

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	6,489,777	7,496,032	1,006,255	15.51 %
Operating Expenses	1,157,223	2,194,755	1,037,532	89.66 %
Debt Service	12,160	12,160	0	0.00 %
Total Expenditures	\$7,659,160	\$9,702,947	\$2,043,787	26.68 %
State/Other Special Rev. Funds	7,312,620	9,156,275	1,843,655	25.21 %
Federal Spec. Rev. Funds	346,540	546,672	200,132	57.75 %
Total Funds	\$7,659,160	\$9,702,947	\$2,043,787	26.68 %
Total Ongoing	\$7,659,160	\$9,702,947	\$2,043,787	26.68 %
Total OTO	\$0	\$0	\$0	0.00 %

Mission Statement

The mission statement of the Public Service Commission (PSC) is to fairly balance the long-term interests of Montana utility and transportation companies and the customers they serve.

There is additional, more detailed information about the PSC in the agency profile. The profile may be viewed at: <https://leg.mt.gov/content/Publications/fiscal/BA-2021/Section-D/Agency-Profiles/4201-PSC.pdf>

Agency Highlights

Public Service Commission Major Budget Highlights
<ul style="list-style-type: none"> • The Public Service Commission's 2021 biennium budget is 26.7% or \$2.0 million higher than the 2019 biennium budget. Significant changes for the 2021 biennium include: <ul style="list-style-type: none"> ◦ Requests for 1.00 FTE for an attorney and 2.00 FTE for utility rate analysts would add nearly \$0.6 million in state special revenue ◦ Restoration of funding associated with a transfer of state special revenue to the general fund during the November 2017 Special Session would add about \$0.5 million ◦ A request for funding for contracted services would add \$0.5 million in state special revenue
LFD Issues
<ul style="list-style-type: none"> • Eliminating debt service appropriation that is not required could reduce costs to regulated companies • Contingency funding for unanticipated cases could be considered for restricted funding or one-time-only designations

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	35.00	35.00	38.00	38.00
Personal Services	3,114,871	3,193,839	3,295,938	3,747,701	3,748,331
Operating Expenses	842,450	783,807	373,416	1,109,225	1,085,530
Debt Service	0	6,080	6,080	6,080	6,080
Total Expenditures	\$3,957,321	\$3,983,726	\$3,675,434	\$4,863,006	\$4,839,941
State/Other Special Rev. Funds	3,784,114	3,810,522	3,502,098	4,589,670	4,566,605
Federal Spec. Rev. Funds	173,207	173,204	173,336	273,336	273,336
Total Funds	\$3,957,321	\$3,983,726	\$3,675,434	\$4,863,006	\$4,839,941
Total Ongoing	\$3,957,321	\$3,983,726	\$3,675,434	\$4,863,006	\$4,839,941
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

FY 2018 Appropriated Compared to FY 2018 Actual Expenditures

Total expenditures for the PSC were \$4.0 million, or 99.3% of the FY 2018 appropriation. Personal services were below the HB 2 FY 2018 budget by \$79,000 or 2.5%, mainly due to staff turnover. Three positions were partially vacant during FY 2018, with two others filled at a lower salary than the previous incumbents.

Operating expenses were above HB 2 appropriations by \$58,640 or 7.0% due to increased costs for state information technology services related to application development for a calendaring system, a new website, and a case management system.

FY 2018 Appropriations Compared to FY 2019 Appropriations

The FY 2019 appropriation for personal services is \$102,099 or 3.2% higher than the FY 2018 appropriation due to:

- A 1.0% pay plan increase provided by the 2017 Legislature effective the middle of February 2019
- Increased funding for retirement as required by statute
- Reductions to the employer contribution for the state employee group benefit plan in FY 2018

The FY 2019 appropriation for operating expenses is \$410,391 or 52.4% lower than the FY 2018 appropriation. One reason for the decrease was that in FY 2018 \$316,000 was included in information technology services fixed costs for the application development of a case management system, new website, and a calendaring system. Funding for the application development was not included in the FY 2019 appropriations and is not needed beyond the 2019 biennium.

In addition, during the November 2017 Special Session operating expenses were reduced by \$248,000. This reduction resulted in a double impact as a transfer was also approved, which would not have impacted the overall appropriation. In most agency budgets, in order to recognize other savings due to a transfer, appropriations are also reduced. However, due to the nature of the state special revenue fund in PSC (see funding section) this reduction further impacted the agency budget. See new proposal DP 6 for further narrative.

LFD COMMENT	The PSC has indicated that the 31.6% reduction in operating expenses resulting from November 2017 Special Session changes in FY 2019 is not sustainable.
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Comparison of FY 2019 Legislative Budget to FY 2019 Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature, plus modifications done by the executive (and authorized in statute) during the interim, and the finalized 2019 Base Budget. The 2019 Base Budget was agreed upon by the Legislative Finance Committee and the executive as a measuring point to start the 2021 biennium budgeting process.

Figure 1

FY 2019 Legislative Appropriations - Public Service Commission				
	Legislative Action	Executive Modifications	Executive Base	% Change from Legislative Action
01 Public Service Commission				
61000 Personal Services	\$3,295,938	\$0	\$3,295,938	0.00%
62000 Operating Expenses	373,416	0	373,416	0.00%
69000 Debt Service	<u>6,080</u>	<u>0</u>	<u>6,080</u>	<u>0.00%</u>
Program Total	3,675,434	0	3,675,434	0.00%
Grand Total	\$3,675,434	\$0	\$3,675,434	0.00%

As reflected above, the PSC did not have any modifications to the FY 2019 legislative appropriation in HB 2. The PSC is funded with state and federal special revenue and as such was not included for general fund restoration in SB 9.

Executive Request

The executive proposes a 26.7% increase in total funding when compared to the 2019 biennium. Increases include:

- Personal services increases include adjustments calculated in the statewide present law adjustment and three new positions for an attorney and two utility rate analysts
- Operating expenses increases include additional funding for fixed costs, inflation, pipeline safety inspections, and a contingency for consulting related to litigation
- Reinstatement of operating authority reduced in the November 2017 Special Session that was not restored by SB 9. SB 9 only restored general fund

**LFD
ISSUE**Eliminating Debt Service Appropriation That Is Not Required Could Reduce Costs to Regulated Companies

As reflected in the Agency Actuals and Budget Comparison table on the previous page, the funding of \$6,080 in debt service transfers is requested in each year of the 2021 biennium. According to the PSC, a lease for copiers has expired and the PSC now rents the copiers at the cost of \$4,960 a year. The PSC will not have debt service payments in FY 2019, FY 2020, or FY 2021 as a result. Eliminating appropriations for debt service payments in the 2021 biennium would reduce appropriations thereby reducing the fees levied against regulated companies. The amount of the current rental cost of the copier at \$4,960 per year should be shifted into operating expenses.

Legislative options:

- Eliminate funding for debt service payments that are not required in the 2021 biennium and increase operating expenses by \$4,960. Shifting the cost of the rental for copiers to operating expenses will reduce the funding required to support the activities of the PSC by \$2,240 over the biennium
- Approve the request, allowing the agency to rebuild a balance depleted by the November 2017 Special Session

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2019 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix. The PSC had no funding from the general fund. The 5.0% plan reduction in state special revenue is \$189,156 per year. Reductions proposed would be taken in operating expenses for consulting services, supplies and materials, communications, travel, and subscriptions.

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 Figure shows the analysis of the proposed changes.

Figure 2

"Public Service Commission" DP1 Personal Services Present Law Request by Program					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 PUBLIC SERVICE COMMISSION	55,613	55,873	(10,000)	-	101,486
Agency Total	\$55,613	\$55,873	(\$10,000)	\$0	\$101,486

Personal services were \$3.3 million or 89.7% of total FY 2019 base appropriations. The executive proposes an increase of nearly \$1.0 million for the 2021 biennium that includes a statewide present law adjustment of \$204,338 and new proposals of \$569,818, which would add 3.00 FTE. Changes included as part of the statewide present law adjustment are highlighted in Figure 2. Management decisions includes increases in salaries for staff completion of training assignments and career ladder promotions.

Funding

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

Total Public Service Commission Funding by Source of Authority 2021 Biennium Budget Request - Public Service Commission						
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	9,156,275	0	0	0	9,156,275	94.37 %
Federal Special Total	546,672	0	0	0	546,672	5.63 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$9,702,947	\$0	\$0	\$0	\$9,702,947	
Percent - Total All Sources	100.00 %	0.00 %	0.00 %	0.00 %		

The PSC is funded by a combination of state and federal special revenue. State special revenue comprises 94.4% of the PSC funding in the 2021 biennium. In FY 2020 state special revenue would increase by nearly \$1.1 million or 31.1% when compared to the FY 2019 base budget. The majority of the state special revenue is derived from a fee that is levied on regulated companies. The amount of the fee is based on the level of funding appropriated by the legislature for a specific fiscal year and the percentage of the gross operating revenue from all activities regulated by the PSC for the calendar quarter of operation as outlined in 69-1-402, MCA.

Figure 3 shows the state special revenue for this account.

Figure 3

Public Service Commission Statement of Revenues, Expenditures, and Changes in Fund Balance FY 2016 through FY 2021						
	Actual FY 2016	Actual FY 2017	Actual FY 2018	Appropriated FY 2019	Proposed FY 2020	Proposed FY 2021
Beginning Fund Balance	\$1,722,755	\$1,036,017	\$2,214,796	\$1,941,103	\$506,093	\$506,087
Revenue	2,950,961	4,773,969	4,033,088	2,210,144	4,863,000	4,840,000
Expenditures						
Personal Services	2,979,378	2,835,951	2,964,281	3,265,658	3,747,701	3,748,331
Operating Expenses	652,570	747,690	1,065,536	373,416	1,109,225	1,085,530
Capital Outlay	(323)	0	0	0	0	0
Transfers Out	0	0	276,964	0	0	0
Debt Service	6,075	0	0	6,080	6,080	6,080
Total Expenditures	3,637,700	3,583,641	4,306,781	3,645,154	4,863,006	4,839,941
Adjustments	1	(11,549)	0	0	0	0
Ending Fund Balance	\$1,036,017	\$2,214,796	\$1,941,103	\$506,093	\$506,087	\$506,146

As reflected above, the proposed budget for the 2021 biennium reduces the fund balance to \$0.5 million by the end of the biennium.

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	0	0	0	0.00 %	3,675,434	3,675,434	7,350,868	75.76 %
SWPL Adjustments	0	0	0	0.00 %	226,875	204,546	431,421	4.45 %
PL Adjustments	0	0	0	0.00 %	675,420	675,420	1,350,840	13.92 %
New Proposals	0	0	0	0.00 %	285,277	284,541	569,818	5.87 %
Total Budget	\$0	\$0	\$0		\$4,863,006	\$4,839,941	\$9,702,947	

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	0	101,486	0	101,486	0.00	0	102,852	0	102,852
DP 2 - Fixed Costs	0.00	0	123,697	0	123,697	0.00	0	99,594	0	99,594
DP 3 - Inflation Deflation	0.00	0	1,692	0	1,692	0.00	0	2,100	0	2,100
DP 5 - Consulting Contingency	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 6 - Building Rent	0.00	0	225,420	0	225,420	0.00	0	225,420	0	225,420
DP 7 - Pipeline Safety	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 8 - Transportation Fees	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
Grand Total All Present Law Adjustments	0.00	\$0	\$802,295	\$100,000	\$902,295	0.00	\$0	\$779,966	\$100,000	\$879,966

*"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. The rates charged for these services are approved in the section of the budget for the programs that provide 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 within operating expenses. Affected accounts include food, postage, gasoline, and others.

DP 5 - Consulting Contingency -

The executive proposes additional operating expense appropriations in each fiscal year of the 2021 biennium to establish contingency funding for such items as outside counsel, consultants, or expert witnesses needed in litigation or other unanticipated cases. State special revenue provides the funding for the request.

**LFD
ISSUE**

Contingency Funding for Unanticipated Cases Could Be Considered for Restricted Funding or One Time Only

Since the funding associated with this request is for consultant costs for unanticipated cases that may not materialize, the legislature may want to discuss and control how this authority may be used to fund other areas of operations. The legislature may want to restrict the funding in any of the following ways:

Legislative options:

- Restrict the funding so it may be used only to fund costs for unanticipated cases
- Designate the funding as one-time-only so that future funding would need to be requested separate from the base

DP 6 - Building Rent -

The executive requests funding for rent to restore the appropriation reduction made when state special revenue was transferred to the general fund in HB 6 of the November 2017 Special Session.

DP 7 - Pipeline Safety -

The executive proposes additional federal special revenue spending authority of \$65,000 in additional personal services and \$35,000 in operating expenses in each fiscal year. The pipeline safety federal grant has been increased in recent years based on additional federal criteria being met, as well as an increase in the federal percentage share from 50% to 80%. The federal grant supports inspection of natural gas pipelines including construction, transmission integrity management, and operator qualification as well as other related activities.

DP 8 - Transportation Fees -

The executive proposes additional operating expenses authority for state special revenue established for fees collected through the Transportation Program. The purpose of the fees is to ensure that motor carriers pay to cover a portion of their regulatory costs.

**LFD
COMMENT**

The agency has asked for the authority to collect fees through the transportation program. As of December 2018, the agency has not completed the process to increase transportation fees. Transportation fees do not need to be written as a new proposal.

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
DP 9 - Attorney	1.00	0	114,457	0	114,457	1.00	0	114,154	0	114,154
DP 10 - Utility Rate Analyst	2.00	0	170,820	0	170,820	2.00	0	170,387	0	170,387
Total	3.00	\$0	\$285,277	\$0	\$285,277	3.00	\$0	\$284,541	\$0	\$284,541

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

DP 9 - Attorney -

The executive requests a personal services appropriation for 1.00 FTE for an attorney to address and process cases on the litigation and contested cases dockets.

DP 10 - Utility Rate Analyst -

The executive requests personal services funding for 2.00 FTE for utility rate analysts to address and process cases related to rates and other contested cases.

**LFD
COMMENT**

The executive requests funding to add 1.00 FTE for an attorney and 2.00 FTE for utility rate analysts to address and process contested case dockets. In the past 10 years, the number of utility case dockets has decreased from 151 dockets opened in FY 2008 to 81 dockets opened in FY 2018. In FY 2008 144 dockets were closed and in FY 2018 43 dockets were closed. Utility staff have a caseload of 200 open cases in FY 2018. Legal staff have a caseload of 140 open cases in FY 2018 including 15 cases which are open/pending ruling. In the 2015 and 2017 Legislative Sessions, personal services were reduced by 5.00 FTE total. In the 2015 Legislative Session, FTE was reduced from 40.00 FTE to 38.44 FTE. In the 2017 Legislative Session, FTE was reduced from 38.44 FTE to 35.00 FTE.

The executive requests an additional 2.00 FTE for utility rate analysts and 1.00 FTE for an attorney due to increased caseloads, staff turnover, and FTE loss in both 2015 and 2017. The agency has not been able to provide additional statistics to track staff hours by docket type other than anecdotal information provided.