	77,572	77,572	77,572	77,572
Total Expenditures	\$31,353,193	\$35,091,855	\$34,602,668	\$37,614,682	\$37,892,292
Proprietary Funds	31,353,193	35,091,855	34,602,668	37,614,682	37,892,292
Total Funds	\$31,353,193	\$35,091,855	\$34,602,668	\$37,614,682	\$37,892,292

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Risk Management and Tort Defense Division expended 89.3% of its \$35.1 million budget as of the end of FY 2022. Operating expenditures were less than anticipated for consulting, legal and court costs, and information technology (IT) expenditures. Risk Management and Tort Defense had lower than expected grant expenditures for risk management, mitigation initiatives, and insurance premium discount programs in FY 2022.

FY 2022 Appropriations Compared to FY 2023 Appropriations

Overall, the FY 2023 appropriation is approximately \$489,000 or 1.4% lower than the FY 2022 appropriation. Personal services were slightly higher in FY 2023 due to the statewide pay plan increase approved by the 2021 Legislature. Operating appropriations were anticipated to be \$2.0 million higher for insurance premiums in FY 2023 than FY 2022, however, benefits and claims was appropriated \$2.5 million less in FY 2023 than FY 2022.

Executive Request

The Risk Management and Tort Defense Division's executive request is an increase of approximately \$3.0 million in FY 2024 and \$3.3 million in FY 2025 above the FY 2023 base appropriations. The primary reason for the increase is the request for operating authority to pay the increase in the commercial property insurance premium. There is also an increase in statewide present law adjustments for fixed costs, inflation, and in indirect costs paid to the Director's Office.

Program Personal Services

Personal services were about \$1.8 million or 5.1% of the FY 2023 base budget. The executive proposes a statewide present law decrease of about \$71,000 in FY 2024 and \$59,000 in FY 2025.

Funding

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

Department of Administration, 24-Risk Mgmt & Tort Defense Div						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
02098 Insurance Proceeds - State Bld	0	0	0	91,000	91,000	100.00 %
State Special Total	\$0	\$0	\$0	\$91,000	\$91,000	0.12 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
06532 Agency Insurance Int. Svc.	0	0	75,506,974	0	75,506,974	100.00 %
Proprietary Total	\$0	\$0	\$75,506,974	\$0	\$75,506,974	99.88 %
Total All Funds	\$0	\$0	\$75,506,974	\$91,000	\$75,597,974	

Non-Budgeted Proprietary Appropriations

The majority of the Risk Management and Tort Defense Division's (RMTD) budget is comprised of proprietary funds that are derived from premium assessments on insurance risks paid by state agencies and the Montana University System. These funds are considered and approved as rates charged to other state agencies and are discussed in the Proprietary Rates section of the narrative.

Statutory Appropriations

Statutory appropriations comprise less than 1.0% of total appropriations for RMTD. The statutory appropriation is for the receipt of insurance proceeds for claims that fall above the amount that the state self-insures.

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	0	0	0	0.00 %	34,602,668	34,602,668	69,205,336	91.65 %	
SWPL Adjustments	0	0	0	0.00 %	987,581	1,265,191	2,252,772	2.98 %	
PL Adjustments	0	0	0	0.00 %	2,021,733	2,021,733	4,043,466	5.36 %	
New Proposals	0	0	0	0.00 %	2,700	2,700	5,400	0.01 %	
Total Budget	\$0	\$0	\$0		\$37,614,682	\$37,892,292	\$75,506,974		

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.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(70,585)	0.00	0	0	0	(59,022)
DP 2 - Fixed Costs	0.00	0	0	0	94,760	0.00	0	0	0	80,109
DP 3 - Inflation Deflation	0.00	0	0	0	963,406	0.00	0	0	0	1,244,104
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	21,733	0.00	0	0	0	21,733
DP 2401 - Commercial Property	0.00	0	0	0	2,000,000	0.00	0	0	0	2,000,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$3,009,314	0.00	\$0	\$0	\$0	\$3,286,924

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 2401 - Commercial Property -

The executive is requesting additional appropriation for commercial insurance premiums for fiscal years 2024 and 2025. The state's commercial excess insurance premiums are projected to increase due to 'historic worst' unfavorable market conditions caused by recent worldwide catastrophes and construction cost inflation. In addition, state government and the university system have experienced historically significant events such as the 2019 MSU Bozeman roof collapse. This claim caused the state's commercial excess property premium to increase 27.0% in FY 2021, an additional 52.0% in FY 2022, and is projected to increase another 18.0% in FY 2023, FY 2024, and FY 2025 from the FY 2022 actual premium paid.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	2,700	0.00	0	0	0	2,700
Total	0.00	\$0	\$0	\$0	\$2,700	0.00	\$0	\$0	\$0	\$2,700

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The budget includes adjustments in FY 2024 and FY 2025 to provide funding for the agency to pay for new fixed costs allocations related to the Chief Data Office and the State Management Training Center. Rates for the fixed costs are reviewed by the Section A Subcommittee.

Other Issues -

Proprietary Rates

Agency Insurance Fund - 06532

Proprietary Program Description

The Risk Management and Tort Defense Division administers a comprehensive plan of property/casualty insurance protection on behalf of the state government. The division purchases commercial insurance, where cost-effective, to cover catastrophic losses above high deductibles.

State risks that are currently insured through commercial insurance carriers include aircraft, airports, boilers and machinery, bonds (various), crime, cyber/information security, fine art, foreign specialties, foster care, HIPAA, medical malpractice, property, professional liability, and other miscellaneous risks. The state self-insures most commercial insurance risks under \$2.0 million per occurrence as well as auto, general liability, inland marine (i.e., property in-transit), and mobile/ specialized equipment. The division also provides consultative services that include training, inspections, program reviews, contract administration, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The division investigates, evaluates, and resolves tort liability claims (i.e., personal injury or property damage to third parties) and coordinates the adjudication and settlement of other claims involving property damage. This division operates under the authority of 2-9-101, MCA, through 2-9-305, MCA.

The division currently has 17.00 FTE.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name		
06532	Agency Insurance	61010	Dept. of Administration	RMTD		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	Premium		24,132,760	25,612,318	-	-
	Other Operating Revenues - Motorcycle Training		10,639	6,000	6,000	6,000
	Investment Earnings		50,055	140,000	200,000	200,000
	Securities Lending Income					
	Securities Lending Expense					
	Other Operating Revenue					
Total Operating Revenues			24,193,454	25,758,318	206,000	206,000
Expenses						
	Personal Services		1,574,767	1,780,156	1,709,571	1,721,134
	Other Operating Expense		3,176,980	5,485,379	5,930,681	5,985,097
	Insurance Premiums		9,960,943	12,024,474	14,661,771	14,873,402
	Claims		3,318,608	15,235,087	15,235,087	15,235,087
	Claims - Estimated		-			
Total Operating Expense			18,031,298	34,525,096	37,537,110	37,814,720
Operating Income (Loss)			6,162,156	(8,766,778)	(37,331,110)	(37,608,720)
Nonoperating Revenues						
	Other Revenue A - Subrogation Proceeds		643,515	100,000	100,000	100,000
	Other Revenue B -Misc. Settlements		141,137,493			
Nonoperating Expenses						
	Other Expense A					
	Other Expense B					
Total Nonoperating Revenues (Expenses)			141,781,008	100,000	100,000	100,000
Income (Loss) Before Contributions/Transfers			147,943,164	(8,666,778)	(37,231,110)	(37,508,720)
Capital Contributions						
	Transfers In		54,878	45,000	45,000	45,000
	Transfers Out		(20,829,224)	-	-	-
	Loans and Lease Payments		(5,986)	(77,572)	(77,572)	(77,572)
Change in Net Position			127,162,832	(8,699,350)	(37,263,682)	(37,541,292)
Beginning Net Position - July 1			5,611,066	118,270,609	109,571,259	72,307,577
	Prior Period Adjustments		(14,503,289)	-	-	-
	Change in Net Position		127,162,832	(8,699,350)	(37,263,682)	(37,541,292)
Ending Net Position - June 30			118,270,609	109,571,259	72,307,577	34,766,285

Expenses

The executive is proposing an increase of \$3.0 million in FY 2024 and \$3.3 million in FY 2025 when compared to the FY 2023 base budget. The increase is primarily due to the increase needed for the commercial property insurance premium that continues to go up due to “historic worst” unfavorable market conditions cause by recent worldwide catastrophes and construction cost inflation. In addition, the state has experienced historically significant events in last few years. The state’s commercial excess property premium increased 52.0% in FY 2022 and is projected to increase by another 18.0% in FY 2023, FY 2024, and FY 2025 from the FY 2022 actual premium paid.

The Risk Management and Tort Defense Division retains Willis Towers Watson (WTW), actuarial company to estimate retained unpaid loss and loss adjustment expense for Montana’s automobile liability, foster care liability, general liability, property, and rented or leased vehicles. The actuarial reserve target for FY 2021 – FY 2025 is \$22.2 million. The reserve balance as of the fiscal year end 2022 was \$116.7 million or \$94.5 million more than the reserve balance target. The excess reserves are a result of two large settlements received in FY 2022 involving the Libby asbestos claims. The following table shows the estimated reserve levels for the 2025 biennium.

Department of Administration Risk Management and Tort Defense Division State Property/Casualty Insurance Fund Projected Changes in Revenues, Expenses, and Reserves				
	Actuals FY 2022	Estimated FY 2023	Proposed FY 2024	Proposed FY 2025
Premiums	25,612,316	25,612,316	-	-
Libby Asbestos Settlement Proceeds	141,137,493			
Reserves	116,692,667	116,719,726	90,487,373	61,544,402
Actuarial Reserve Target	<u>22,218,512</u>	<u>22,218,512</u>	<u>22,218,512</u>	<u>22,218,512</u>
Actuarial Target + (-)	\$94,474,155	\$94,501,214	\$68,268,861	\$39,325,890

Revenues

Montana self-insures its insurance risks for automobile, aviation, general liability and property via the Risk Management and Tort Defense Division (RMTD). All agencies pay insurance premiums to the division.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. The division utilizes reasonable industry standards and practices employed by other municipalities and municipal risk pools in setting rates. Budgeted authority to pay insurance premiums is a fixed cost item in agency budgets.

Premiums for the 2025 biennium are apportioned based upon exposure and loss experience as follows:

- Automobile – comprised of two separate components:
 - comprehensive and collision based upon total value of reported vehicles
 - auto liability premium based on agency losses over the past four years and number of vehicles reported
- Aviation – allocated to those agencies that have aircraft based on charges on commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports
- General Liability – comprised of commercial coverage negotiated with commercial insurance carriers and self-insurance for those risks that are not insurable through commercial coverage based on number of exposures
- Property – allocated to each agency based on its percentage of reported exposures (e.g., building replacement cost values, boilers, and machinery, etc.)

Payments for claims and the operational expenses incurred by the division are expended from the state property/casualty insurance fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claim costs, unexpected large losses, and increases in the costs of commercial excess insurance from catastrophic events, and incurred, but not yet reported, claims as determined by actuarial opinion and input from industry peer groups.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2025 biennium. The rates charged in the base year are shown for comparison purposes. When comparing the 2023 biennium to the 2025 biennium, the rate is proposed to decrease by \$1.5 million in FY 2024 and FY 2025.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
Fee Description:	Actuals FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Auto - Comprehensive/Collision	1,820,313	1,820,313	1,820,313	1,820,313
Aviation	169,961	169,961	169,961	169,961
General Liability	14,613,042	14,613,042	13,151,738	13,151,738
Property/Miscellaneous	<u>9,009,000</u>	<u>9,009,000</u>	<u>9,009,000</u>	<u>9,009,000</u>
	\$ 25,612,316	\$ 25,612,316	\$ 24,151,012	\$ 24,151,012

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

In FY 2022, the amount of the reserves in the RMTD fund increased significantly. The Risk Management and Tort Defense Division won a judgement of approximately \$78.6 million against the state’s former insurance carrier for recovery of expenses incurred in defense and settlement of Libby asbestos claims. Additionally, in the same fiscal year, the former insurance carrier agreed to pay the state \$62.5 million in another settlement involving Libby asbestos claims.

The executive is proposing a “premium holiday” for the 2025 biennium in order to reduce the level of reserves in the state insurance fund to fall within an acceptable range of target funding ratios that are commonly used by public entities and higher education. The results of the premium holiday are that the excess reserves are reduced over time and those agencies that are federally funded are beneficiaries of lower costs over time as opposed to transferring the excess to the general fund, which would necessitate a payment to the federal government.

The rates being proposed are a “place holder” so that the executive does not have to “re-build” the rates in the present law base in the 2027 biennium. State agencies and universities that do not continue to participate in risk management, mitigation initiatives, and insurance premium discount programs may be billed an insurance premium during the 2025 biennium.

While the executive is proposing rates for the 2025 biennium, they are the maximum that the program may charge. The executive has eliminated the insurance premiums paid by state agencies and the universities in the budget in the 2025 biennium.

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	993,042	1,012,620	19,578	1.97 %
Operating Expenses	247,653	322,996	75,343	30.42 %
Local Assistance	29,366	29,366	0	0.00 %
Debt Service	81,528	81,528	0	0.00 %
Total Expenditures	\$1,351,589	\$1,446,510	\$94,921	7.02 %
General Fund	1,351,589	1,446,510	94,921	7.02 %
Total Funds	\$1,351,589	\$1,446,510	\$94,921	7.02 %
Total Ongoing	\$1,351,589	\$1,446,510	\$94,921	7.02 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana Tax Appeal Board (MTAB) was established by the authority granted in Article VIII, Section 7 of the Montana Constitution and operates under statutes found in 15-2-101, MCA. MTAB is an administrative court independent of the Montana Department of Revenue. The board consists of three members, who hear appeals as full-time state employees, with two support staff. Board members are appointed by the Governor to rotating six-year terms and are subject to legislative confirmation after a hearing before the Senate Taxation Committee and a recorded vote of the full Montana Senate.

MTAB executes the only state tax appeal system for citizens to dispute any action of the Montana Department of Revenue or other state agencies with taxing authority. It is the only fact-finding court of record in tax disputes and holds formal hearings in cases to resolve disputes through written opinions which can be appealed to Montana District Courts. The board hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation and classification. It also takes original jurisdiction cases in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property, new industry property, motor fuels taxes, vehicle taxes, and cabin site leases.

The duties of the board also include funding, administering, and training the County Tax Appeal Boards required by the Montana Constitution. The Montana Tax Appeal Board trains and supports the 56 County Tax Appeal Boards, reimbursing counties for expenses associated with the county tax appeal function. Specifically, secretary wages, office supplies, and mileage/per diem for county board members are reimbursed from the MTAB budget approved by the legislature.

Program Highlights

Montana Tax Appeal Board Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Tax Appeal Board’s 2025 biennium budget request is about \$95,000 or 7.0% higher than the 2023 biennium budget • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, inflation, and an increase in indirect costs paid to the Director’s Office

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	5.50	5.50	5.50	5.50
Personal Services	491,692	487,782	505,260	505,498	507,122
Operating Expenses	81,814	123,647	124,006	160,966	162,030
Local Assistance	589	14,683	14,683	14,683	14,683
Debt Service	40,764	40,764	40,764	40,764	40,764
Total Expenditures	\$614,859	\$666,876	\$684,713	\$721,911	\$724,599
General Fund	614,859	666,876	684,713	721,911	724,599
Total Funds	\$614,859	\$666,876	\$684,713	\$721,911	\$724,599
Total Ongoing	\$614,859	\$666,876	\$684,713	\$721,911	\$724,599
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Montana Tax Appeal Board expended 92.2% of its \$667,000 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 \$18,000 or 2.7% higher than the FY 2022 appropriation. The primary reason is due to the personal services statewide pay plan increase approved by the legislature in the 2021 Legislature.

Executive Request

The Montana Tax Appeal Board's executive request is an increase of approximately \$37,000 in FY 2024 and \$40,000 in FY 2025 above the FY 2023 base appropriations. The increase is primarily due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation.

Program Personal Services

Personal services were about \$505,000 or 73.8% of the FY 2023 base budget. The executive proposes a statewide present law increase of about \$200 in FY 2024 and \$2,000 in FY 2025.

Funding

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

Department of Administration, 37-Montana Tax Appeal Board Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,446,510	0	0	0	1,446,510	100.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,446,510	\$0	\$0	\$0	\$1,446,510		

The Montana Tax Appeal Board is fully funded with general fund. General fund provides support for travel expenses, compensation, and all other incidental expenses of the county tax boards. Office space and equipment for the county tax appeal boards must be furnished by the county.

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 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	684,713	684,713	1,369,426	94.67 %	684,713	684,713	1,369,426	94.67 %
SWPL Adjustments	34,801	37,489	72,290	5.00 %	34,801	37,489	72,290	5.00 %
PL Adjustments	2,397	2,397	4,794	0.33 %	2,397	2,397	4,794	0.33 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$721,911	\$724,599	\$1,446,510		\$721,911	\$724,599	\$1,446,510	

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.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	238	0	0	238	0.00	1,862	0	0	1,862
DP 2 - Fixed Costs	0.00	28,972	0	0	28,972	0.00	28,908	0	0	28,908
DP 3 - Inflation Deflation	0.00	5,591	0	0	5,591	0.00	6,719	0	0	6,719
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	2,397	0	0	2,397	0.00	2,397	0	0	2,397
Grand Total All Present Law Adjustments	0.00	\$37,198	\$0	\$0	\$37,198	0.00	\$39,886	\$0	\$0	\$39,886

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments in FY 2024 and FY 2025 to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.