

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	28,850,956	32,737,026	3,886,070	13.47 %
Operating Expenses	39,505,686	41,384,248	1,878,562	4.76 %
Equipment & Intangible Assets	297,072	301,072	4,000	1.35 %
Grants	23,051,863	23,552,602	500,739	2.17 %
Transfers	5,238,120	5,196,520	(41,600)	(0.79)%
Total Expenditures	\$96,943,697	\$103,171,468	\$6,227,771	6.42 %
General Fund	12,475,374	14,243,149	1,767,775	14.17 %
State/Other Special Rev. Funds	1,717,694	2,218,368	500,674	29.15 %
Federal Spec. Rev. Funds	82,750,629	86,709,951	3,959,322	4.78 %
Total Funds	\$96,943,697	\$103,171,468	\$6,227,771	6.42 %
Total Ongoing	\$96,743,697	\$103,171,468	\$6,427,771	6.64 %
Total OTO	\$200,000	\$0	(\$200,000)	(100.00)%

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 6.4%, which for the Department of Military Affairs (DMA) is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 5.4%.

Mission Statement

The mission of the Department of Military Affairs has three components:

- Federal – To serve as the primary federal reserve force in support of the national security objectives when called upon by the President of the United States
- State – Protection of life, property, preservation of peace, order, and public safety for Montana's citizens, when called upon by the Governor
- Community – Participate in local, state, and national programs that add value to America

For additional information, please refer to the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>

Agency Highlights

Department of Military Affairs Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Military Affairs' 2021 biennium budget request is approximately \$6.2 million or 6.4% higher than the 2019 biennium budget • Major changes proposed include: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Other present law adjustments and new proposals specific to each program, which will be discussed in detail at the program level • Proposed increases also include adding 13.00 FTE throughout the agency: <ul style="list-style-type: none"> ◦ 1.00 FTE in the STARBASE Program ◦ 6.00 FTE in the Army National Guard Program ◦ 5.00 FTE in the Air National Guard Program ◦ 1.00 FTE in Disaster and Emergency Services
Legislative Action Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$185,000 each year • The executive is requesting state special revenue funds from the patriotic license plate fee account to support veterans' outreach services. However, the account may not have a sufficient fund balance to support a new appropriation

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	201.75	201.75	214.75	214.75
Personal Services	13,962,752	14,291,197	14,559,759	16,355,062	16,381,964
Operating Expenses	13,758,856	19,494,515	20,011,171	20,742,811	20,641,437
Equipment & Intangible Assets	44,210	146,536	150,536	150,536	150,536
Grants	7,645,969	11,425,562	11,626,301	11,776,301	11,776,301
Transfers	534,168	2,639,860	2,598,260	2,598,260	2,598,260
Total Expenditures	\$35,945,955	\$47,997,670	\$48,946,027	\$51,622,970	\$51,548,498
General Fund	5,774,684	5,935,831	6,539,543	7,138,503	7,104,646
State/Other Special Rev. Funds	800,583	890,140	827,554	1,109,329	1,109,039
Federal Spec. Rev. Funds	29,370,688	41,171,699	41,578,930	43,375,138	43,334,813
Total Funds	\$35,945,955	\$47,997,670	\$48,946,027	\$51,622,970	\$51,548,498
Total Ongoing	\$35,862,019	\$47,847,670	\$48,896,027	\$51,622,970	\$51,548,498
Total OTO	\$83,936	\$150,000	\$50,000	\$0	\$0

Agency Discussion*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The FY 2018 modified HB 2 budget of \$48.0 million for the Department of Military Affairs was 74.9% expended at the end of the fiscal year. The HB 2 general fund expenditures were 97.3% expended in FY 2018. The lower overall percentage expended was mainly due to low expenditures in federal special revenue. Several programs within the Department of Military Affairs finished the fiscal year with excess federal spending authority. Additionally, some programs track their federal funds in the federal fiscal year and plan to spend those funds between state fiscal year end and the federal fiscal year end of September 31st.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are approximately \$948,000 or 2.0% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018
- Executive modifications, such as operating plan changes and program transfers, across both fiscal years
- SB 294 pay plan increase in FY 2019
- SB 9 general fund restorations for FY 2019
- Other differences between the fiscal years, due to the November 2017 Special Session reductions, statewide present law adjustments, workers' compensation adjustments, and program-specific differences

Executive Request

The total budget proposed by the executive for the Department of Military Affairs is \$6.2 million or 6.4% greater than the 2019 biennium budget.

Personal services were approximately \$14.6 million or 29.7% of total FY 2019 appropriations. The executive proposes an increase of approximately \$1.8 million in both FY 2020 and FY 2021. This increase is due to the statewide present law adjustment for personal services, other present law adjustments, and new proposals. These changes will be discussed in detail at the program level.

Operating expenses were approximately \$20.0 million or 40.9% of total FY 2019 appropriations. The executive proposes an increase of approximately \$732,000 in FY 2020 and \$630,000 in FY 2021. This increase is due to the statewide present law adjustment for fixed costs, other present law adjustments, and new proposals. These changes will be discussed in detail at the program level.

5% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. For the Department of Military Affairs, the 5.0% plan includes reductions totaling approximately \$279,000. This amount consists of \$245,000 in general fund and \$34,000 in state special revenue. The plan includes potential reductions in funding for Army National Guard and Air National Guard grounds and maintenance operations, the Director's Office operating expenses, Veterans Affairs local support and training, the state hazardous materials team, and National Guard scholarships. A summary of the entire 2019 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

FY 2019 Legislative Budget to FY 2019 Executive Modified Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1
FY 2019 Legislative Appropriations

	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Director's Office				
61000 Personal Services	1,082,632	(74,572)	1,008,060	-6.9%
62000 Operating Expenses	109,151	74,572	183,723	68.3%
68000 Transfers-out	50,655	-	50,655	0.0%
02 ChalleNGe Program				
61000 Personal Services	3,271,854	-	3,271,854	0.0%
62000 Operating Expenses	1,192,701	-	1,192,701	0.0%
03 Scholarship Program				
62000 Operating Expenses	228,098	(20,736)	207,362	-9.1%
66000 Grants	(20,736)	20,736	-	-100.0%
04 STARBASE				
61000 Personal Services	168,899	-	168,899	0.0%
62000 Operating Expenses	176,325	-	176,325	0.0%
12 Army National Guard Program				
61000 Personal Services	3,591,570	(169,906)	3,421,664	-4.7%
62000 Operating Expenses	14,713,385	169,906	14,883,291	1.2%
63000 Equipment & Intangible Assets	150,536	-	150,536	0.0%
68000 Transfers-out	25,000	-	25,000	0.0%
13 Air National Guard Program				
61000 Personal Services	3,397,205	(42,576)	3,354,629	-1.3%
62000 Operating Expenses	1,826,597	42,576	1,869,173	2.3%
21 Disaster and Emergency Services				
61000 Personal Services	1,683,967	(42,205)	1,641,762	-2.5%
62000 Operating Expenses	1,197,984	42,205	1,240,189	3.5%
66000 Grants	11,626,301	-	11,626,301	0.0%
68000 Transfers-out	2,522,605	-	2,522,605	0.0%
31 Veterans' Affairs Division				
61000 Personal Services	1,760,071	(68,180)	1,691,891	-3.9%
62000 Operating Expenses	141,227	68,180	209,407	48.3%
Program Total	1,901,298	-	1,901,298	0.0%
Grand Total	\$48,896,027	\$0	\$48,896,027	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, other specific house and senate bills, and SB 9 restorations. The Department of Military Affairs had SB 9 restorations totaling approximately \$468,000. Several programs in the department restored these funds to operating expenses despite originally having their budgets cut from personal services.

The agency also had two major executive modifications to the legislative budget, the first of which transferred approximately \$21,000 in general fund for operating expenses into grants within the Scholarship Program to offset a negative balance.

The second modification was made to account for movement of \$49,000 in one-time-only state special revenue Veterans' Affairs funding from operating expenses to personal services. One-time-only funding is not included in the base budget, but when the one-time-only funds were backed out of the base they were removed entirely from personal services. This change, combined with movement of \$117,000 in SB 9 restorations from personal services to operating expenses, totaled a change of approximately \$68,000 for the Veterans' Affairs Division.

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 four categories, as follows:

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The following figure shows the analysis of the proposed changes.

Figure 2

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 DIRECTOR'S OFFICE	22,512	11,744	88,031	74,572	196,859
02 CHALLENGE PROGRAM	(25,339)	-	47,628	-	22,289
04 STARBASE	3,377	(264)	3,583	-	6,696
12 ARMY NATIONAL GUARD PGM	41,511	(592)	65,981	-	106,900
13 AIR NATIONAL GUARD PGM	(16,751)	(27,033)	(390,802)	-	(434,586)
21 DISASTER & EMERGENCY SERVICES	16,860	15,366	129,140	42,205	203,571
31 VETERANS AFFAIRS PROGRAM	18,247	778	134,556	68,180	221,761
Agency Total	\$60,416	\$0	\$78,117	\$184,957	\$323,490

Personal services were \$14.6 million or 29.7% of total FY 2019 appropriations. The executive proposes a statewide present law increase of approximately \$323,000 in FY 2020 and \$327,000 in FY 2021.

LFD COMMENT

The decrease in personal services statewide present law for the Air National Guard Program shown in Figure 2 is primarily due to the removal of funding for overtime pay for Air National Guard firefighters from the base budget. Funding for this overtime pay is requested in the executive 2021 biennium budget as a present law adjustment, as opposed to the statewide present law adjustment. This funding is typically removed from the base budget and requested as a present law adjustment each biennium, since overtime pay is not included in the base budget request. This relatively large decrease in federal funding for the Air National Guard personal services statewide present law adjustment influences the statewide present law adjustment for the entire Department of Military Affairs.

This request will be discussed in greater detail in the Present Law Adjustments section for the Air National Guard Program.

In addition to the formula-based changes, the statewide present law adjustment is mainly due to the reinstatement of reductions from SB 261 and the 2017 Legislative Session, including the additional 2.0% vacancy savings and several budget modifications which increased the personal services base budget. Additional details of significant factors included in the statewide present law adjustment for personal services will be discussed at the program level.

LFD ISSUE

Transferring Authority from Personal Services to Operating Expenses Appropriations Increases the 2021 Biennium Budget

In FY 2019, the Department of Military Affairs eliminated approximately \$185,000 in personal services as part of its reductions required by the November 2017 Special Session and through transfers out of personal services and into operating expenses.

Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Department of Military Affairs did not reduce FTE in the Director's Office, Disaster and Emergency Services Division, and Veterans' Affairs Division along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium for those divisions. As a result, the

department has a base budget \$185,000 higher each fiscal year than it would have been, had the appropriation remained in personal services instead of operating expenses, or as an alternative if FTE been reduced for the transfer of authority from personal services to operating expenses.

Legislative options:

- Reduce personal services funding supporting FTE in the Director's Office, Disaster and Emergency Services Division, and Veterans' Affairs Division to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses in the Director's Office, Disaster and Emergency Services Division, and Veterans' Affairs Division by the amount restored
- Gain understanding from the agency regarding underlying specific funding requirements and adjust budget as needed

In order to address the 6.0% vacancy savings rate, the Department of Military Affairs left positions open and relied more heavily on current employees. The department filled 48 positions in FY 2018, and seasoned staff members received overtime pay or compensatory time balances in order to train newly hired staff as quickly as possible.

The Department of Military Affairs will have 117 employees eligible for retirement in the 2021 biennium, which makes up approximately 53.0% of the department's total employees. However, the department estimates that up to approximately 11.0% of their employees will end up retiring in the next biennium. The department plans to overlap new hires with retiring employees as often as possible, so new employees can benefit from training from their predecessors. The department has been handling succession planning on a case-by-case basis, due to the increased duties of employees resulting from the budget cuts in the 2019 biennium.

The department anticipates termination payouts of \$484,000 in the 2021 biennium. The department is not requesting an additional appropriation for these payouts, so they may instead hold positions vacant, reduce or delay operating expenses, or transfer authority from operating expenses to personal services to cover the payouts.

Funding

The following table shows proposed agency funding by source of authority.

Total Department of Military Affairs Funding by Source of Authority 2021 Biennium Budget Request - Department of Military Affairs						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	14,243,149	0	0	0	14,243,149	13.59 %
State Special Total	2,218,368	0	0	1,666,502	3,884,870	3.71 %
Federal Special Total	86,709,951	0	0	0	86,709,951	82.71 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$103,171,468	\$0	\$0	\$1,666,502	\$104,837,970	
Percent - Total All Sources	98.41 %	0.00 %	0.00 %	1.59 %		

HB 2 Funding

General Fund

- General fund comprises about 13.6% of the total funding for the Department of Military Affairs
- General fund supports a portion of most of the programs in the department and the entire cost of the National Guard Scholarship program

State Special Revenue

- Approximately 2.1% of the total funding for the Department of Military Affairs is from state special revenue
- State special revenue predominately funds the Disaster and Emergency Services division and Veterans Affairs program
- The Veterans Affairs division accounts for a large majority of the state special revenue funding with revenues generated through vehicle registrations, specialty license plates, and donations

Federal Special Revenues

- Approximately 82.7% of the total funding for the Department of Military Affairs is from federal special revenue
- The Department of Military Affairs is dominated by federal government initiatives, programs, and objectives

Statutory Appropriations

The Montana Military Family Relief Fund (MMFRF) Program receives statutory appropriation to provide monetary grants to families of Montana National Guard and Reserve Component members who on or after April 28, 2007 are on active duty for federal service in a contingency operation. MMFRF grants are intended to help Montana families defray the costs of food, housing, utilities, medical services, and other expenses that become difficult to afford when a wage-earner has temporarily left civilian employment to be placed on active military duty. Costs for the program in FY 2018 were \$25,000. The program was originally funded by a transfer of \$1.0 million in general fund. Ongoing revenues include interest and donations of about \$40,000 a year.

The Veterans' Affairs Division has a statutory appropriation for the operation of the Montana Veterans' Cemetery Program. The state special revenue funds are generated from cemetery plot allowances and donations.

The Governor is also provided a number of statutory appropriations in the event of a declared emergency or disaster. The most notable of these is the authority to authorize up to \$16.0 million from the general fund for disaster relief. These expenditures are authorized through executive orders.

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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	6,539,543	6,539,543	13,079,086	91.83 %	48,896,027	48,896,027	97,792,054	94.79 %
SWPL Adjustments	463,822	429,858	893,680	6.27 %	578,440	480,807	1,059,247	1.03 %
PL Adjustments	0	0	0	0.00 %	566,075	587,591	1,153,666	1.12 %
New Proposals	135,138	135,245	270,383	1.90 %	1,582,428	1,584,073	3,166,501	3.07 %
Total Budget	\$7,138,503	\$7,104,646	\$14,243,149		\$51,622,970	\$51,548,498	\$103,171,468	

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	2,084,468	2,411,963	327,495	15.71 %
Operating Expenses	290,740	417,311	126,571	43.53 %
Transfers	83,310	101,310	18,000	21.61 %
Total Expenditures	\$2,458,518	\$2,930,584	\$472,066	19.20 %
General Fund	1,476,329	1,772,409	296,080	20.06 %
Federal Spec. Rev. Funds	982,189	1,158,175	175,986	17.92 %
Total Funds	\$2,458,518	\$2,930,584	\$472,066	19.20 %
Total Ongoing	\$2,458,518	\$2,930,584	\$472,066	19.20 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Director's Office provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, and purchasing and property management oversight. The program operates in accordance with Title 2, Chapter 15, part 12 and Title 10, MCA.

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director's Office's 2021 biennium budget request is approximately \$472,000 or 19.2% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation
LFD Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$75,000 each year

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	12.32	12.32	12.32	12.32
Personal Services	998,837	1,076,408	1,008,060	1,204,919	1,207,044
Operating Expenses	98,151	107,017	183,723	210,458	206,853
Transfers	32,400	32,655	50,655	50,655	50,655
Total Expenditures	\$1,129,388	\$1,216,080	\$1,242,438	\$1,466,032	\$1,464,552
General Fund	722,128	731,830	744,499	887,380	885,029
Federal Spec. Rev. Funds	407,260	484,250	497,939	578,652	579,523
Total Funds	\$1,129,388	\$1,216,080	\$1,242,438	\$1,466,032	\$1,464,552
Total Ongoing	\$1,129,388	\$1,216,080	\$1,242,438	\$1,466,032	\$1,464,552
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The Director's Office expended 92.9% of its \$1.2 million HB 2 modified budget in FY 2018. General fund in the Director's Office was 98.7% expended. The overall lower percentage expended was a result of excess federal spending authority within personal services.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Director's Office are approximately \$26,000 or 2.2% higher than the FY 2018 total appropriation.

There were several increases in the difference between the FY 2018 and FY 2019 appropriations due to:

- State share contribution reductions for FY 2018, totaling approximately \$25,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$75,000
- SB 294 pay plan increase of about \$6,000 in FY 2019

There was also a decrease in the difference between the FY 2018 and FY 2019 appropriations due to:

- Two executive modifications in FY 2018, which transferred \$80,000 from the Army National Guard Program and the Challenge Program to the Director's Office

Executive Request

The Director's Office budget proposed by the executive is \$472,000 or 19.2% greater than the 2019 biennium budget.

Personal services were approximately \$1.0 million or 81.1% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$197,000 in FY 2020 and \$199,000 in FY 2021. This increase is due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$184,000 or 14.8% of total FY 2019 appropriations. The executive proposes an increase in general fund, totaling approximately \$27,000 in FY 2020 and \$23,000 in FY 2021. This increase is primarily due

to the statewide present law adjustment for fixed costs, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were approximately \$1.0 million or 81.1% of total FY 2019 appropriations for the Director's Office. The executive proposes a statewide present law increase of approximately \$197,000 in FY 2020 and an increase of \$199,000 in FY 2021. In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions, the proposed reinstatement of personal services, and modifications to the personal services base budget.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- The SB 9 general fund restorations
- Reinstatement of the SB 261 pay plan reductions
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

The modification to the personal services base budget is due to reductions approved during the November 2017 Special Session that were applied to personal services. These reductions were restored to operating expenses, which has increased the statewide present law adjustment for personal services.

LFD ISSUE

Restoring Operating Expenses Instead of Personal Services Appropriations Increases 2021 Budget

In FY 2019, the Director's Office eliminated approximately \$75,000 in personal services as part of its reductions required by the November 2017 Special Session.

When the appropriation authority for these funds was restored through SB 9, the funding was included as operating expenses rather than personal services. Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Director's Office did not reduce FTE along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium. As a result, the Director's Office has a base budget \$75,000 higher than it would have been, had the restoration been made to personal services instead of operating expenses.

Legislative options:

- Reduce personal services funding to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses by the amount restored
- Adopt the executive proposal for increased personal services

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 01-Director's 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	1,772,409	0	0	0	1,772,409	60.48 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03132 National Guard	745,387	0	0	0	745,387	64.36 %	
03134 DES Emergency Mgmt Perf 97.042	145,119	0	0	0	145,119	12.53 %	
03453 Air National Guard	233,944	0	0	0	233,944	20.20 %	
03143 DES Homeland Security 97.067	33,725	0	0	0	33,725	2.91 %	
Federal Special Total	\$1,158,175	\$0	\$0	\$0	\$1,158,175	39.52 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,930,584	\$0	\$0	\$0	\$2,930,584		

HB 2 Funding

Federal support is provided by federal-state agreements. Costs of positions and activities that provide support to federally funded operations are applicable for federal funding. General fund supports the majority of the program in accordance with federal-state agreements.

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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	744,499	744,499	1,488,998	84.01 %	1,242,438	1,242,438	2,484,876	84.79 %
SWPL Adjustments	142,881	140,530	283,411	15.99 %	223,594	222,114	445,708	15.21 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$887,380	\$885,029	\$1,772,409		\$1,466,032	\$1,464,552	\$2,930,584	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	116,146	0	80,713	196,859	0.00	117,400	0	81,584	198,984
DP 2 - Fixed Costs	0.00	26,705	0	0	26,705	0.00	23,093	0	0	23,093
DP 3 - Inflation Deflation	0.00	30	0	0	30	0.00	37	0	0	37
Grand Total All Present Law Adjustments	0.00	\$142,881	\$0	\$80,713	\$223,594	0.00	\$140,530	\$0	\$81,584	\$222,114

*"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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	6,404,554	6,586,755	182,201	2.84 %
Operating Expenses	2,375,933	2,406,285	30,352	1.28 %
Total Expenditures	\$8,780,487	\$8,993,040	\$212,553	2.42 %
General Fund	2,183,752	2,248,893	65,141	2.98 %
Federal Spec. Rev. Funds	6,596,735	6,744,147	147,412	2.23 %
Total Funds	\$8,780,487	\$8,993,040	\$212,553	2.42 %
Total Ongoing	\$8,780,487	\$8,993,040	\$212,553	2.42 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana National Guard Youth ChalleNGe Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. ChalleNGe is a 17-month, voluntary, two-phased military modeled training program targeting unemployed, drug-free, and crime-free high school dropouts. The program provides an opportunity for high school at-risk youth to enhance their life skills and increase their educational levels and employment potential.

Phase I of the program is a 22-week residential stay on the campus of Western Montana College of the University of Montana in Dillon focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially-trained member of the community where the youth resides to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

Program Highlights

National Guard ChalleNGe Program Major Budget Highlights
<ul style="list-style-type: none"> • The National Guard Youth ChalleNGe Program's 2021 biennium budget request is approximately \$213,000 or 2.4% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	53.15	53.15	53.15	53.15
Personal Services	3,052,840	3,132,700	3,271,854	3,294,143	3,292,612
Operating Expenses	973,035	1,183,232	1,192,701	1,208,993	1,197,292
Total Expenditures	\$4,025,875	\$4,315,932	\$4,464,555	\$4,503,136	\$4,489,904
General Fund	987,298	1,067,296	1,116,456	1,126,101	1,122,792
Federal Spec. Rev. Funds	3,038,577	3,248,636	3,348,099	3,377,035	3,367,112
Total Funds	\$4,025,875	\$4,315,932	\$4,464,555	\$4,503,136	\$4,489,904
Total Ongoing	\$4,025,875	\$4,315,932	\$4,464,555	\$4,503,136	\$4,489,904
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The ChalleNGe Program expended 93.3% of its \$4.3 million HB 2 modified budget in FY 2018. Operating expenses were under-expended due to excess federal spending authority.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the ChalleNGe Program are approximately \$149,000 or 3.4% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling approximately \$108,000
- A decrease in the FY 2018 appropriation due to an executive modification, which transferred \$20,000 from the ChalleNGe Program to the Director's Office
- SB 294 pay plan increase of about \$21,000 in FY 2019

Executive Request

The ChalleNGe Program budget proposed by the executive is \$213,000 or 2.4% greater than the 2019 biennium budget.

Personal services were \$3.3 million or 73.3% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$22,000 in FY 2020 and \$21,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$1.2 million or 26.7% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$16,000 in FY 2020 and \$5,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for fixed costs and inflation/deflation, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$3.3 million or 73.3% of total FY 2019 appropriations for the ChalleNGe Program. The executive proposes a statewide present law increase of approximately \$22,000 in FY 2020 and an increase of \$21,000 in FY 2021. In addition to the formula-based changes, the 2021 biennium personal service statewide present law request is due to the proposed reinstatement of personal services.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- Reinstatement of the SB 261 pay plan reductions
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 02-National Guard Challenge 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	2,248,893	0	0	0	2,248,893	25.01 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03132 National Guard	6,744,147	0	0	0	6,744,147	100.00 %	
Federal Special Total	\$6,744,147	\$0	\$0	\$0	\$6,744,147	74.99 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$8,993,040	\$0	\$0	\$0	\$8,993,040		

HB 2 Funding

The Youth ChalleNGe Program is funded with general fund and federal special revenue at a 25/75 state to federal funding ratio for most costs. Some travel and special projects required by the federal/state cooperative agreement are funded entirely with federal funds.

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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,116,456	1,116,456	2,232,912	99.29 %	4,464,555	4,464,555	8,929,110	99.29 %
SWPL Adjustments	9,645	6,336	15,981	0.71 %	38,581	25,349	63,930	0.71 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,126,101	\$1,122,792	\$2,248,893		\$4,503,136	\$4,489,904	\$8,993,040	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	5,572	0	16,717	22,289	0.00	5,189	0	15,569	20,758
DP 2 - Fixed Costs	0.00	3,247	0	9,742	12,989	0.00	122	0	369	491
DP 3 - Inflation Deflation	0.00	826	0	2,477	3,303	0.00	1,025	0	3,075	4,100
Grand Total All Present Law Adjustments	0.00	\$9,645	\$0	\$28,936	\$38,581	0.00	\$6,336	\$0	\$19,013	\$25,349

*"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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Operating Expenses	393,988	414,724	20,736	5.26 %
Total Expenditures	\$393,988	\$414,724	\$20,736	5.26 %
General Fund	393,988	414,724	20,736	5.26 %
Total Funds	\$393,988	\$414,724	\$20,736	5.26 %
Total Ongoing	\$393,988	\$414,724	\$20,736	5.26 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total growth of 5.3%, which for the National Guard Scholarship Program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 0.0%.

Program Description

The Montana National Guard Scholarship Program provides scholarships to eligible Montana National Guard personnel enrolled as undergraduate students in Montana colleges, universities, or training programs. The program assists Montana in recruiting and retaining personnel in both the Army and Air National Guard and in enhancing its operational readiness to assume both state and federal active duty missions. Scholarships also reward guard members for their service to the state by helping defray their educational costs at Montana post-secondary institutions.

Program Highlights

National Guard Scholarship Program Major Budget Highlights
<ul style="list-style-type: none"> • The National Guard Scholarship Program's 2021 biennium budget request is approximately \$21,000 or 5.3% higher than the 2019 biennium budget • This difference is due entirely to the SB 9 general fund restorations to the base budget

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Operating Expenses	186,625	186,626	207,362	207,362	207,362
Total Expenditures	\$186,625	\$186,626	\$207,362	\$207,362	\$207,362
General Fund	186,625	186,626	207,362	207,362	207,362
Total Funds	\$186,625	\$186,626	\$207,362	\$207,362	\$207,362
Total Ongoing	\$186,625	\$186,626	\$207,362	\$207,362	\$207,362
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The National Guard Scholarship Program expended nearly 100.0% of its \$187,000 HB 2 modified budget in FY 2018, all of which is funded with general fund.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the National Guard Scholarship Program are approximately \$21,000 or 11.1% higher than the FY 2018 total appropriation due entirely to the SB 9 restorations in FY 2019.

Executive Request

The National Guard Scholarship Program budget proposed by the executive is \$21,000 or 5.3% greater than the 2019 biennium budget. Operating expenses were approximately \$207,000 or 100% of total FY 2019 appropriations. The only increase from the 2019 biennium budget is the SB 9 general fund restoration to the base budget.

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 03-Ng Scholarship 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	414,724	0	0	0	414,724	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	\$414,724	\$0	\$0	\$0	\$414,724	

HB 2 Funding

The National Guard Scholarship Program is funded entirely from general fund.

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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	207,362	207,362	414,724	100.00 %	207,362	207,362	414,724	100.00 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$207,362	\$207,362	\$414,724		\$207,362	\$207,362	\$414,724	

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	300,971	628,821	327,850	108.93 %
Operating Expenses	383,547	929,476	545,929	142.34 %
Total Expenditures	\$684,518	\$1,558,297	\$873,779	127.65 %
Federal Spec. Rev. Funds	684,518	1,558,297	873,779	127.65 %
Total Funds	\$684,518	\$1,558,297	\$873,779	127.65 %
Total Ongoing	\$684,518	\$1,558,297	\$873,779	127.65 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana STARBASE “Big Sky” Program is a program for elementary school aged children to raise the interest and improve the knowledge and skills of at-risk youth in math, science, and technology. It does this by exposing them and their teachers to real world applications of math and science through experimental learning, simulations, experiments in aviation and space-related fields as it deals with a technological environment, and by utilizing the positive role models found on military bases and installations. The program also addresses drug use prevention, health, self-esteem, and life skills with a math and science based program.

Program Highlights

STARBASE Program Major Budget Highlights
<ul style="list-style-type: none"> • The STARBASE Program's 2021 biennium budget request is approximately \$874,000 or 127.7% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in federal special revenue for statewide present law adjustments for personal services and fixed costs ◦ Increases in federal spending authority to make the state budget match the federal award of the last two years, due to an error from the prior federal shutdown. Due to the change in the budget starting point and the federal shutdown, the federal award of this program is not correctly reflected in the state budget ◦ Increases in federal special revenue for 1.00 FTE to provide an office manager/financial specialist for the Great Falls site

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	2.00	2.00	3.00	3.00
Personal Services	131,780	132,072	168,899	314,185	314,636
Operating Expenses	206,568	207,222	176,325	465,191	464,285
Total Expenditures	\$338,348	\$339,294	\$345,224	\$779,376	\$778,921
Federal Spec. Rev. Funds	338,348	339,294	345,224	779,376	778,921
Total Funds	\$338,348	\$339,294	\$345,224	\$779,376	\$778,921
Total Ongoing	\$338,348	\$339,294	\$345,224	\$779,376	\$778,921
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The STARBASE Program expended 99.7% of its \$339,000 HB 2 modified budget in FY 2018, all of which is funded with federal special revenue. This percentage expended is within the anticipated range for fiscal year end, and expenditures for personal services and operating expenses were also at reasonable levels for the fiscal year.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the STARBASE Program are approximately \$6,000 or 1.7% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling approximately \$4,000
- SB 294 pay plan increase of about \$2,000 in FY 2019

Executive Request

The STARBASE Program budget proposed by the executive is \$874,000 or 127.7% greater than the 2019 biennium budget.

Personal services were approximately \$169,000 or 48.9% of total FY 2019 appropriations. The executive proposes an increase in federal special revenue, totaling approximately \$145,000 in FY 2020 and \$146,000 in FY 2021. This increase is primarily due to a new proposal, which requests 1.00 FTE to provide an office manager/financial specialist for the Great Falls site. This change will be discussed in detail in the New Proposals section below.

Operating expenses were approximately \$176,000 or 51.1% of total FY 2019 appropriations. The executive proposes an increase in federal special revenue, totaling approximately \$289,000 in FY 2020 and \$288,000 in FY 2021. This increase is primarily due to a new proposal, which will make the state budget match the federal award of the last two years. This change will be discussed in detail in the New Proposals section below.

Program Personal Services

Personal services were approximately \$169,000 or 48.9% of total FY 2019 appropriations for the STARBASE Program. In addition to the increase related to the addition of 1.00 new FTE, the executive proposes a statewide present law increase of approximately \$7,000 for both FY 2020 and FY 2021. In addition to the formula-based changes, the 2021

biennium personal service statewide present law request includes management decisions and the proposed reinstatement of personal services.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes increases due to changes in vacancy savings requirements:

- The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
- The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 04-Starbase 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 %	
03453 Air National Guard	1,558,297	0	0	0	1,558,297	100.00 %	
Federal Special Total	\$1,558,297	\$0	\$0	\$0	\$1,558,297	100.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,558,297	\$0	\$0	\$0	\$1,558,297		

HB 2 Funding

The STARBASE Program is funded entirely with federal special revenues from the Air National Guard.

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 section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	345,224	345,224	690,448	44.31 %
SWPL Adjustments	0	0	0	0.00 %	12,062	11,131	23,193	1.49 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	422,090	422,566	844,656	54.20 %
Total Budget	\$0	\$0	\$0		\$779,376	\$778,921	\$1,558,297	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	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	0	0	6,696	6,696	0.00	0	0	6,671	6,671
DP 2 - Fixed Costs	0.00	0	0	5,366	5,366	0.00	0	0	4,460	4,460
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$12,062	\$12,062	0.00	\$0	\$0	\$11,131	\$11,131

***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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

New Proposals

The “New Proposals” table shows new changes to spending.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
New Proposals										
DP 401 - Match STARBASE budget to federal award	0.00	0	0	283,500	283,500	0.00	0	0	283,500	283,500
DP 402 - STARBASE FTE	1.00	0	0	138,590	138,590	1.00	0	0	139,066	139,066
Total	1.00	\$0	\$0	\$422,090	\$422,090	1.00	\$0	\$0	\$422,566	\$422,566

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

DP 401 - Match STARBASE budget to federal award -

The executive requests an appropriation of federal special revenue in order to make the state budget match the federal award of the last two years. Due to the change in the budget starting point and the prior federal shutdown, the federal award of this program is not correctly reflected in the state budget.

DP 402 - STARBASE FTE -

The executive requests federal spending authority for 1.00 FTE to provide an office manager/financial specialist for the Great Falls site. This position would support both the Great Falls and Fort Harrison sites during Summer Camp operations.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	6,711,951	7,924,146	1,212,195	18.06 %
Operating Expenses	29,466,923	29,921,321	454,398	1.54 %
Equipment & Intangible Assets	297,072	301,072	4,000	1.35 %
Transfers	109,600	50,000	(59,600)	(54.38)%
Total Expenditures	\$36,585,546	\$38,196,539	\$1,610,993	4.40 %
General Fund	3,154,866	3,485,255	330,389	10.47 %
State/Other Special Rev. Funds	840	840	0	0.00 %
Federal Spec. Rev. Funds	33,429,840	34,710,444	1,280,604	3.83 %
Total Funds	\$36,585,546	\$38,196,539	\$1,610,993	4.40 %
Total Ongoing	\$36,585,546	\$38,196,539	\$1,610,993	4.40 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Army National Guard (ARNG), until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides funding for facilities management, environmental, and communications support to the organization by:

- Providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas
- Planning, programming, and contracting for construction
- Ensuring all activities and facilities comply with environmental regulations
- Providing statewide communication services, security contracts, and leases for buildings and land used by the Army National Guard

The program is mandated by the U.S. and Montana Constitutions and Title 10, Chapters 1-3, MCA.

Program Highlights

Army National Guard Program Major Budget Highlights
<ul style="list-style-type: none"> • The Army National Guard Program's 2021 biennium budget request is approximately \$1.6 million or 4.4% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation • The request also includes a new proposal for 6.00 FTE, to be funded with general fund and federal special revenue: <ul style="list-style-type: none"> ◦ 1.00 FTE to coordinate the Distributive Learning Technology Program ◦ 1.00 FTE for a natural resources manager ◦ 1.00 FTE to perform Geographical Information Survey support ◦ 1.00 FTE for Master Plan support ◦ 1.00 FTE for a builder, facility condition inspector (FCI), and manager for the Installation Status Report (ISR) ◦ 1.00 FTE project manager in the Design and Project Management Branch

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	45.30	45.30	51.30	51.30
Personal Services	3,276,059	3,290,287	3,421,664	3,962,037	3,962,109
Operating Expenses	9,941,251	14,583,632	14,883,291	14,994,828	14,926,493
Equipment & Intangible Assets	44,210	146,536	150,536	150,536	150,536
Transfers	59,600	84,600	25,000	25,000	25,000
Total Expenditures	\$13,321,120	\$18,105,055	\$18,480,491	\$19,132,401	\$19,064,138
General Fund	1,448,132	1,455,859	1,699,007	1,753,805	1,731,450
State/Other Special Rev. Funds	0	420	420	420	420
Federal Spec. Rev. Funds	11,872,988	16,648,776	16,781,064	17,378,176	17,332,268
Total Funds	\$13,321,120	\$18,105,055	\$18,480,491	\$19,132,401	\$19,064,138
Total Ongoing	\$13,321,120	\$18,105,055	\$18,480,491	\$19,132,401	\$19,064,138
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Army National Guard Program expended 73.6% of its \$18.1 million HB 2 modified budget in FY 2018. Operating expenses were low at fiscal year end, due to a lack of state matching funds that resulted in an excess of federal spending authority. As a result, several maintenance and construction projects were delayed.

**LFD
COMMENT**

According to the Department of Military Affairs, lack of general fund match prevented the Army National Guard Program from spending some of its federal funds in FY 2018, despite having the federal dollars and spending authority to do so. The Army National Guard Program did not anticipate some of the budget cuts in FY 2018, and the federal and state budget planning calendars do not directly align and coordinate with one another. Due to these differences in the budget planning calendars, the department reported that the federal match had already arrived in Montana before some of the budget cuts were announced, and the department was unable to utilize these funds.

The department does not anticipate this issue to arise in FY 2019 because of the restorations they received and the opportunity to better coordinate the federal match. The department also stated that they are unlikely to have federal funds that could not be used in the upcoming biennium, unless there are large cuts to the general fund. According to the department, differences in the budget planning calendars may particularly affect the department's ability to spend federal funds in the first part of the biennium when there are reductions in general fund.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Army National Guard Program are approximately \$375,000 or 2.1% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling approximately \$89,000
- A decrease in the FY 2018 appropriation due to an executive modification, which transferred \$60,000 from the Army National Guard Program to the Director's Office
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$170,000
- SB 294 pay plan increase of about \$28,000 in FY 2019
- An increase in the statewide present law adjustments for FY 2019, totaling \$35,000
- Other relatively small differences in the workers' compensation adjustments and the November 2017 Special Session reductions

Executive Request

The Army National Guard Program budget proposed by the executive is \$1.6 million or 4.4% greater than the 2019 biennium budget.

Personal services were \$3.4 million or 18.5% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$540,000 in both FY 2020 and FY 2021. This increase is primarily due to the statewide present law adjustment for personal services and a new proposal, which requests general fund and federal spending authority for 6.00 FTE. These changes will be discussed in detail in the Program Personal Services and New Proposals sections below.

Operating expenses were approximately \$14.9 million or 80.5% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$112,000 in FY 2020 and \$43,000 in FY 2021. This increase is primarily due to statewide present law adjustments for fixed costs. These changes will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$3.4 million or 18.5% of total FY 2019 appropriations for the Army National Guard Program. In addition to the increase related to the addition of 6.00 FTE, the executive proposes a statewide present law increase of approximately \$107,000 in FY 2020 and an increase of \$105,000 in FY 2021. In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions and the proposed reinstatement of personal services.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 12-Army National Guard Pgm Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,485,255	0	0	0	3,485,255	9.12 %
02343 Armory Rental Funds	840	0	0	0	840	100.00 %
02803 MT ARNG Land Purchase	0	0	0	0	0	0.00 %
State Special Total	\$840	\$0	\$0	\$0	\$840	0.00 %
03132 National Guard	34,710,444	0	0	0	34,710,444	100.00 %
Federal Special Total	\$34,710,444	\$0	\$0	\$0	\$34,710,444	90.87 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$38,196,539	\$0	\$0	\$0	\$38,196,539	

HB 2 Funding

The funding ratio between general fund and federal funds depends on the nature of the activity, the uses or location of the facility, and the goals of the operation. Different funding scenarios include:

- When a facility is owned by the state and located on state land, maintenance and utility costs are split 50/50 with the federal government
- When a facility is state owned, but located on federal land, the maintenance and utility costs are funded 75% with federal funds and 25% with state general fund
- When a facility is classified as a logistics facility, the funding is 100% federal for the entire facility
- When a facility is owned federally and located on federal land and when a facility serves training missions, funding is mainly 100% federal, except when the building is used as an armory
- When an armory is constructed with federal funds and located on federal land, maintenance and utility costs are funded 75% with federal funds and 25% with state general fund. When armories are rented to groups, the state special revenue funds generated from rental fees are used to augment general fund support of the facilities

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 section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,699,007	1,699,007	3,398,014	97.50 %	18,480,491	18,480,491	36,960,982	96.77 %
SWPL Adjustments	46,685	24,330	71,015	2.04 %	218,437	148,446	366,883	0.96 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	8,113	8,113	16,226	0.47 %	433,473	435,201	868,674	2.27 %
Total Budget	\$1,753,805	\$1,731,450	\$3,485,255		\$19,132,401	\$19,064,138	\$38,196,539	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	4,248	0	102,652	106,900	0.00	4,211	0	101,033	105,244
DP 2 - Fixed Costs	0.00	42,303	0	69,100	111,403	0.00	19,953	0	23,083	43,036
DP 3 - Inflation Deflation	0.00	134	0	0	134	0.00	166	0	0	166
Grand Total All Present Law Adjustments	0.00	\$46,685	\$0	\$171,752	\$218,437	0.00	\$24,330	\$0	\$124,116	\$148,446

***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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1202 - Personal Services Resources	6.00	8,113	0	425,360	433,473	6.00	8,113	0	427,088	435,201
Total	6.00	\$8,113	\$0	\$425,360	\$433,473	6.00	\$8,113	\$0	\$427,088	\$435,201

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

DP 1202 - Personal Services Resources -

The executive requests ongoing general fund and federal special revenue to make 2.00 modified FTE permanent and for an additional 4.00 FTE.

The existing modified positions are:

- 1.00 FTE to provide services to develop and coordinate issues related to the Distributive Learning Technology Program
- 1.00 FTE for a natural resources manager to ensure that the Department of Military Affairs and the Montana Army National Guard Program maintain conservation, focus on sustainability and emphasize rehabilitation of the military lands, without impacting military training operations or mission readiness

The newly requested FTE are:

- 1.00 FTE to perform Geographical Information Survey support for the Department of Military Affairs
- 1.00 FTE for Master Plan support and to provide additional support to the Construction and Facilities Management Officer and the Plans and Programs Branch
- 1.00 FTE for a builder, facility condition inspector, and manager for the Installation Status Report (ISR). This position would involve managing, updating, and operating the Facility Assessment Software, which was purchased by the Montana Army National Guard to assess facility coordination and project facility needs statewide
- 1.00 FTE project manager in the Design and Project Management Branch

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	6,605,087	7,561,140	956,053	14.47 %
Operating Expenses	3,678,247	3,808,518	130,271	3.54 %
Total Expenditures	\$10,283,334	\$11,369,658	\$1,086,324	10.56 %
General Fund	801,263	856,706	55,443	6.92 %
Federal Spec. Rev. Funds	9,482,071	10,512,952	1,030,881	10.87 %
Total Funds	\$10,283,334	\$11,369,658	\$1,086,324	10.56 %
Total Ongoing	\$10,283,334	\$11,369,658	\$1,086,324	10.56 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Air National Guard, until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides for administrative, facilities maintenance, security, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard program operates under both federal and state mandates in accordance with its dual missions and is mandated by the United States and Montana Constitutions and Title 10, Chapter 1-3, MCA.

Program Highlights

Air National Guard Program Major Budget Highlights
<ul style="list-style-type: none"> • The Air National Guard Program's 2021 biennium budget request is approximately \$1.1 million or 10.6% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Decreases in general fund and federal special revenue for statewide present law adjustments for personal services ◦ Increases in general fund and federal special revenue for statewide present law adjustments for fixed costs ◦ Federal spending authority to cover existing natural gas maintenance costs ◦ Federal spending authority for Firefighter Fair Labor Standards Act (FLSA) salaries and benefits that exceed those of a traditional FTE • The request also includes new proposals for 5.00 FTE: <ul style="list-style-type: none"> ◦ Federal spending authority for 3.00 FTE firefighters at the Great Falls base ◦ General fund and federal special revenue for 1.00 FTE for an Integrated Engineering Management (IEMS) administrator ◦ General fund and federal special revenue for 1.00 FTE for a heating, ventilation, and air conditioning (HVAC)/plumber

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	41.00	41.00	46.00	46.00
Personal Services	3,173,081	3,250,458	3,354,629	3,768,721	3,792,419
Operating Expenses	1,678,261	1,809,074	1,869,173	1,906,979	1,901,539
Total Expenditures	\$4,851,342	\$5,059,532	\$5,223,802	\$5,675,700	\$5,693,958
General Fund	371,121	375,523	425,740	428,846	427,860
Federal Spec. Rev. Funds	4,480,221	4,684,009	4,798,062	5,246,854	5,266,098
Total Funds	\$4,851,342	\$5,059,532	\$5,223,802	\$5,675,700	\$5,693,958
Total Ongoing	\$4,851,342	\$5,059,532	\$5,223,802	\$5,675,700	\$5,693,958
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Air National Guard Program expended 95.9% of its \$5.1 million HB 2 modified budget in FY 2018, which was at a reasonable level for fiscal year end. Expenditures for personal services and operating expenses for the division were also within the anticipated range for the fiscal year.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Air National Guard Program are approximately \$164,000 or 3.2% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling approximately \$76,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$43,000
- SB 294 pay plan increase of about \$22,000 in FY 2019
- An increase in federal funding for firefighter FLSA salaries and benefits in FY 2019, an amount of about \$8,000
- Differences in the statewide present law adjustments and workers' compensation adjustments for FY 2018 and FY 2019, totaling \$17,000

Executive Request

The Air National Guard Program budget proposed by the executive is \$1.1 million or 10.6% greater than the 2019 biennium budget.

Personal services were \$3.4 million or 64.2% of total FY 2019 appropriations. The executive proposes changes in general fund and federal special revenue, totaling an increase of approximately \$414,000 in FY 2020 and \$438,000 in FY 2021. This increase is primarily due to present law adjustments for fire FLSA salaries and new proposals for additional FTE. These new positions include 1.00 FTE for an Integrated Engineering Management (IEMS) administrator, 1.00 FTE for an HVAC/plumber, and 3.00 FTE for Air National Guard firefighters. These increases are partially offset by a decrease from the statewide present law adjustment for personal services. These changes will be discussed in detail in the Program Personal Services, Present Law Adjustments, and New Proposals sections below.

Operating expenses were approximately \$1.9 million or 35.8% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$38,000 in FY 2020 and \$32,000 in FY 2021. This increase is primarily due to statewide present law adjustments for fixed costs and other present law adjustments for natural gas maintenance. These changes will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$3.4 million or 64.2% of total FY 2019 appropriations for the Air National Guard Program. In addition to the increase related to the addition of 5.00 new FTE, the executive proposes a statewide present law decrease of approximately \$435,000 in FY 2020 and a decrease of \$431,000 in FY 2021. In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions and the proposed reinstatement of personal services.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session
- Decreases due to the removal of funding for overtime pay for Air National Guard firefighters from the base budget. Funding for this overtime pay is instead included in the budget request as a present law adjustment and will be discussed in detail in the Present Law Adjustments section

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 13-Air National Guard Pgm Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	856,706	0	0	0	856,706	7.54 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03453 Air National Guard	10,512,952	0	0	0	10,512,952	100.00 %	
Federal Special Total	\$10,512,952	\$0	\$0	\$0	\$10,512,952	92.46 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$11,369,658	\$0	\$0	\$0	\$11,369,658		

HB 2 Funding

The Montana Air National Guard is predominately funded through federal funds. General fund supports some building and ground maintenance activities, a portion of administrative expenses, and a portion of the personal services costs.

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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	425,740	425,740	851,480	99.39 %	5,223,802	5,223,802	10,447,604	91.89 %
SWPL Adjustments	(29,415)	(30,331)	(59,746)	(6.97)%	(432,036)	(434,378)	(866,414)	(7.62)%
PL Adjustments	0	0	0	0.00 %	566,075	587,591	1,153,666	10.15 %
New Proposals	32,521	32,451	64,972	7.58 %	317,859	316,943	634,802	5.58 %
Total Budget	\$428,846	\$427,860	\$856,706		\$5,675,700	\$5,693,958	\$11,369,658	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(30,421)	0	(404,165)	(434,586)	0.00	(30,204)	0	(401,284)	(431,488)
DP 2 - Fixed Costs	0.00	1,006	0	1,544	2,550	0.00	(127)	0	(2,763)	(2,890)
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
DP 1301 - ANG Fire FLSA Salaries	0.00	0	0	530,819	530,819	0.00	0	0	552,335	552,335
DP 1303 - ANG Natural Gas Maint	0.00	0	0	35,256	35,256	0.00	0	0	35,256	35,256
Grand Total All Present Law Adjustments	0.00	(\$29,415)	\$0	\$163,454	\$134,039	0.00	(\$30,331)	\$0	\$183,544	\$153,213

*"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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

DP 1301 - ANG Fire FLSA Salaries -

The executive requests federal spending authority for firefighter Fair Labor Standards Act salaries and benefits that exceed those of a traditional FTE, due to the 24/7 nature of the Fire Protection Services at Montana Air National Guard. Hours over 2080 per FTE and overtime costs are not captured in the personal services snapshot used for initial budget preparation. Each biennium this federal authority is requested through the budget process.

DP 1303 - ANG Natural Gas Maint -

The executive requests federal spending authority to cover existing natural gas maintenance costs Montana Air National Guard now pays after privatization of natural gas systems. After feasibility studies of cost effectiveness and risk reduction, the federal government transferred ownership of aging natural gas systems at Montana Air National Guard to Energy West, while retaining 100% federally funded maintenance costs borne by the Air Force/Air Guard.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1304 - IEMS Administrator	1.00	15,136	0	45,410	60,546	1.00	15,094	0	45,281	60,375
DP 1305 - HVAC/Plumber	1.00	17,385	0	52,160	69,545	1.00	17,357	0	52,018	69,375
DP 1306 - ANG New Firefighters	3.00	0	0	187,768	187,768	3.00	0	0	187,193	187,193
Total	5.00	\$32,521	\$0	\$285,338	\$317,859	5.00	\$32,451	\$0	\$284,492	\$316,943

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

DP 1304 - IEMS Administrator -

The executive requests general fund and federal special revenue for 1.00 FTE for an Integrated Engineering Management (IEMS) software administrator. This position would include management of the compliance of auditable records for the various federal and state software required in the Montana Air National Guard civil engineers section, including state SABHRS accounts payable, federal IEMS, and Defense Enterprise Accounting Management (DEAMS) systems. Compliance in these systems is required to receive cooperative agreement funding and is authorized by the 2014 federal manning document for Facilities Operations Cooperative Agreement State manning. The cost of the position would be split 25% state and 75% federal.

DP 1305 - HVAC/Plumber -

The executive requests general fund and federal special revenue for 1.00 FTE for a heating, ventilation, and air conditioning (HVAC)/plumber employee at Montana Air National Guard to rectify a critical manning shortage and avoid retention and safety issues. The federal manning document for Montana Air National Guard state workers authorizes a minimum of three workers for the plumbing-HVAC-DDC-utilities area, while Montana Air National Guard employs only two workers. The cost of the position would be split 25% state and 75% federal.

DP 1306 - ANG New Firefighters -

The executive requests federal spending authority for 3.00 FTE for additional firefighters at the Montana Air National Guard base on Gore Hill, next to the Great Falls International Airport. This cooperative agreement request is authorized by the federal government and would be funded by the National Guard Bureau, in support of the Montana Air National Guard's federal C-130 military mission and joint use requirements with the Great Falls Airport.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	3,384,305	3,894,176	509,871	15.07 %
Operating Expenses	2,458,063	2,747,433	289,370	11.77 %
Grants	23,051,863	23,552,602	500,739	2.17 %
Transfers	5,045,210	5,045,210	0	0.00 %
Total Expenditures	\$33,939,441	\$35,239,421	\$1,299,980	3.83 %
General Fund	2,250,847	2,800,167	549,320	24.41 %
State/Other Special Rev. Funds	113,318	413,318	300,000	264.74 %
Federal Spec. Rev. Funds	31,575,276	32,025,936	450,660	1.43 %
Total Funds	\$33,939,441	\$35,239,421	\$1,299,980	3.83 %
Total Ongoing	\$33,939,441	\$35,239,421	\$1,299,980	3.83 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Disaster and Emergency Services Division (DES) is responsible for the coordination, development and implementation of emergency management planning, mitigation, response, and recovery statewide. This responsibility includes the administration and disbursement of federal Homeland Security and Emergency Management funds to eligible political subdivisions and tribal nations across the state. The division maintains a 24 hour a day point of contact to coordinate the volunteer, state, and federal response for assistance to political subdivisions and tribal nations in the event of an incident, emergency, or disaster. The division duties and responsibilities are provided for under Title 10, Chapter 3, MCA.

Program Highlights

Disaster and Emergency Services Major Budget Highlights
<ul style="list-style-type: none"> • The Disaster and Emergency Services' 2021 biennium budget request is approximately \$1.3 million or 3.8% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Increases in general fund and federal special revenue to cover state motorpool costs ◦ Increases in state special revenue funding for search and rescue operations ◦ General fund increases for duty officer overtime pay ◦ General fund and federal special revenue funding for 1.00 FTE for a recovery coordinator
LFD Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$42,000 each year

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	22.89	22.89	23.89	23.89
Personal Services	1,740,941	1,742,543	1,641,762	1,946,405	1,947,771
Operating Expenses	496,777	1,217,874	1,240,189	1,378,556	1,368,877
Grants	7,645,969	11,425,562	11,626,301	11,776,301	11,776,301
Transfers	442,168	2,522,605	2,522,605	2,522,605	2,522,605
Total Expenditures	\$10,325,855	\$16,908,584	\$17,030,857	\$17,623,867	\$17,615,554
General Fund	1,051,446	1,085,191	1,165,656	1,402,163	1,398,004
State/Other Special Rev. Funds	41,115	56,659	56,659	206,659	206,659
Federal Spec. Rev. Funds	9,233,294	15,766,734	15,808,542	16,015,045	16,010,891
Total Funds	\$10,325,855	\$16,908,584	\$17,030,857	\$17,623,867	\$17,615,554
Total Ongoing	\$10,325,855	\$16,908,584	\$17,030,857	\$17,623,867	\$17,615,554
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

Disaster and Emergency Services expended 61.1% of its \$16.9 million HB 2 modified budget for FY 2018. The lower percentage expended is due to the department receiving authority for federal grants which are expended over several fiscal years, resulting in expenditures for FY 2018 which are much lower than the budgeted amount.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for Disaster and Emergency Services are approximately \$122,000 or 0.7% higher than the FY 2018 total appropriation. Major changes include:

- State share contribution reductions for FY 2018, totaling approximately \$46,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$42,000
- SB 294 pay plan increase of about \$10,000 in FY 2019
- Differences in the November 2017 Special Session reductions, totaling \$14,000
- A decrease in the statewide present law adjustments in FY 2019, totaling \$5,000

Executive Request

Disaster and Emergency Services budget proposed by the executive is \$1.3 million or 3.8% greater than the 2019 biennium budget.

Personal services were \$1.6 million or 9.6% of total FY 2019 appropriations. The executive proposes changes in general fund and federal special revenue, totaling an increase of approximately \$305,000 in FY 2020 and \$306,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for personal services and new proposals for duty officer overtime and a position for a recovery coordinator. These changes will be discussed in detail in the Program Personal Services and New Proposals sections below.

Operating expenses were approximately \$1.2 million or 7.3% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$138,000 in FY 2020 and \$129,000 in FY 2021. This increase is primarily due to statewide present law adjustments for fixed costs and a new proposal for motorpool funding. These changes will be discussed in detail in the Present Law Adjustments and New Proposals sections below.

Program Personal Services

Personal services were \$1.6 million or 9.6% of total FY 2019 appropriations for Disaster and Emergency Services. In addition to the increase related to 2.00 new FTE, the executive proposes a statewide present law increase of approximately \$204,000 in FY 2020 and an increase of \$205,000 in FY 2021. In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions, the proposed reinstatement of personal services, and modifications to the personal services base budget.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

The modification to the personal services base budget is due to reductions approved during the November 2017 Special Session that were applied to personal services. These reductions were restored to operating expenses, which has increased the statewide present law adjustment for personal services.

**LFD
ISSUE**

Restoring Operating Expenses Instead of Personal Services Appropriations Increases 2021 Budget

In FY 2019, Disaster and Emergency Services eliminated approximately \$42,000 in personal services as part of its reductions required by the November 2017 Special Session.

When the appropriation authority for these funds was restored through SB 9, the funding was included as operating expenses rather than personal services. Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since Disaster and Emergency Services did not reduce FTE along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium. As a result Disaster and Emergency Services has a base budget \$42,000 higher than it would have been, had the restoration been made to personal services instead of operating expenses.

Legislative options:

- Reduce personal services funding to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses by the amount restored
- Adopt the executive proposal for increased personal services

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 21-Disaster & Emergency Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,800,167	0	0	0	2,800,167	7.95 %
02156 SAR DES DFWP Fees	139,832	0	0	0	139,832	33.83 %
02170 SAR DES Off Road Vehicle	264,284	0	0	0	264,284	63.94 %
02335 DES Training Conference	9,202	0	0	0	9,202	2.23 %
State Special Total	\$413,318	\$0	\$0	\$0	\$413,318	1.17 %
03134 DES Emergency Mgmt Perf 97.042	10,180,156	0	0	0	10,180,156	31.79 %
03143 DES Homeland Security 97.067	15,316,406	0	0	0	15,316,406	47.82 %
03166 DES Hazard Mitigation 97.039	2,600,306	0	0	0	2,600,306	8.12 %
03191 DES Pre-Disaster Mit 97.047	2,707,068	0	0	0	2,707,068	8.45 %
03208 DES Hazardous Materials 20.703	360,000	0	0	0	360,000	1.12 %
03239 DES Flood Mitigation 97.029	862,000	0	0	0	862,000	2.69 %
03140 Disaster Legal Service 97.033	0	0	0	0	0	0.00 %
Federal Special Total	\$32,025,936	\$0	\$0	\$0	\$32,025,936	90.88 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$35,239,421	\$0	\$0	\$0	\$35,239,421	

HB 2 Funding

Funding for Disaster and Emergency Services is broken down primarily into three functional areas:

- Administration and coordination
- Search and rescue
- Grant programs

Administrative and coordinative functions are primarily funded with 50% state general fund and 50% federal funds. Disaster coordination functions are typically funded 100% with federal funds. Search and rescue activities are funded through state special revenue funds derived from surcharges on conservation licenses and off-road vehicle licenses. Grant activities

typically utilize federal funds. The amount of this funding budgeted in HB 2 can vary greatly depending on the federal source and available amounts known at the time of budget submission.

Statutory Funding

The Governor is also provided a number of statutory appropriations in the event of a declared emergency or disaster. The most notable of these is the authority to authorize up to \$16.0 million for disaster relief. These expenditures are authorized through executive orders.

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 section of the Budget Analysis.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	1,165,656	1,165,656	2,331,312	83.26 %	17,030,857	17,030,857	34,061,714	96.66 %	
SWPL Adjustments	142,003	137,667	279,670	9.99 %	284,004	275,334	559,338	1.59 %	
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %	
New Proposals	94,504	94,681	189,185	6.76 %	309,006	309,363	618,369	1.75 %	
Total Budget	\$1,402,163	\$1,398,004	\$2,800,167		\$17,623,867	\$17,615,554	\$35,239,421		

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	101,785	0	101,786	203,571	0.00	102,290	0	102,290	204,580
DP 2 - Fixed Costs	0.00	40,075	0	40,073	80,148	0.00	35,200	0	35,200	70,400
DP 3 - Inflation Deflation	0.00	143	0	142	285	0.00	177	0	177	354
Grand Total All Present Law Adjustments	0.00	\$142,003	\$0	\$142,001	\$284,004	0.00	\$137,667	\$0	\$137,667	\$275,334

**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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2101 - Motorpool funding	0.00	28,967	0	28,967	57,934	0.00	28,967	0	28,967	57,934
DP 2102 - Search and Rescue Funding	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 2104 - Recovery Coordinator	1.00	35,537	0	35,535	71,072	1.00	35,714	0	35,715	71,429
DP 2105 - DES Duty Officer Overtime	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000
Total	1.00	\$94,504	\$150,000	\$64,502	\$309,006	1.00	\$94,681	\$150,000	\$64,682	\$309,363

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

DP 2101 - Motorpool funding -

The executive requests ongoing general fund and federal special revenue for motorpool funding. The Disaster and Emergency Services Division has been able to use the United States General Services Administration (GSA) vehicles in the past, but those vehicles were required to be returned to the GSA facility. Due to the change in the budget starting point, costs of switching to using the state motorpool were not included in the base budget.

DP 2102 - Search and Rescue Funding -

The executive requests state special revenue authority in order to provide Search and Rescue grant funding. Due to the shift in reimbursement requests for search and rescue missions, the executive requests grant funding from a portion of off-road vehicle fees collected by the Department of Fish, Wildlife, and Parks. The reimbursement funding source would be based on what the type of search and rescue mission. Search and Rescue missions involving hunting, fishing, or trapping would be funded with Fish, Wildlife, and Parks fees. Search and Rescue missions involving hiking, boating, and other activities would be funded with the motor vehicle account.

DP 2104 - Recovery Coordinator -

The executive requests general fund and federal special revenue to fund 1.00 FTE for a recovery coordinator in the Montana Disaster and Emergency Services Division. The position would include mitigating anticipated weaknesses, developing plans to effectively respond when an incident occurs, and helping communities recover from disasters by repairing public infrastructure to a pre-disaster condition.

DP 2105 - DES Duty Officer Overtime -

The executive requests general fund for duty officer overtime pay. The duty officer program assists local jurisdictions in assessing the impact of incidents and identifying resources to minimize the impact to communities.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	3,359,620	3,730,025	370,405	11.03 %
Operating Expenses	458,245	739,180	280,935	61.31 %
Total Expenditures	\$3,817,865	\$4,469,205	\$651,340	17.06 %
General Fund	2,214,329	2,664,995	450,666	20.35 %
State/Other Special Rev. Funds	1,603,536	1,804,210	200,674	12.51 %
Total Funds	\$3,817,865	\$4,469,205	\$651,340	17.06 %
Total Ongoing	\$3,617,865	\$4,469,205	\$851,340	23.53 %
Total OTO	\$200,000	\$0	(\$200,000)	(100.00)%

Program Description

The Veterans' Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City, Fort Harrison in Helena, and Missoula. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs, and operates under a state mandate provided in Title 10, Chapter 2, MCA.

Program Highlights

Veterans' Affairs Division Major Budget Highlights
<ul style="list-style-type: none"> • The Veterans' Affairs Division's 2021 biennium budget request is approximately \$651,000 or 17.1% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in general fund and state special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Requested state special revenue from patriotic license plates
LFD Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$68,000 each year • The executive is requesting state special revenue funds from the patriotic license plate fee account in order to support veterans' outreach services. However, this state special revenue account may not have a sufficient fund balance to support a new appropriation

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	25.09	25.09	25.09	25.09
Personal Services	1,589,214	1,666,729	1,692,891	1,864,652	1,865,373
Operating Expenses	178,188	199,838	258,407	370,444	368,736
Total Expenditures	\$1,767,402	\$1,866,567	\$1,951,298	\$2,235,096	\$2,234,109
General Fund	1,007,934	1,033,506	1,180,823	1,332,846	1,332,149
State/Other Special Rev. Funds	759,468	833,061	770,475	902,250	901,960
Total Funds	\$1,767,402	\$1,866,567	\$1,951,298	\$2,235,096	\$2,234,109
Total Ongoing	\$1,683,466	\$1,716,567	\$1,901,298	\$2,235,096	\$2,234,109
Total OTO	\$83,936	\$150,000	\$50,000	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Veterans' Affairs Division expended 94.7% of its \$1.9 million HB 2 modified budget in FY 2018, which is at a reasonable level for the fiscal year. Operating expenses were under-expended at the end of FY 2018, due to lower expenditures out of the patriotic license plate fee state special revenue account.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Veterans' Affairs Division are approximately \$85,000 or 4.5% higher than the FY 2018 total appropriation.

There were several increases in the difference between the FY 2018 and FY 2019 appropriations due to:

- State share contribution reductions for FY 2018, totaling approximately \$55,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$118,000
- SB 294 pay plan increase of about \$11,000 in FY 2019

There was also a decrease in the difference between the FY 2018 and FY 2019 appropriations due to:

- A biennial appropriation of \$100,000 recorded in FY 2018

Executive Request

The Veterans' Affairs Division budget proposed by the executive is \$651,000 or 17.1% greater than the 2019 biennium budget.

Personal services were \$1.7 million or 86.8% of total FY 2019 appropriations. The executive proposes changes in general fund and state special revenue, totaling an increase of approximately \$172,000 in both FY 2020 and FY 2021. This increase is primarily due to the statewide present law adjustment for personal services, but is partially offset by \$50,000 of expiring one-time-only funding for the veterans' service account. These statewide present law adjustments will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$258,000 or 13.2% of total FY 2019 appropriations. The executive proposes an increase in general fund and state special revenue, totaling approximately \$112,000 in FY 2020 and \$110,000 in FY 2021. This increase is primarily due to statewide present law adjustments for fixed costs and inflation/deflation and a new proposal for patriotic license plate funding. These changes will be discussed in detail in the Present Law Adjustments and New Proposals sections below.

Program Personal Services

Personal services were \$1.7 million or 86.8% of total FY 2019 appropriations for the Veterans' Affairs Division. In addition to decreases related to expiring one-time-only funding for the veterans' service account, the executive proposes a statewide present law increase of approximately \$222,000 for both FY 2020 and FY 2021. In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions, the proposed reinstatement of personal services, and modifications to the personal services base budget.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

The modifications to the personal services base budget include one executive modification moving authority from operating expenses to personal services. Additionally, reductions approved during the November 2017 Special Session that were applied to personal services were restored to operating expenses. Together, these two modifications have increased the personal services base budget by approximately \$68,000.

**LFD
ISSUE**

Restoring Operating Expenses Instead of Personal Services Appropriations Increases 2021 Budget

In FY 2019, the Veterans’ Affairs Division eliminated approximately \$117,000 in personal services as part of its reductions required by the November 2017 Special Session and through increased personal services authority from transferring \$49,000 from operating expenses into personal services. These changes resulted in a total modification of personal services of \$68,000.

When the appropriation authority for these funds was restored through SB 9, the funding was included as operating expenses rather than personal services. Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Veterans’ Affairs Division did not reduce FTE along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium. As a result, the Veterans’ Affairs Division has a base budget \$68,000 higher than it would have been, had the restoration been made to personal services instead of operating expenses.

Legislative options:

- Reduce personal services funding to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses by the amount restored
- Adopt the executive proposal for increased personal services

Funding

The following table shows proposed program funding by source of authority.

Department of Military Affairs, 31-Veterans Affairs 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	2,664,995	0	0	0	2,664,995	44.01 %	
02214 Veterans Affairs Cemeteries	0	0	0	1,586,502	1,586,502	46.79 %	
02222 Patriotic License Plate Fees	400,000	0	0	0	400,000	11.80 %	
02548 Veterans Affairs SB401	1,404,210	0	0	0	1,404,210	41.41 %	
State Special Total	\$1,804,210	\$0	\$0	\$1,586,502	\$3,390,712	55.99 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,469,205	\$0	\$0	\$1,586,502	\$6,055,707		

HB 2 Funding

General Fund

- General fund is used to support functions throughout the program

State Special Revenue

- The Veterans Affairs SB 401 fund was created by the legislature during the 2003 regular session in SB 401, which allocated proceeds from the sale of veterans’ specialty license plates
- In addition to the revenue received from the sale of some specialty license plates, this fund and the Veterans’ Affairs Cemeteries fund receive a portion of all of the motor vehicle registration revenue that is deposited in the general fund each year. The 2013 Legislature increased the percentage of motor vehicle fees into this fund from 0.64% to 0.81%

- The State Veterans’ Cemeteries Program statutory funding includes revenue derived primarily from cemetery donations and plot allowances. The Patriotic License Plate fund receives revenue from a \$15 surcharge on original licensing and renewal of patriotic license plates issued in Montana

Statutory Funding

The Veterans’ Affairs Division has a statutory appropriation for the operation of the Montana Veterans’ Cemetery Program. The state special revenue funds are generated from cemetery plot allowances and donations.

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 section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,180,823	1,180,823	2,361,646	88.62 %	1,901,298	1,901,298	3,802,596	85.08 %
SWPL Adjustments	152,023	151,326	303,349	11.38 %	233,798	232,811	466,609	10.44 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	100,000	100,000	200,000	4.48 %
Total Budget	\$1,332,846	\$1,332,149	\$2,664,995		\$2,235,096	\$2,234,109	\$4,469,205	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	144,145	77,616	0	221,761	0.00	144,613	77,869	0	222,482
DP 2 - Fixed Costs	0.00	5,502	2,879	0	8,381	0.00	3,765	2,028	0	5,793
DP 3 - Inflation Deflation	0.00	2,376	1,280	0	3,656	0.00	2,948	1,588	0	4,536
Grand Total All Present Law Adjustments	0.00	\$152,023	\$81,775	\$0	\$233,798	0.00	\$151,326	\$81,485	\$0	\$232,811

***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:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3101 - Patriotic License Plate	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
Total	0.00	\$0	\$100,000	\$0	\$100,000	0.00	\$0	\$100,000	\$0	\$100,000

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

DP 3101 - Patriotic License Plate -

The executive requests ongoing funding from the patriotic license plate state special revenue account. This funding would support the division's outreach services program and would fund veterans service officer training, field office operations, and servicing facilities' upkeep, functionality, and leasing expenses. The revenue for this account is derived from the issuance of patriotic vehicle license plates and is dedicated to veterans' services by 10-2-114, MCA.

LFD ISSUE	<p><u>Account May Not Have a Sufficient Fund Balance to Support a New Appropriation</u></p> <p>The patriotic license plate fee account is a state special revenue account intended for use of the Board of Veteran's Affairs and its purposes. Funds may be used to advocate for fair treatment of veterans, development of a services and benefits directory, assist with health screenings and treatments related to depleted uranium exposure, maintain a website, seek grants to help fund veterans' programs, and otherwise promote general welfare of veterans and their families.</p> <p>Based on the projected revenues and expenditures, the patriotic license plate fee account may not have a sufficient fund balance to support a new appropriation for veterans' outreach services. The figure below shows the revenues, expenditures, and fund balance for the account for the 2019 and 2021 biennia.</p>
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Figure 3

Department of Military Affairs Patriotic License Plate Fee Account (02222)				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Beginning Fund Balance	\$162,995	\$118,264	\$25,455	(\$102,266)
Revenues				
Licenses and Permits	90,080	72,279	72,279	72,279
Charges for Services	-	-	-	-
Total Revenues	90,080	72,279	72,279	72,279
HB 2 Budgeted Expenditures				
Personal Services	-	-	-	-
Operating Expenses	134,811	165,088	200,000	200,000
Total Expenditures	134,811	165,088	200,000	200,000
Adjustments	-	-	-	-
Ending Fund Balance	\$118,264	\$25,455	(\$102,266)	(\$229,987)

Legislative Options:

- Reduce expenditures from the patriotic license plate fee account
- Adopt the executive proposal for the new appropriation